

**KARL
MARX
FREDERICK
ENGELS**

**Collected
Works**



Volume 29
Marx: 1857 - 1861

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KARL MARX
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1857-1861

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TRANSLATORS:

VICTOR SCHNITTKE: Outlines of the Critique of Political Economy; Index to the 7 Notebooks

YURI SDOBNIKOV: The Original Text of the Second and the Beginning of the Third Chapter of *A Contribution to the Critique of Political Economy*; Additional Notes; Draft Plan of the Chapter on Capital; References to My Own Notebooks

Preface

Volume 29 of the *Collected Works* of Marx and Engels contains writings belonging to the cycle of Marx's economic works of 1857-1861. They include: the concluding part of the manuscript of 1857-58—*Outlines of the Critique of Political Economy (Rough Draft)*; *A Contribution to the Critique of Political Economy* and preparatory materials to it; two drafts of the *Index to the 7 Notebooks*; the original text of the second and the beginning of the third chapter of *A Contribution to the Critique of Political Economy*; a Draft Plan of the Chapter on Capital and the *References to My Own Notebooks*. Together with the manuscripts included in Volume 28 of the present edition these writings represent a definite stage in the shaping of Marxist political economy, a highly important preparatory period in the creation of Marx's main work, *Capital*.

The concluding part of the economic manuscript of 1857-58, with which the volume begins, embraces the end of the Chapter on Capital, namely the final subsections of Section Two, "Circulation Process of Capital", and Section Three, "Capital as Bearing Fruit. Interest. Profit. (Production Costs, etc.)", of which Marx only wrote the beginning. The seventh and last notebook of this manuscript also includes the "Addenda to the Chapters on Money and on Capital", which are very extensive and significant in content.

This part of the manuscript deals mainly with the circulation of capital. Marx's novel approach to this problem compared with the way in which it was dealt with by bourgeois economists is manifested first and foremost in his considering production and circulation of capital as a dialectical unity. The functioning of capital, he stresses, represents a continuous movement, a constant

transition from one state to another, a variation and change of form. "This change of form and substance is similar to that in an organic body" (see p. 51 of this volume).

In considering the circuit of capital, Marx traces the metamorphoses of its components: fixed capital (value of the instruments of production) and circulating capital (value of the raw materials and labour power). He shows that the first transfers its value to the product in parts, whereas the value of the second is reproduced in the product entirely. Taking these specifics into account, Marx establishes the relation between the time required for circulation and the time required for the production of the commodity, determines the effect of this relation on the rate of surplus value, and reveals other aspects of the law-governed connection between the various phases and forms of the movement of social capital.

In capital's circuit Marx singles out the exchange between capital and labour power, calling this the "lesser circulation". It is precisely at this stage that circulation of capital appears as an "exchange of equivalents which is posited in form, but actually supersedes itself, which posits itself as merely formal (the transition of value into capital, where the exchange of equivalents turns into its opposite and, on the basis of exchange, exchange becomes purely formal, AND THE MUTUALITY IS ALL ON ONE SIDE)... " (see p. 63). The very growth of capital, its valorisation, Marx again stresses, takes place in the sphere of exchange between capital and labour power through the appropriation of the surplus value produced by the worker. Exchange is here transformed into "the alienation of his labour" (see p. 64). For this reason Marx regards "lesser circulation" as the decisive link in capital's circuit, the link which determines all the others, as the substance of the whole process, the basic condition of the existence of the capitalist mode of production.

The specifics of capital's circuit determine the various ways in which capitalist income is formed and distributed, and the source of all kinds of capitalist income, as Marx proves, is surplus value. In Section Three of the Chapter on Capital Marx endeavoured to sum up the results of his analysis of the transformation of surplus value into profit and other forms of non-earned income (interest, etc.). He formulated here "the 2 immediate laws manifested to us by this conversion of surplus value into the form of profit" (see p. 146). The first of these laws is that the rate of profit is always less than the rate of surplus value. The second law—that the rate of profit tends to decrease—is characterised by Marx as the "most important law" of modern political economy, a law which, "despite

its simplicity, ... has never been grasped and still less has ... been consciously formulated" (see p. 133). Marx linked this law with technical progress and the increase in labour productivity, with the change in the organic composition of capital, with the quicker growth of its constant part, which comprises the value of the means of production and the raw materials, in comparison with the variable part, i.e., the part which goes to pay for labour power. This relative increase of the share of constant capital necessarily leads, as Marx shows, to a fall in the rate of profit, although the amount of surplus value constantly increases due to the expansion of capitalist production.

In Marx's opinion, the tendency of the rate of profit to decrease gives rise, among other things, to the growing discrepancy between the development of society's productive forces and the bourgeois relations of production, and this discrepancy inevitably leads to economic crises.

His analysis of the transformation of surplus value into profit here, as in other parts of the manuscript where this problem is dealt with, led Marx to the understanding of the law of average profit and the price of production, which regulates the distribution of surplus value between branches of production with different organic composition of capital. However, the study of this process, as well as the investigation of the origin and economic nature of the other converted forms of surplus value (commercial profit, interest, ground rent), was far from being completed in the first version of *Capital*. Marx continued his analysis of these problems in his subsequent writings and it was in his Economic Manuscripts of 1861-1863 that he achieved the scientific solution of many problems facing him in this connection (see present edition, Vols 30-34).

Marx devoted serious attention in his manuscript to scientific and technical progress and its influence on production. He noted capitalism's inherent striving not only to constant expansion of production, but also to its technical improvement, to mechanisation and automation and to the application of scientific discoveries and inventions for this purpose. Looking into the future, he pointed out that this tendency leads to increasing transformation of "the production process from the simple labour process into a scientific process, one forcing the powers of Nature into its service and thus setting them to work in the service of human needs" (see p. 86). At the same time Marx revealed the contradictory features in the application of science to production under capitalism. He showed that under capitalism technical progress is subordinated to

the interests of increasing absolute and relative surplus value. The results of technical progress frequently turn against the immediate producers, from a means of easing labour technical progress becomes an instrument of its intensification, furthering the subordination of living labour to capital and turning the worker himself into an appendage of the machine. "The activity of the worker, restricted to a mere abstraction of activity, is determined and governed in every respect by the movement of the machinery, not vice versa" (see pp. 82-83).

Capitalist relations with their inherent antagonistic contradictions, Marx stressed, stimulate scientific and technical progress one-sidedly, limiting to a certain degree their harmonious and all-round development and the utilisation of scientific and technical achievements in the interests of all members of society. From the fact that machine production is the true basis of capitalism, Marx writes, "it in no way follows that its subsisting under the social relation of capital is the most appropriate and best social production relation for the application of machinery" (see p. 85). Elsewhere he points out: "Beyond a certain point, the development of the productive forces becomes a barrier to capital, and consequently the relation of capital becomes a barrier to the development of the productive forces of labour" (see p. 133).

The conclusion to be drawn from these arguments is obvious: only the communist system will give full scope to scientific and technical progress, only under the communist system will full development be given to the tendency towards the transformation of science, knowledge into an "*immediate productive force*" (see p. 92). The application of science to production will really become a lever for satisfying the requirements of the working people and for saving labour time not for the purpose of increasing the capitalists' profit but for the benefit of society as a whole.

With the establishment of communism Marx linked the elimination of that phenomenon inherent in class-antagonistic social formations which he designated as the alienation of labour. In his economic writings of the time, above all in the *Outlines of the Critique of Political Economy*, Marx continues to use the concept of "alienation" (in the original "Entäußerung", "Veräußerung") or "estrangement" ("Entfremdung"), although here in his analysis of economic relations this concept no longer plays such a universal role as in the *Economic and Philosophic Manuscripts of 1844*. The sphere of application of this category became less broad and more

definite from the time when he had worked out the system of economic concepts revealing the concrete operation of the mechanism of capitalist exploitation. However, Marx considered this broad concept quite suitable and accurately expressing the existing reality for a philosophical generalisation of the exploiter essence of the capitalist system and the destitution of those who produce the material values, in the first place, of the wage workers. Treating alienation as a historical category, he expounded its essence and peculiarity in capitalist society. Marx sees in the transformation of the conditions and products of labour into something alien and hostile to the worker a profound distortion of the social nature of labour, a manifestation of the glaring contradiction between the social character of production itself in the capitalist epoch and the appropriation of its fruits by property-owners. Marx stresses that capitalism is a system under which "social wealth in huge portions confronts labour as an alien and dominating force" (see p. 209). The emphasis is laid not on the mighty potential of social labour, its capacity to materialise or objectify natural resources, but on its "alienation", on the fact that "this enormous power" belongs "not to the worker, but to the personified conditions of production, i.e. to capital" (p. 210).

Seeing alienated labour under capitalism as the extreme form of alienation in general, Marx considered it a historically transient, temporary phenomenon. When capitalist production is replaced by collective production, he pointed out, the sources of all alienation of labour will be eliminated, the perversion of its social character will be overcome. On the basis of collective production there will be created the material preconditions not only for the powerful growth of the productive forces of society as a whole, but also for the integral and all-round development of every worker. This, and not an increase in surplus time, will be the purpose of saving labour time under communism. On the other hand, leisure time will in its turn be a most important factor of social progress. It will broaden people's outlook and knowledge, giving them access to all the achievements of world culture, which is bound to have a favourable effect on their role in production too. "The saving of labour time," Marx wrote, "is equivalent to the increase of free time, i.e. time for the full development of the individual, which itself, as the greatest productive force, in turn reacts upon the productive power of labour. From the standpoint of the immediate production process, it can be considered as the production of *fixed capital*, this fixed capital BEING MAN HIMSELF" (see p. 97 of this volume).

The next series of Marx's economic writings published in this volume is directly connected with his work *A Contribution to the Critique of Political Economy*, the first part of which was published in book form in the summer of 1859. It was a landmark in the history of Marxism. It was in this book that Marx made public for the first time some of the findings of his theoretical research. The book was not merely an elaboration of the corresponding sections of the 1857-58 manuscript. In it Marx enriched and deepened his understanding of the questions he analysed and made the exposition more streamlined and systematic. Although the increased bulk of the material obliged him to confine his analysis to the commodity and money, devoting a special chapter to each subject (the Chapter on Capital was not included in the final text), the exposition nevertheless embraced the basic, major problems of political economy, the elements which served as its foundation and points of departure for analysing all its categories. By elucidating these problems from fundamentally new positions radically different from those of bourgeois economic doctrines, Marx in substance revolutionised the very basis of political economy as a science.

In his review of Marx's book in the newspaper *Das Volk* in August 1859, Engels pointed out that its purpose was by no means "a discussion of some economic issue or other in isolation. On the contrary, it is from the beginning designed to give a systematic résumé of the whole complex of political economy and a coherent elaboration of the laws governing bourgeois production and bourgeois exchange. This elaboration is at the same time a critique of all economic literature, for economists are nothing but interpreters of and apologists for these laws" (see present edition, Vol. 16, p. 472).

Marx's preface to the first part of *A Contribution to the Critique of Political Economy* is of exceptional methodological and theoretical significance. In it he reveals the profound link between the general philosophical foundations of the dialectical and materialistic world outlook, the understanding of the general laws of social development and the scientific method of analysing economic phenomena. By giving a concise survey of the history of his economic studies Marx showed that they represented an organic part of all his theoretical and practical revolutionary activity. The development of each component element of the revolutionary doctrine determined and stimulated progress in all the others.

The most valuable part of the preface is the characterisation of the essence of the materialist conception of history discovered by

Marx. The definition given here by Marx of the essence of historical materialism reflected a new and higher stage in the development of his theory of the historical process since that theory was first expounded in the form of a harmonious conception in *The German Ideology* in 1845. This classical formulation took into account in a generalised form the new results of Marx's study of whole epochs in world history, of the experience of the 1848-49 revolutions in Europe and of comprehensive research in the field of political economy. The terminology and the system of concepts of historical materialism were also perfected. In particular, the interpretation of history as the process of succession of social formations was formulated in the appropriate terms. (The very term "social formation" appears for the first time on the last page of the principal economic manuscript of 1857-58.)

In this work Marx expounded in a concentrated form the fundamentals of his doctrine on the principal laws governing the development of human society, on the aggregate of the production relations, as forming the economic structure of society, its real basis determining the political and juridical superstructures and, in the final analysis, the various forms of social consciousness, on the dialectical development of the productive forces and the relations of production, on the inevitability—due to the conflict between the developing productive forces and the obsolete relations of production—of social revolution leading to the replacement of one mode of production by another, more progressive one, of the old social formation by a new one, a replacement which in its turn involves an upheaval in the whole enormous superstructure. "In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society," Marx wrote, making abstraction here of the earliest stage in human development—primitive communism (see p. 263). Capitalism, Marx stressed, is the last social formation based on class antagonisms. However, within it the conditions are created for the elimination of the antagonism, for the revolutionary transition to a higher system under which social production will cease to be carried on in antagonistic forms. "The prehistory of human society accordingly closes with this social formation," Marx notes (see p. 264).

As Lenin said, Marx gave in the preface to *A Contribution to the Critique of Political Economy* "an integral formulation of the fundamental principles of materialism as applied to human society

and its history". In so doing he "indicated the way to a scientific study of history as a single process which, with all its immense variety and contradictoriness, is governed by definite laws" (V. I. Lenin, *Collected Works*, Vol. 21, pp. 55, 57).

In his book Marx applied the method of materialist dialectics to the study of economic problems in all their aspects, in particular to analysing the commodity, labour, value and money. Unlike the bourgeois economists, who considered the commodity and value eternal and natural categories, Marx shows their historically transient character. He notes that the product only takes the form of a commodity under definite social relations, that commodity production appears at a certain historical stage and passes through various stages in its development from simple commodity production to the capitalist type. Marx considers the commodity as an elementary particle of capitalist society, the "unit" of bourgeois wealth. He stresses that it is necessary to study the commodity in order to elucidate the very nature of the contradictions which manifest themselves in a more complex and developed form in capital.

Economists prior to Marx had already noted the dual character of the commodity as use value and exchange value, but they were unable to clarify their actual correlation. Marx in his analysis was the first to establish that use value and exchange value form a contradictory unity reflecting the really existing contradiction between the private and social labour of the commodity producers. Analysing the commodity, Marx discovered that the contradiction, inherent in the commodity is conditioned by the contradictory character of the labour expended on its production. Here Marx formulated with great precision the proposition concerning the dual character of labour embodied in the commodity (concrete labour and abstract, general labour) which he had already established in his manuscript of 1857-58. In his own words, this discovery was the "point of departure" which made it possible to explain the true nature of value and a number of other most important categories of political economy.

Basing himself on his study of the commodity and labour and proceeding from the conclusions he had drawn in 1857-58, Marx developed his theory of value. Sharing the view held by the classics of bourgeois political economy on labour as the source of value, he went further than his predecessors in analysing the nature of value, clarifying the qualitative nature and the specifics of the labour which creates it. He showed that value is the embodiment of abstract, socially necessary labour, which is its measure. By his

theory of value Marx provided the premisses for understanding how surplus value arises in the process of exchange between labour and capital.

It was in this book that Marx for the first time clearly disclosed the meaning of the phenomenon which he later described in *Capital* as "commodity fetishism". In the world of commodity producers, especially at the capitalist stage, the external manifestation of economic laws, he stressed, is different from their essence. On the surface the exchange of commodities appears to be an exchange between things, the capacity to be exchanged seems to be a natural, inherent property of the object itself, whereas in reality commodity exchange is the result of historically determined production relations between the producers. "Only the conventions of everyday life make it appear commonplace and ordinary that social relations of production should assume the shape of things, so that the relations into which people enter in the course of their work appear as the relations of things to one another and of things to people" (see p. 276). This illusory appearance by which properties expressing relations between people are attributed to the things themselves, an appearance which confused even such perspicacious economists as Smith and Ricardo, is intensified all the more, Marx points out, as the veiled economic relations between people are more complex and more concealed by the surface phenomena of capitalist society.

Marx achieved great perfection in elaborating the theory of money. In the chapter "Money, or Simple Circulation" Marx disclosed the economic essence of money, analysed its historical origin and its role in bourgeois society. He demonstrated that money is a necessary product of the development of commodity exchange and serves as the complete expression of value, the embodiment of that form of value in which the particular individual labour which creates the commodity appears, through a process of alienation, "as its opposite, impersonal, abstract, general—and only in this form social—labour" (see p. 308). Marx elucidates in detail the causes determining the functioning of precious metals, gold and silver, as money. In this chapter he discusses in detail the functions of money as a measure of value, a medium of circulation, a means of payment, a means of hoarding, and finally as world money. On the basis of his analysis of these functions Marx establishes the factors determining the amount of money required in circulation and discloses other laws of money circulation.

Each chapter in Marx's book is provided with historical and critical surveys: in the first chapter of the analysis of commodities, in the second of theories of money as a standard of measure and a medium of circulation. In these surveys and in a number of notes Marx subjects to a critical analysis the views of bourgeois economists and the utopian doctrines built on the illusion that the contradictions of capitalism can be eliminated by reforming money circulation, replacing the existing monetary systems by "labour money", and so on.

The book *A Contribution to the Critique of Political Economy* holds a prominent place among the classical works of Marxism. Marx himself later regarded the first volume of *Capital* as, in a certain sense, its continuation. He considered it necessary in the first section of that volume to summarise its contents for coherence of exposition, at the same time substantially supplementing certain aspects of the theories of the commodity, value, and price which, from the standpoint of his new studies, had not been sufficiently disclosed in *A Contribution to the Critique of Political Economy*. Nevertheless, even after the publication of *Capital* this book did not lose its independent scientific significance. A number of propositions elucidated in detail in it, especially in the chapter on money and in the historical excursions in the field of the theory of the commodity and money circulation, were treated only cursorily in *Capital*, the reader being practically referred to the earlier monograph for a more detailed acquaintance with them. Up to the present time the book remains the best work on money in world economic literature. It is important also as a model of the application of the Marxist methodology in studying fundamental economic and sociological processes.

This volume contains also manuscripts belonging to the preparatory materials for *A Contribution to the Critique of Political Economy*. These include the *Index to the 7 Notebooks*, which was drawn up in the form of two drafts. The *Index* shows Marx's striving to group the materials of his basic rough manuscript in connection with the transition to a new stage in the work on his planned economic study, the stage of preparing it for publication. Intending, at the time, to publish it in six books, Marx outlined in one of the drafts in question the grouping of the material for the first book, devoted to analysing value, money and capital—"capital in general", as he entitled this section in his letter to Engels on April 2, 1858, and in a letter to Lassalle on March 11 of

the same year. In the second draft he systematised in greater detail the material for the section on money.

The *Index* is of interest because it gives an idea of Marx's method of scientific work and of the character of the initial outline for the first book of his intended study. In one of the drafts Marx outlined for the first time the subdivisions of the section "Capital in General", which anticipated in a rudimentary form the distribution of the material in the theoretical part of the future *Capital* in three parts.

Among the preparatory materials is the extensive "Original Text of the Second and the Beginning of the Third Chapter of *A Contribution to the Critique of Political Economy*", written directly before the final text. It contains several sections which were not included in the final text because it was written before Marx decided to confine himself in the first part of the book to the chapters on the commodity and money and to publish the third chapter as the second part of the work. For this reason the last sections of the Chapter on Money—"The Manifestation of the Law of Appropriation in the Simple Circulation" and "Transition to Capital" and also the beginning of the chapter on capital in the initial variant substantially supplement the final version as published by Marx.

In these sections Marx shows in a systematic and precise form the conditions for money's transformation into capital, the transition from simple money circulation to the circulation of capital, defines the directions and sphere of study of the sources of its growth, which are to be found in the exchange between capital and the labour power of the producers and are realised in the very process of capitalist production. Here the reader becomes acquainted, as it were, with an intermediary stage in the analysis of the economic foundations of capitalist society, a stage which reveals the organic link between Marx's theory of value, exchange value, and money and his doctrine on surplus value. Marx's study of money's metamorphosis, its transformation into capital, besides throwing light on the historical sources of capitalism, also shows the place of simple money circulation in the general movement of capital as a subordinate link in its circuit. "The examination of the simple circulation," he writes, "shows us the general concept of capital, because within the bourgeois mode of production the simple circulation itself exists only as preposited by capital and as prepositing it. The exposition of the general concept of capital does not make it an incarnation of some eternal idea, but shows how in actual reality, merely as a *necessary* form, it has yet to flow

into the labour creating exchange value, into production resting on exchange value" (see p. 505).

Two other manuscripts from the preparatory materials were produced when *A Contribution to the Critique of Political Economy* had already been published and Marx had resumed work on the second part, which he had now decided to devote entirely to the problems of "capital in general".

A Draft Plan of the Chapter on Capital is a detailed text in which the theoretical questions concerning capital are divided into three parts: "The Process of Production of Capital", "Circulation Process of Capital", and "Capital and Profit". The first two of these are worked out in particular detail. The section "Varia" contains separate remarks and references to the corresponding material in the manuscript of 1857-58, obviously intended to supplement the above-named three sections. One of the remarks is particularly characteristic; it reveals the Marxian understanding of capital: "*capital*, not simple relationship, but process" (see p. 516).

The plan as a whole served Marx as a general guideline in creating new variants of his economic work. In the course of this work the thought matured in Marx of concentrating the exposition of the problems of political economy not in six books as planned in 1858, but around the questions which he wanted to elucidate in the three above-named sections of the chapter on "capital in general". What formerly had been intended as the scheme for one chapter or one part was now altered into the structure of the whole work. The *References to My Own Notebooks*, which Marx drew up in this connection, reflect his intention to make use of the materials of his earlier manuscripts, including the original text of *A Contribution to the Critique of Political Economy*, which had a bearing on the given theme, omitting what had already been utilised in the first part. The *References* therefore represent a far more detailed scheme for working out the problem of "capital in general" than that drawn up by Marx in 1858 in the *Index to the 7 Notebooks* and are based on more extensive material.

The 1857-61 period, to which the works of Marx published in Volumes 28 and 29 belong, was thus marked by paramount results in the development of Marxist thought. In these years there appeared a whole cycle of economic manuscripts by Marx, the first rough version of his *Capital* was produced, and his book *A Contribution to the Critique of Political Economy* was published. It

could not yet embrace Marx's main discovery—his theory of surplus value, which crowned the revolutionary upheaval he wrought in political economy. However, in the form of a draft research paper intended to clarify things for himself, Marx had already evolved this theory as a whole; at least its main features had been elucidated—the economic premisses for the formation of surplus value, the basic aspects of this process, and its determinant place in the entire system of bourgeois production relations. The published first part of the conceived work contained all the necessary postulates for expounding this theory.

Nevertheless Marx himself did not yet consider his study of this central problem of political economy complete. Being an exacting scientist, he set himself new research tasks, aiming in particular at fully elucidating questions which he had only posed in his writings of 1857-61, namely the problem concerning the correlation between surplus value and its converted forms. This was the main cause of the delay in publishing the second part of *A Contribution to the Critique of Political Economy* and his subsequent decision not to publish it at all because of a change in the general plan of his intended work. Many years later Engels wrote in this connection to one of the Russian socialists: "Marx worked out the theory of surplus value in the fifties in solitude and stubbornly refused to publish anything about it until he had fully clarified all the conclusions to himself. That was the reason why the second and subsequent parts of *A Contribution to the Critique of Political Economy* were not published" (Engels to V. Y. Shmuilov, February 7, 1893).

All the same, during the years 1857-61 Marx covered a gigantic, and one may say the decisive part of the road to the summits of the new economic science. This was a time of great scientific accomplishments in comprehending the economic laws of the development of capitalist society and in economically grounding the inevitability of its revolutionary communist reorganisation.

* * *

This volume comprises rough manuscripts, partly unfinished, and one work which appeared in print during the author's lifetime.

The translations of these writings, as of the manuscripts included in Volume 28, are 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 and determines the principles of their publication in the present edition, which were expounded in a general form in the editorial preface to Volume 28. The specifics of each of them and the corresponding form of presenting them in this volume are mentioned in the notes.

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. Some of the words are now somewhat archaic or have undergone changes in usage. For example, the term “nigger”, which has acquired generally—but especially in the USA—a more profane and unacceptable status than it had in Europe during the 19th century.

All the manuscripts included in the section “From the Preparatory Materials” are here published in English for the first time. The concluding part of the economic manuscript of 1857-58—*Outlines of the Critique of Political Economy (Rough Draft)* is given in a new English translation.

A Contribution to the Critique of Political Economy is published according to the first edition of 1859 with the account being taken of the amendments made by Marx himself in his own copy and in a copy he presented to his friend Wilhelm Wolff. The English text is based on the translation by Salo Ryazanskaya published in K. Marx, *A Contribution to the Critique of Political Economy*, Progress Publishers, Moscow, 1971. For the present edition this translation was checked and made more precise and the arrangement of the text was brought into conformity with the rules accepted in the publication of similar works in other volumes.

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

The translations were made by Victor Schnittke and Yuri Sdobnikov and edited by Svetlana Gerasimenko, Yelena Kalinina, Margarita Lopukhina, Andrei Skvarky and Yelena Vorotnikova (Progress Publishers).

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KARL MARX

ECONOMIC WORKS

1857-1861

ECONOMIC MANUSCRIPTS
OF 1857-1858

(First Version of *Capital*)

OUTLINES OF THE CRITIQUE OF POLITICAL ECONOMY
(ROUGH DRAFT OF 1857-58)

[Second Instalment]¹

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[III. CHAPTER ON CAPITAL]

[Section Two]

[CIRCULATION PROCESS OF CAPITAL]

[Conclusion]²

[FIXED AND CIRCULATING CAPITAL]

[VI-19] *Retournons maintenant à nos moutons.*^a

Conceptually, the phases through which capital passes, which constitute one turnover of capital, begin with the conversion of money into the conditions of production. However, now that we proceed not from capital in its process of formation, but from capital as it has emerged from that process, it passes through the following phases:

(1) The creation of surplus value, or the immediate process of production. Its result is the product. (2) Bringing the product to market. Conversion of the product into a commodity. (3) (α) The entry of the commodity into ordinary circulation. Circulation of the commodity. Its result: conversion into money. This appears as the first moment of ordinary circulation. (β) Re-conversion of the money into conditions of production: money circulation; in ordinary circulation, commodity circulation and money circulation always appear as allotted to two distinct subjects. Capital first circulates as a commodity and then as money, and vice versa. (4) The renewal of the process of production, which appears here as the reproduction of the original capital and the process of production of surplus [VI-20] capital.

The costs of circulation are reducible to the costs of movement; the costs of bringing the product to market; the labour time which is necessary for effecting the conversion from one condition into the other. All these costs are, in essence, reducible to accounting operations and the time they take (this the basis for a special,

^a Let us return to our subject (literally: "...to our sheep").—*Ed.*

technical money business). (It will emerge later whether or not the latter costs are to be regarded as deductions from surplus value).

In considering this movement, we find that the circulation of capital, mediated by exchange operations, opens up, on the one hand, to release the product into general circulation and to restore itself by drawing from it an equivalent in the form of money. We are not concerned here with what becomes of this product, which has thus dropped out of the circulation of capital and reverted to ordinary circulation. On the other hand, capital again ejects from its circulation process its form as money (partly so, to the extent that it is not wages), or it moves now in the form of money—after it has realised itself in it as value and simultaneously posited in itself the measure of its valorisation—but money only as means of circulation, and absorbs from general circulation the commodities necessary for production (the conditions of production). As a commodity, it ejects itself from its circulation into general circulation; as a commodity, capital also escapes from general circulation and incorporates it into itself, into its movement, in order to flow into the process of production. The circulation of capital is thus related to general circulation, constituting a moment of it, while general circulation itself appears to be posited by capital. This to be discussed later.

The overall production process of capital includes both the circulation process proper and the production process proper. They constitute the two great divisions of its movement, which appears as the totality of the two processes. On the one hand, there is labour time, on the other, circulation time. And the movement as a whole appears as the unity of labour time and circulation time, as the unity of production and circulation. This unity is itself movement, process. Capital appears as this dynamic unity of production and circulation, a unity which can be considered both as the totality of its production process and as the particular process through which capital goes during a *single* turnover, a *single* movement returning to itself.

The fact that capital needs circulation time, as well as labour time, is, however, only the adequate, ultimate form of a condition posed by production based upon the division of labour and exchange. The costs of circulation are costs of the division of labour and exchange, and are inevitably encountered in every less developed, pre-capital, form of production carried on on this basis.

As the subject, as value which dominates the various phases of this movement and maintains and multiplies itself in it, as the

subject of these transformations, which occur in a circular way—a spiral movement, a series of expanding circles—capital is *circulating capital*.⁵ Hence circulating capital is, to begin with, not a *particular* form of capital. It is capital *as such*, in a more highly developed determination, as the subject of the movement described, which is capital itself as its own process of valorisation. In this respect, therefore, every capital is *circulating capital*.

In simple circulation, circulation itself appears as the subject. One commodity is cast out of it; another enters it. However, a given commodity is only evanescent in it. Money itself, to the extent that it ceases to be a means of circulation and is posited as independent value, withdraws from circulation. By contrast, capital is posited as the subject of circulation, and circulation as its very life process.

However, while capital as the totality of circulation is *circulating capital*, the transition from one phase to another, it is, in each phase, also posited in a specific determination, confined to a particular form, which negates it as the subject of the movement as a whole. In each particular phase capital, therefore, is the negation of itself as the subject of the various transformations. Non-circulating capital. *Capital fixe*, properly speaking *fixed capital*, fixed in one of the various determinations, phases, through which it has to pass. As long as it persists in one of these phases, that phase itself not appearing as a fluid transition—and each phase has a certain duration—capital is not circulating but fixed.

As long as it is tied up in the process of production, it is incapable of circulation, and hence is virtually devalued. As long as it is tied up in circulation, it is incapable of production, posits no surplus value, is not capital-in-process. As long as it cannot be thrown onto the market, it is fixed as a product; and as long as it must remain on the market, it is fixed as a commodity. So long as it cannot be exchanged for conditions of production, it is fixed as money. Finally, if the conditions of production remain in their form as conditions and do not enter into the process of production, capital is once again fixed and devalued. Capital as the subject which passes through all the phases, as the moving unity, the unity-in-process comprising circulation and production, is *circulating capital*; capital as itself locked up in any one of these phases, as posited in its *distinct forms*, is *fixed*, or *engaged capital*. As circulating capital it fixes itself, and as fixed capital it circulates.

Consequently, the distinction between *circulating capital* and *fixed capital* appears first of all as a determination of the form of

capital, depending on whether it appears as the unity of the process or as a particular moment of it. The concept of *dormant capital*, capital lying fallow, can only refer to its lying fallow in one of these determinations, and it is a feature of capital that part of it always lies fallow. This is manifested in the fact that part of the national capital is always tied up in one of the phases through which capital has to pass. *Money* itself, so far as it constitutes a particular part of a nation's capital, but always remains in the form of means of circulation and hence never passes through the other phases, is therefore regarded by A. Smith as a pseudo-form of fixed capital.^a Similarly, capital may lie fallow, be fixed in the form of money, of value withdrawn from circulation. In crises—*after* the moment of panic—at the time when industry lies stagnant, money is fixed in the hands of BANKERS, BILL-BROKERS, etc., and pants after a FIELD OF EMPLOYMENT in which it can be utilised as capital as the hart pants after the water brooks.^b

The fact that the determinations of capital as circulating and fixed are, to begin with, merely capital itself posited in the two determinations, first as the unity of the process, and then as a particular phase of it, capital *distinct* from itself as a unity,— not as two particular types of capital, capital of two particular types, but as different *formal determinations of the same capital*—this fact has given rise to a great deal of confusion in political economy. If one aspect of a material product was seized upon according to which it was to be regarded as circulating capital, it was easy to point to the opposite aspect, and vice versa. Capital as the unity of circulation and production is just as much their distinctness, namely their falling apart in space and time. In each of these moments, capital exists in a form which is indifferent to the other moment. So far as the individual capital is concerned, the transition from the one to the other appears to be a matter of chance, dependent upon external, uncontrollable circumstances. The *same* capital therefore always appears in both determinations, which is expressed in the fact that one part of it appears in one determination [VI-21] and the other in the other; one part as tied up, the other as circulating. However, it circulates here not in the sense that it is in the *phase of circulation proper* as distinct from the *phase of production*, but that the phase in which it happens to be is a *fluid* phase, a phase-in-process, leading on to the other phase. It is

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. II, London, 1836, pp. 271-85, and Vol. III, 1839, pp. 70-106. (See present edition, Vol. 28, p. 149.)—*Ed.*

^b Psalms 42:1.—*Ed.*

not tied up in either phase as such and hence is not checked in its overall process.

E.g., the industrialist employs in production only part of the capital available to him (whether borrowed or his own, is irrelevant here; nor, if one considers total capital, does this affect the economic process), because the other part needs a certain time before it returns from circulation. The part active in production is then the circulating one; the part in circulation is the fixed one. The overall productivity of his capital is thus limited; the part reproduced is limited, and therefore also the part which is thrown into the market.

This also applies to the merchant: part of his capital is immobilised in the form of *STOCK IN TRADE*, the other part circulates. True, as in the case of the industrialist, now one part of his capital adopts this determination, now another, but his total capital is constantly posited in both determinations.

On the other hand, since this limit, arising from the nature of the valorisation process itself, is not a fixed one but alters with the circumstances, and capital may be closer to or further from its adequate determination as circulating capital, and since the splitting-up into these two determinations, with the valorisation process simultaneously appearing as the process of devaluation, contradicts capital's striving for the greatest possible valorisation, it invents *CONTRIVANCES* to shorten the phase of its fixity. Moreover, rather than coexisting side by side, the two determinations *alternate*. During one period, the process appears as a completely fluid one—the period of the maximum valorisation of capital. During the other period, a reaction to the first one, the other moment asserts itself all the more violently—the period of the maximum depreciation of capital and stagnation of production. The moments when the two determinations appear side by side are themselves merely intermediate periods between these violent transitions and upheavals.

It is very important to conceive of these determinations of circulating and fixed capital as *form determinations* of capital in general, since [otherwise] many phenomena of the bourgeois economy—the period of the economic cycle, which is essentially distinct from the time of the single turnover of capital; the effect of new demand, and even of new gold- and silver-producing countries, upon general production—cannot be understood. There is no point in talking about the stimulus given by the Australian gold⁴ or by a newly discovered market. If it were not inherent in the nature of capital to be never fully employed, i.e. to

be always partly *fixed*, devalued, unproductive, no stimuli could impel it to greater production. On the other hand, there are the absurd contradictions in which those economists—even Ricardo—get involved who assume that capital is always fully employed, and who therefore can only explain an INCREASE in production by the creation of new capital. Every INCREASE would then presuppose an earlier one or an expansion of the productive forces.

These limits to production based on capital are inherent to a still greater degree in the previous modes of production, in so far as they are based on exchange. But they do not constitute a law of production as such; when material production is no longer limited by exchange value, but [solely] by its relation to the overall development of the individual, all this business, with its convulsions and pains, comes to an end. We have already seen that money transcends the barriers imposed by barter only by making them general, i.e. by entirely separating purchase and sale from one another.^a Later we shall see that *credit* likewise transcends these barriers to the valorisation of capital only by elevating them to their most general form, by positing the period of overproduction and underproduction as two periods.

The value posited by capital in one turnover, ONE revolution, one *circuit*, is = to the value posited in the production process, i.e. to the value reproduced + the new value. Whether we consider the turnover to be completed when the commodity has been converted into money, or when the money has been reconverted into conditions of production, the result, whether expressed in money or in conditions of production, is always absolutely equal to the value posited in the production process. Here, we take [the cost of] the physical bringing of the product to the market as being zero; or rather as forming part of the immediate production process. The economic circulation of the product only begins when it is put on the market as a commodity—only then does it circulate. Here we are only dealing with the economic distinctions, determinations and moments of circulation, not with the physical prerequisites for bringing the finished product into the second phase, its circulation as a commodity. This is of as little concern to us as the technological process by which the raw material has been transformed into a product. The greater or lesser distance of the market from the producer, etc., is as yet of no concern to us.

^a See present edition, Vol. 28, pp. 87-89.—Ed.

What we want to state first of all is that the costs arising from the traversing of the different economic moments as such, the *circulation costs* as such, add nothing to the value of the product, are not costs which posit value, whatever the labour involved. They are mere *deductions from the value produced*. Suppose there are two individuals, each of whom produces his own product, but their labour is based on the division of labour, so that they exchange with each other, and the utilisation of their product for the satisfaction of their needs depends upon this exchange. The time which the exchange would cost them, e.g. their bargaining with each other and the calculations they must make to come to an agreement, would obviously not add the least amount to either their products or their exchange value.

If *A* claimed to *B* that he had spent such and such an amount of time on the exchange, *B* would claim exactly the same to *A*. Each of them loses exactly as much time in the exchange as the other. The time taken by the exchange is the same for both of them. If *A* demanded 10 thaler for his product—its equivalent—and 10 thaler for the time it costs him to obtain the 10 thaler from *B*, the latter would declare him ripe for the madhouse. This loss of time arises from the division of labour and the need for exchange. If *A* himself produced everything, he would not lose any of his time on exchanging with *B*, or on converting his product into money and the money back into a product.

The *circulation costs* proper (and they acquire a significant independent development in the money business) are not reducible to productive labour time. They are by their very nature confined to the time necessary to convert the commodity into money and the money back into a commodity, i.e. to the time needed for the translation of capital from one form into another. *B* and *A* might now find that they could save time by introducing a third person, *C*, as an intermediary between them, who would devote his time to effecting the *circulation process*. This could come about if, e.g., there were enough exchangers, enough subjects of circulation processes for the time taken by them in the successive acts of bilateral exchange over a year to be equal to a year. If every individual in turn had to spend (say) $\frac{1}{50}$ of a year in the act of circulation, and if there were 50 of them, then one individual could devote all his time to this occupation. If this individual were paid only his necessary labour time, i.e. if he had to give up all his time in exchange for the NECESSARIES OF LIFE, the remuneration he would be receiving would be wages. But if he charged payment for the whole of his time, the remuneration that he would receive

would be an equivalent—in the form of objectified labour time. Now, this individual would not have added anything to value; he would merely have shared in the surplus value of the capitalists *A*, *B*, etc. They would still have gained by this, since by assumption a smaller amount would have been deducted from their surplus value. (Capital is not merely a quantity, or merely an operation; it is both at once.)

Money itself, [VI-22] in as much as it is made of precious metals or, in general, in as much as its production involves expense—as is the case even with, e.g., a paper currency—money itself, in as much as it costs labour time, adds nothing to the value of the objects exchanged, the exchange values. Its cost is, rather, a deduction from these values, a deduction which must be borne proportionately by the exchangers. The costliness of the instrument of circulation, of the instrument of exchange, merely expresses the *costs of exchange*. Rather than adding to value, they subtract from it. E.g. gold and silver money are themselves values *like any others* (not in the sense of money) to the extent that labour is objectified in them. But the fact that these values serve as *means of circulation* forms a deduction from available wealth.

It is the same with the production costs of the circulation of capital. Circulation adds nothing to values. The *circulation costs* as such *do not posit value*; they are *the costs of realising values*—deductions from values. *Circulation* [appears] as a *series of transformations* in which capital posits itself, but as far as value is concerned, it adds nothing to capital but merely posits it in the *form* of value. The potential value which is converted into money by circulation is presupposed as the result of the production process. To the extent that this series of processes takes place in time and involves costs, costs labour time or objectified labour, the *costs of circulation* are deductions from the quantity of value.

Assuming the costs of circulation to be zero, the result of *one* turnover of capital, in terms of value, is equal to the value posited in the process of production. I.e. the value preposited to circulation is that which emerges from it. At most, a smaller value may emerge from circulation—because of the circulation costs—than that which entered into it. From this angle, circulation time adds nothing to value; it does not appear alongside labour time as time which posits value. If a commodity of a value of £10 has been produced, circulation is necessary to set this commodity equal to the £10, its value, which exists in the form of money. The costs occasioned by this process, this alteration of form, are a deduction from the value of the commodity. *The circulation of*

capital is the alteration of form through which value passes in different phases. The time which this process takes, or which is required to effect it, forms part of the production costs of circulation, of the division of labour, of production based on exchange.

This applies to *one turnover of capital*, i.e. to one passage of capital through these its different moments. The process of capital as value has money as its point of departure and ends in money, but in a greater quantity of money. The difference is merely a quantitative one. $M-C-C-M$ has thus acquired a content. If we consider circulation up to this point, we are back at the point of departure. Capital has again become money. But it is now also presupposed, it has now become a condition, that this money becomes capital again, money which multiplies and maintains itself by purchasing labour, by going through the process of production. Its form as money is posited merely as a form, one of the many through which it passes in its metamorphosis.

If we now consider this point not as the end-point, but—as we must now consider it—as an intermediate point, or a new point of departure, itself posited by the production process as a transitory end-point and a merely apparent point of departure, then it is clear that the reconversion of the value posited as money into value-in-process, value entering into the production process, can only occur—or that the *renewal of the production process* can only take place—when the part of the circulation process which is distinct from the production process has been completed.

The *second turnover* of capital—the reconversion of money into capital as such, or the renewal of the production process, depends on the time which capital requires to complete its circulation, i.e. on its *circulation time*, as distinct from the production time. On the other hand, we have seen that the total value produced by capital (reproduced as well as newly produced value), which is realised in circulation as such, is wholly determined by the production process. Hence the sum of values that can be produced in a given period of time depends upon the number of times the production process can be repeated during this period. But the repetition of the production process is determined by the circulation time, which is equivalent to the velocity of circulation. The more rapid circulation is and the shorter the circulation time, the more frequently the same capital can repeat the production process. Hence, in a given cycle of turnovers of capital, the sum of values produced by it (therefore the sum of surplus values as well, since capital always posits necessary labour only as labour necessary for surplus labour) is *directly proportional to the labour time and inversely*

proportional to the circulation time. In a given cycle, the total value (hence also the sum of the surplus values posited) is equal to the labour time multiplied by the number of turnovers of the capital.

Or, the surplus value posited by capital no longer appears to be determined purely by the surplus labour it appropriates in the process of production, but by the coefficient of that process, i.e. the number expressing the frequency of its repetition in a given period of time. And this coefficient is determined by the circulation time capital requires for one turnover. Consequently, the sum of values (surplus values) is determined by the value posited in one turnover multiplied by the number of turnovers capital performs in a given period of time. One turnover of capital is equal to the production time + the circulation time. Assuming the circulation time as given, the total time required for one turnover depends upon the production time. Assuming the production time [as given], the duration of one turnover depends upon the circulation time. So far as circulation time determines the total mass of production time in a given period of time, and so far as the repetition of the production process, its renewal in a given period, depends upon it, it is itself a moment of production, or rather appears as a limit to production.

It is the nature of capital, of production based upon it, that circulation time becomes a moment determining labour time, the production of value. The independence of labour time is thereby negated, and the production process itself is posited as determined by exchange, so that the social relation and the dependence on this relation in immediate production is posited not merely as a material moment, but as an *economic* moment, a determination of form. The maximum of circulation—the limit to the renewal, through circulation, of the production process—is obviously determined by the duration of the production time during one turnover.

Suppose that the production process of a given capital, i.e. the time it requires to reproduce its value and to posit surplus value, takes three months. (Or the time that is necessary to complete a certain quantity of product = the total value of the producing capital + surplus value.) In this case, the capital could not, under any circumstances, renew the process of production or valorisation more frequently than four times a year. The maximum number of turnovers this capital could make in the course of a year would be 4, i.e. there would be no interruptions between the completion of one production phase and the beginning of another. The maximum of turnovers would be equivalent to continuity of the

production process; as soon as the product was completed, new raw material would be worked up into product. The process would be continuous not merely within a single [VI-23] *phase of production; there would also be continuity of the phases themselves.*

But suppose now that, at the end of each phase, the capital requires one month of circulation time in order to assume once more the form of conditions of production. In this case, it could only perform three turnovers a year. In the first case, the number of turnovers = 1 phase \times 4; or 12 months divided by 3. The maximum production of value by capital in a given period of time is this time period divided by the duration of the production process (the production time). In the second case, the capital would perform only three turnovers a year; it would repeat the valorisation process only three times. The sum of its valorisation processes would therefore = $\frac{12}{4} = 3$. Here the divisor is the total circulation time required by the capital: 4 months; or the circulation time it requires for one production phase \times by the number of times this circulation time is contained in a year.

In the first case, the number of turnovers = 12 months, one year, the given time, divided by the duration of one production phase, or by the length of the production time itself. In the second case, it equals the same time divided by the [total] circulation time. There is maximum valorisation of capital, and maximum continuity of the production process, if circulation time = 0, i.e. if the conditions under which capital produces, its limitation by circulation time, the need to pass through the different phases of its metamorphosis, are transcended. Capital necessarily strives to posit circulation time as = 0, i.e. to transcend itself, for it is only capital that posits circulation time as a moment determining production time. It is the same as transcending the necessity of exchange, of money and of the division of labour based on them, i.e. the same as transcending capital itself.

If for the time being we abstract from the conversion of surplus value into surplus capital, a capital of 100 thaler that produced a surplus value of 4% on the total capital in the production process, would in the first case reproduce itself 4 times, and would, by the end of the year, have posited a surplus value of 16. By the end of the year the capital would = 116. It would be the same as if a capital of 400 had made one turnover in a year, likewise producing a surplus value of 4%. In relation to the total production of commodities and values, surplus value has quadrupled. In the other case, a capital of 100 thaler would only produce a surplus value of 12; the total capital at the end of the

year=112. In relation to the total production—whether of values or use values—the difference would be still more significant. In the first case, a capital of 100 would have converted e.g. 400 thaler's worth of leather into boots, while in the second case it would have converted only 300 thaler's worth of leather.

Hence the total valorisation of capital is determined by the duration of the production phase—which we assume here, for the time being, to be identical with labour time \times by the number of turnovers, or renewals of the production phase, in a given period of time. If the number of turnovers were only determined by the duration of one production phase, the total valorisation would be determined solely by the number of production phases contained in a given period of time. Or the number of turnovers would be absolutely determined by the production time itself. This *would be the maximum of valorisation*. So it is clear that circulation time, considered absolutely, is a deduction from the maximum of valorisation $<$ than absolute valorisation. Therefore, it is impossible for any velocity of circulation or reduction of circulation time to bring about a valorisation $>$ than that posited by the production phase itself. The most that velocity of circulation could effect—and then it would have to rise to ∞ —would be to posit circulation time as $=0$, i.e. to abolish itself. Therefore, it cannot constitute a positive value-creating moment, since its abolition—circulation without circulation time—would imply the maximum possible valorisation; its negation would imply that the productivity of capital had attained its highest possible level. //The productivity of capital as capital is not the productive power which multiplies use values, it is capital's capacity to produce values, the degree to which it produces values.// The total productivity of capital=the duration of one production phase \times by the number of times it is repeated during a certain period of time. But this number is determined by circulation time.

Assume that a capital of 100 makes 4 turnovers in a year, i.e. completes the production process 4 times. At the end of the year, taking surplus value as 5% each time, the surplus value produced would be 20. On the other hand, for a capital of 400 that completed one turnover in a year, surplus value, given the same percentage, would also be 20. Hence a capital of 100 which circulated 4 times a year would yield a gain of 20%, while a capital 4 times as big which turned over only once, would yield a profit of only 5%. (We shall see presently, on closer examination, that the surplus value is exactly the same.) It appears, therefore, that size of capital can be compensated for by velocity of circulation, and

velocity of circulation by size of capital. The appearance is thus created that circulation time is in itself productive. We must, therefore, use this CASE to clear the matter up.

Another question which arises is this: If 100 thaler is turned over 4 times a year, each time at, say, 5%, the production process could be commenced at the beginning of the second turnover with 105 thaler, and its product would be $110\frac{1}{4}$; at the beginning of the *third turnover*, $110\frac{1}{4}$, the product of which would be $115\frac{61}{80}$; at the beginning of the fourth turnover, $115\frac{61}{80}$, and at its end, $121\frac{881}{1,600}$. The actual numbers chosen are without significance for the matter in hand. The point is that if a capital of 400 turns over only once a year, at 5%, the gain can only be 20; whereas if a capital a quarter as large turns over 4 times at the same percentage, the gain is $1+\frac{881}{1,600}$ more. It thus appears that the mere moment of turnover—the fact of repetition—that is to say, a moment determined by circulation time, or rather by *circulation*, not merely realises value, but increases it in absolute terms. This, too, must be investigated.

Circulation time expresses merely the velocity of circulation; the velocity of circulation is merely a limit upon circulation. *Circulation without circulation time*—i.e. the passage of capital from one phase to another with the same speed with which one concept supplants another—would be the maximum, i.e. the coincidence of the renewal of the production process with its completion.

The act of exchange—and the economic operations by means of which circulation takes place are reducible to a succession of *échanges*—up to the point where capital relates not as a commodity to money or as money to a commodity, but as value to its specific use value, labour—the act of exchanging value in one form for value in the other, money for a commodity or a commodity for money (and these are the moments of simple circulation), posits the value of one commodity in terms of another, thus realising it as exchange value, or, to put it another way, it posits the commodities as equivalents. The act of exchange thus *posits value*, in so far as values are presupposed; it realises the *determination* of the objects of exchange as values. But an act which posits a commodity as *value* or, what comes to the same thing, which posits another commodity as its *equivalent*—or, the same thing again, posits the *equivalence* of the two commodities—obviously adds nothing to value itself, just as the sign \pm neither increases nor decreases the number which follows it.

If I posit 4 as +4 or -4, it remains, irrespective of the sign, equal to itself, 4, after this operation, and does not become either 3 or 5.

Similarly, if I [VI-24] exchange one lb. of cotton, with an exchange value of 6d., for 6d., it is posited as value; and it can equally be said that the 6d. is posited as value in the lb. of cotton; in other words, the labour time contained in the 6d. (the 6d. regarded here as *value*) is now expressed in terms of another material representing the same labour time. But since by the act of exchange the lb. of cotton and the 6d. of copper are each equated to their value, it is impossible that this exchange should bring about a quantitative increase in the value of the cotton or the value of the 6d., or in the sum of their values.

Exchange, as the positing of equivalents, merely alters the form; it realises the potentially existing values; realises the prices, IF YOU LIKE. A positing of objects, e.g. of *a* and *b* as equivalents cannot raise the value of *a*, for this act posits *a* as equal to its own value, hence not as unequal to it. It is posited as unequal only with respect to the form, in so far as it was not posited as value previously. At the same time, this act posits the value of *a* as equal to the value of *b*, and the value of *b* as equal to that of *a*. The sum of values exchanged = the value of *a* + the value of *b*. Each remains = to its own value; hence their sum remains equal to the sum of their values. Exchange, as the *positing of equivalents*, cannot therefore, by its very nature, raise the sum of values or the value of the commodities exchanged. (That things are different in the exchange with labour is due to the fact that the use value of labour itself *posits value*, but is not directly connected with its exchange value.)

A single exchange operation cannot increase the value of what is exchanged, nor can a sum of exchanges.

//It is essential to make this clear since the distribution of surplus value among capitals, the *calculation* of aggregate surplus value among individual capitals—this *secondary* economic operation—gives rise to phenomena that in ordinary political economy are confused with primary ones.//

Whether I repeat an act which does not produce any value once or an infinite number of times, IT CANNOT CHANGE ITS NATURE by virtue of its repetition. The repetition of an act which does not produce value can never turn it into an act which does. E.g., the number $\frac{1}{4}$ expresses a definite proportion. If I convert $\frac{1}{4}$ into decimals, positing it as 0.25, its form is altered, but this alteration of form leaves the value unchanged. Similarly, if I convert a commodity into the form of money, or money into the form of a commodity, the value remains the same; but its form has changed.

It is clear, therefore, that circulation—since it comes down to a

series of operations in which equivalents are exchanged—cannot increase the value of the circulating commodities. Hence if labour time is required to effect this operation, i.e. if values must be consumed—for all consumption of values comes down to the consumption of labour time or objectified labour time, products—if circulation involves costs, and if circulation time costs labour time, then this is a deduction, a relative abolition of the circulating values, their devaluation by the amount of the circulation costs.

Suppose we have two workers—a fisherman and a hunter—who exchange with each other. The time that both of them lose in effecting the exchange would produce neither fish nor game; it would be a deduction from the time during which they can produce values, the one by fishing and the other by hunting, objectifying their labour time in a use value. If the fisherman wished to compensate for this loss by demanding more game from the hunter, or by giving him fewer fish, the hunter would similarly be entitled to compensation. They would sustain the same loss. These costs of circulation, of exchange, could only appear as a deduction from their total product or the value they had created. If they commissioned a third person, *C*, to carry on these EXCHANGES, and in this way avoided the direct loss of labour time, each of them would have to cede a proportional part of his product to *C*. All they could gain by this would be a greater or smaller [reduction of] loss. However, if they worked as joint proprietors, no exchange would take place, but, rather, joint consumption. The costs of exchange would therefore be eliminated. Not the division of labour, but the division of labour as based on exchange. J. St. Mill is therefore wrong in treating the circulation costs as the *necessary price of the division of labour*.^a They are merely costs of the naturally evolved division of labour, a division based not upon community of property, but upon private property.

The circulation costs as such, i.e. the consumption of labour time or of objectified labour time, values, occasioned by the operation of exchange and by a series of exchange operations, are therefore a deduction either from the time used for production or from the values posited by production. They can never increase value. They belong to the *faux frais de production*,^b and these belong to the immanent costs of production based on capital. The

^a J. St. Mill, *Essays on Some Unsettled Questions of Political Economy*, London, 1844, pp. 55, 56.—*Ed.*

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

merchant business and STILL MORE the money business proper—to the extent that their sole function is to perform the operations of circulation as such, e.g. the determination of prices (the measurement and calculation of values), in general, to perform these exchange operations as a function rendered independent by the division of labour, and hence represent this function of the overall process of capital—represent merely the *faux frais de production* of capital. In so far as they reduce these *faux frais*, they contribute to production, not by producing value but by diminishing the negation of the values produced. If they confined themselves to performing this function, they would always represent only the minimum of the *faux frais de production*. If they enable the producers to produce more values than they could produce without this division of labour, and so much more that a surplus remains after paying for this function, then they have, in effect, increased production. However, in this case, the values have increased not because the operations of circulation have created value, but because they have absorbed less value than they would have done otherwise. However, they are a necessary condition for production by capital.

The time lost by a capitalist in carrying out exchange is not as such a deduction from labour time. He is a capitalist—i.e. the representative of capital, personified capital—only in as much as he relates to labour as alien labour and appropriates and posits alien labour time. Hence circulation costs do not exist in the sense that *they take away the time of the capitalist*. His time is posited as *superfluous time: not-labour-time*, time that does not produce value, although it is capital that realises the value produced. The fact that the worker must work surplus time is identical with the capitalist's not having to work; it follows that his time is posited as not-labour-time, and that he does not work even the *necessary time*. The worker must work surplus time to be allowed to reify, utilise, i.e. objectify, the labour time necessary for his reproduction. On the other hand, the capitalist's *necessary labour time*, too, is therefore *free time*, time not required for his immediate subsistence. Since all *free time* is time for free development, the capitalist usurps the *free time* created by the workers for society, i.e. civilisation, and Wade is indeed right in this sense when he equates capital with civilisation.^a

In so far as circulation time claims the time of the capitalist as

^a J. Wade, *History of the Middle and Working Classes*, 3rd ed., London, 1835, pp. 161, 162 and 164.—Ed.

such, it is, from the economic viewpoint, exactly of as much concern to us as the time he spends with his doxy. If TIME IS MONEY, this applies, from the standpoint of capital, only to alien labour time, which is, indeed, the MONEY of capital in the most basic sense of the word. With respect to capital as such, circulation time can be equated with labour time only in so far as it interrupts the time during which capital can appropriate alien labour time—and it is clear that this relative devaluation of capital adds nothing to its valorisation, but can only detract from it—or in so far as circulation costs capital objectified alien labour time, values. [VI-25] (E.g., because capital must pay someone else to perform this function.) In both cases, circulation time only comes into consideration in so far as it cancels, negates alien labour time, whether by interrupting the process of appropriation of alien labour time by capital, or by obliging capital to consume part of the produced value in order to accomplish the operations of circulation, i.e. in order to posit itself as capital. (This must be carefully distinguished from the PRIVATE CONSUMPTION OF THE CAPITALIST.)

Circulation time comes into consideration only in its relation to—as a limit upon, negation of—the production time of capital; but this production time is the time during which capital appropriates alien labour, the alien labour time posited by capital. It is the greatest confusion to regard the time spent by the capitalist on circulation as time positing value or, indeed, time positing surplus value. Capital as such has no labour time other than its production time. The capitalist does not concern us here at all, except as capital. As such, too, he is active only in the overall process which we have to analyse. Otherwise one could even imagine that the *capitalist is entitled to compensation for the time during which he does not earn money as the wage worker of another capitalist*—or else that he *loses that time*. That it belongs to the production costs. The time he loses or employs as a capitalist is, in general, *lost time, placé à fonds perdu*,^a from this viewpoint. We shall have to discuss later the so-called *labour time of the capitalist*—as distinct from that of the worker—which is supposed to form the basis of the capitalist's *profit* AS WAGES *sui generis*.

Nothing is more common than to include transport, etc., in so far as they are connected with commerce, among the pure costs of circulation. By bringing a product to market, commerce gives it a new form. Of course, it only changes the spatial location of the product. But we are not concerned with the way in which its form

^a A wasted fund.—Ed.

is altered. Commerce imparts a new use value to the product (and this is true right down to the retailer, who weighs, measures and packs it up, thus giving the product a form that makes it suitable for consumption). This new use value costs labour time and hence is simultaneously exchange value. The bringing to market is part of the production process itself. The product is a commodity, is in circulation, only when it is on the market.

//“In every species of industry the entrepreneurs become sellers of products, while the entire rest of the nation and often even foreign nations are buyers of these products... The continuous, constantly repeated movement made by *circulating capital* in departing from the entrepreneur and in returning to him in the form it first possessed, is comparable to its traversing a circle. Hence the name ‘circulating’ applied to capital, and ‘circulation’ applied to its movement” (Storch, *Cours d’économie politique*, Vol. I, Paris, 1823, pp. 404-05. Notebook,⁵ p. 34).^a

“In the broad sense, circulation includes the movement of every commodity which is exchanged” (p. 405, l.c.). “Circulation is effected by exchanges ... once money is introduced, they [commodities] are no longer exchanged, they are sold” (pp. 405-06, l.c.). “To put a commodity into circulation, it is sufficient to offer it [for sale]... Wealth in circulation: *commodity*” (p. 407, l.c.). “Commerce is only a part of circulation. The former comprehends only the purchases and sales by merchants; the latter those by all entrepreneurs and even all INHABITANTS” (p. 408, l.c.).

“Circulation is real, and *its value* increases the annual product, only as long as the *costs of circulation* are indispensable for *getting the commodities to the consumers*. From the moment when it exceeds this measure, circulation is artificial and no longer contributes in any way to the enrichment of the nation” (p. 409). “In recent years, we have seen examples of artificial circulation in Russia, at St. Petersburg. The stagnation of foreign trade had forced the merchants to adopt a different method of investing their idle capital; no longer being able to use it to import foreign commodities and to export domestic ones, they hoped to profit by buying and reselling commodities available on the market. Enormous quantities of sugar, coffee, hemp, iron, etc., passed rapidly from one merchant to another, and often a commodity changed hands twenty times without leaving the warehouse. A circulation of this type offers merchants all the opportunities of a game of chance. But while it enriches some, it ruins others, and the national wealth gains nothing from it. Similarly in the circulation of money... An artificial circulation of this type, which is only based upon the simple variation of prices, is called *agiotage*” (pp. 410, 411). “Circulation only benefits society in so far as it is indispensable for bringing the goods to the consumer. Every detour, retardation, intermediate exchange which is not absolutely necessary to bring this about, or which does not contribute to *diminishing the costs of circulation*, harms the national wealth by needlessly raising the prices of commodities” (p. 411).

“Circulation is the more productive the more rapid it is, i.e. the less time it requires to enable the entrepreneur to dispose of the finished product which he offers for sale, and to regain his capital in its original form” (p. 411). “The entrepreneur can only recommence production after he has sold the finished

^a Marx reproduces these and the following passages from Storch in German translation, using many French words and phrases.—*Ed.*

product and has used the price in purchasing new *matières* and new *salaires*. Hence, the more promptly circulation brings about these two effects, the more quickly is he in a position to recommence his production, and the greater the profit his capital yields in a given period of time" (pp. 411-12). "A nation whose capital circulates rapidly enough to return several times a year to him who first set it in motion, is in the same position as the labourer in a favourable climate, who can raise three or four harvests in succession on the same land each year" (pp. 412, 413). "A slow circulation makes the objects of consumption more expensive (1) indirectly, by diminishing the volume of commodities that could exist; (2) directly, because as long as a product is in circulation *its value is progressively* increased by the interest on the capital employed in its production. The more slowly circulation goes on, the more this interest piles up, needlessly raising the price of the commodity." "Means for the shortening and acceleration of circulation: (1) formation of a special class of workers solely occupied in commerce; (2) ease of transportation; (3) money; (4) credit" (p. 413).//

Simple circulation consisted of a multitude of simultaneous or successive exchanges. Strictly speaking, their unity as circulation existed only from the standpoint of the observer. (Exchange may be a matter of chance, and it more or less has this character where it is confined to the exchange of the surplus, and does not embrace the entire production process.) In the circulation of capital, we have a series of exchange operations, of acts of exchange, each of which constitutes a qualitative moment vis-à-vis the other, a moment in the reproduction and growth of capital. A system of exchanges, exchange of matter, if seen from the angle of use value; a change of form, if seen from the angle of value as such. The product is related to the commodity as use value to exchange value; the commodity is related similarly to money. Here the one series attains its peak. Money is related to the commodity into which it is reconverted, as exchange value to use value, and to an even greater degree the same is true of the relation of money to labour.

[VI-26] In so far as capital in every moment of the process is itself the possibility of transition into its other, next phase, and is thus the possibility of the whole process which expresses the life-act of capital, each of the moments appears as potentially capital—hence commodity capital, money capital—alongside the value which posits itself as capital in the production process. The commodity may represent capital as long as it can be converted into money, i.e. as long as it can purchase wage labour (surplus labour). This from the *aspect of the form* deriving from the circulation of capital. From the material aspect, the commodity remains capital as long as it constitutes raw material (in the strict sense or partly processed), instrument, and means of subsistence for the workers. Each of these forms is potential capital. Money is,

on the one hand, realised capital, capital as realised value. From this aspect (considered as the end-point of circulation, where it must also be considered as the point of departure), money is capital κατ'ἔξοχήν.^a It is then once again capital, especially in relation to the production process, to the extent that it is exchanged for living labour. On the other hand, when the capitalist exchanges it for commodities (purchases new raw materials, etc.), it appears not as capital but as means of circulation; merely a vanishing mediator by means of which the capitalist exchanges his product for its primary elements.

Circulation is not a merely external operation for capital. Just as it only becomes capital by means of the production process, in which value is perpetuated and increased, so it is reconverted into the pure *form* of value—in which both the traces of its becoming and its specific being in use value are extinguished—only by means of the first act of circulation. The repetition of this act, i.e. of the life-process [of capital], is only made possible by the second act of circulation, which consists in the exchange of money for the conditions of production and is the introduction to the act of production. Circulation therefore belongs *within* the concept of capital. Initially, money or accumulated labour appeared as a prerequisite *for*, and hence *preceding*, the exchange with free labour. But the apparent independence of the objective moment of capital in relation to labour was cancelled, and objectified labour, which becomes independent in value, appeared in every respect as the *product of alien labour*, the *alienated product* of labour itself. In similar fashion, capital now appears first as presupposed to its circulation (capital as money was presupposed to its becoming capital; but capital as the result of value absorbing and assimilating living labour appeared as the point of departure of the *circulation of capital*, not of circulation in general), as if capital existed independently, indifferent to and *without* this process. But the *movement of the metamorphoses it has to go through appears now as a condition of the production process* itself, just as much as its result.

Capital in its reality thus appears as a series of turnovers in a given *period*. It is no longer merely a *single turnover*, a single circulation, but the positing of turnovers, of the entire process. Its positing of value therefore appears as determined (and value is capital only in so far as it is value which perpetuates and multiplies itself) (1) *qualitatively*: since it cannot renew the phase of production without passing through the phases of circulation;

^a In the true sense.—*Ed.*

(2) *quantitatively*: since the quantity of values which it posits depends upon the number of turnovers it performs in a given period; (3) since circulation time thus appears from both aspects as a limiting principle, a barrier to production time and vice versa. Hence capital is essentially *circulating capital*. While appearing as owner and MASTER in the workshop of the production process, it is, from the angle of circulation, dependent and determined by the social nexus, which at the point where we still find ourselves causes capital to enter into simple circulation and figure in it alternately as *C* over against *M* and *M* over against *C*.

Yet this circulation is a mist veiling an entire world, the world of the interconnections of capital, which affix the property deriving from circulation, from social intercourse, to this intercourse and rob it of the independence of SELF-SUSTAINING PROPERTY as its characteristic feature. Two views of this world, as yet lying in the distance, have already opened up to us: [firstly,] at the point where the circulation of capital precipitates from its circle the value which capital posits and circulates in the form of the product, and secondly, at the point where capital draws another product from circulation into its circuit, converting this product itself into one of the moments of its existence. At the second point, it presupposes production, though not its own immediate production. At the first point, it may presuppose either production, if its product is itself the raw material for other production; or consumption, if its product has acquired the final form that makes it suitable for consumption. That much is clear that consumption does not have to enter into its circle *directly*. The characteristic circulation of capital is, as we shall see later, still CIRCULATION BETWEEN DEALERS AND DEALERS.⁶ CIRCULATION BETWEEN DEALERS and CONSUMERS, identical with retail trade, is a second circle, which does not fall within the immediate sphere of circulation of capital. It is a path it traverses after and simultaneously with traversing the first path. The *simultaneity of the different paths traversed by capital*, like that of its different determinations, only becomes evident when many capitals are presupposed. In the same way, the life-process of man consists in his passing through a succession of ages; at the same time, all ages of man exist alongside one another, distributed to different individuals.

In so far as capital's production process is, at the same time, a technological process—production process pure and simple—namely, the production of particular use values by means of particular labour, in short, production carried on in a way determined by this purpose itself; in so far as of all these

production processes, the most fundamental appears to be that by which the body reproduces for itself the necessary exchange of matter, i.e. produces means of subsistence in the physiological sense; in so far as this production process coincides with agriculture, which either directly (as in the case of cotton, flax, etc.) or indirectly, by means of the animals it feeds (silk, wool, etc.), simultaneously supplies a large part of the raw materials for industry (in effect, all that are not supplied by the extractive industries); in so far as reproduction in agriculture in the temperate zone (the homeland of capital) is tied up with the general telluric circulation, i.e. harvests are mostly of an *annual* nature—in so far as all this is so, the *year* is generally taken as the period of time with respect to which the sum of turnovers of capital is calculated and measured (except that the year is calculated differently for the different branches of production), just as the *natural working day* provided such a natural unit as measure of labour time. Accordingly, in the calculation of profit, and even more in that of interest, we see the unity of circulation time and production time—capital—posited as such and acting as its own measuring-rod. Capital itself as *capital-in-process*—i.e. capital performing a turnover—[VI-27] is regarded as *working capital*, and the fruits WHICH IT IS SUPPOSED TO YIELD are calculated with respect to its working time—the total circulation time of one turnover. The mystification to which this gives rise is inherent in the nature of capital.

Before we embark upon a more detailed analysis of the arguments outlined above, let us first examine the distinctions between *fixed capital* and *circulating capital* given by the economists. Above, we have already come across a new moment which enters in the calculation of profit as distinct from surplus value.^a Similarly, another new moment must emerge now between profit and interest. Surplus value in relation to *circulating capital* obviously appears as profit, in distinction to *interest* as surplus value in relation to *fixed capital*.

Profit and interest are both forms of surplus value. Profit is contained in *price*, and hence ceases and is realised as soon as capital has reached that point in its circulation at which it is reconverted into money, or passes over from its form as commodity into the form of money. The striking ignorance upon which Proudhon's polemic against interest is based [will be discussed] later on.

^a See present edition, Vol. 28, p. 485.—*Ed.*

(Yet, lest we forget it, here once more *ad vocem*^a Proudhon: The problem of SURPLUS VALUE, which is a source of much trouble for all Ricardians and anti-Ricardians, is solved by this bold thinker simply by mystifying it. "*Tout travail laisse un surplus*", "*je le pose en axiome*"...^b The basic formula to be looked up in my notebook.⁷ The fact that labour is *done in excess* of necessary labour is turned by Proudhon into a mystical property of labour. Surplus value cannot be explained by the mere growth of the productive power of labour; for while the latter may increase the quantity of products produced in a definite labour time, it can give no PLUS-VALUE to them. It is only relevant here in as much as it sets free SURPLUS TIME, TIME FOR labour in excess of necessary labour. The sole *extra-economic* FACT here is that man does not need all his time for the production of NECESSARIES, that he has free time at his disposal in excess of the labour time necessary for subsistence, and hence can use it also for surplus labour. But there is nothing mystical about this, since his NECESSARIES are small in the same measure as is his labour power⁸ in the primitive condition. And wage labour, in general, makes its appearance only when the productive power has already been developed to such an extent that a significant amount of time has been set free. This setting-free is already an historical product here. Proudhon's ignorance is only EQUALLED BY Bastiat's *décroissante rate du profit qui est supposé d'être l'équivalent d'une rate du salair croissante*.^c Bastiat gives a dual expression to this NONSENSE, which he borrows from Carey: firstly, the *rate* of profit falls (i.e. the ratio of surplus value to the capital employed); secondly, prices fall, but value, i.e. the total sum of prices, increases. This merely means that what grows is the GROSS PROFIT, not the rate of profit.)

Firstly, *fixed* capital in the sense in which we have used it above. Defined by John St. Mill (*Essays on Some Unsettled Questions of Political Economy*,) (p. 55) as tied-down capital, capital which is not DISPOSABLE, NOT AVAILABLE, stuck fast in a particular phase of its overall circulation process. In this sense he correctly says, as does Bailey too in the above quotations,^d that a large part of a country's capital always lies idle.

^a As regards.—*Ed.*

^b "All labour gives rise to a surplus", "I take it as an axiom."—*Ed.*

^c Falling rate of profit, supposed to be the equivalent of a rising rate of wages.—*Ed.*

^d This refers to the quotations, in the previous section, from [S. Bailey,] *Money and Its Vicissitudes in Value*, London, 1837, and J. St. Mill, *Essays on Some Unsettled Questions of Political Economy*. See present edition, Vol. 28, pp. 503-04, 535-36.—*Ed.*

"The distinction into fixed and floating capital is more apparent than real. For example, gold is FIXED CAPITAL; FLOATING only as far as it is consumed for GILDING, etc. Ships are fixed capital, ALTHOUGH LITERALLY FLOATING. FOREIGN RAILWAY SHARES ARE ARTICLES OF COMMERCE IN OUR MARKETS; SO MAY OUR RAILWAYS BE IN THE MARKETS OF THE WORLD; AND SO FAR THEY ARE FLOATING CAPITAL, ON A PAR WITH GOLD" (Anderson, *The Recent Commercial Distress, etc.*, London, 1847, p. 4) (Notebook I, 27).⁹

According to Say, [fixed capital is] capital

"so engaged in one *kind of production* that it can no longer be diverted from it to be employed in *another kind of production*" (*Traité d'économie politique*, Vol. II, Paris, 1817, p. 430).^a

The identification of capital with a particular use value, use value for the process of production. The fact that capital as value is *tyed* to a particular use value—use value within production—is at any rate an important aspect. It expresses more than does the inability to circulate, which essentially means only that fixed capital is the opposite of circulating capital.

In his *Logic of Political Economy* ([London, Edinburgh, 1844,] pp. 113-14) (Notebook X, 4),¹⁰ *De Quincey* says:

"CIRCULATING CAPITAL, IN ITS NORMAL IDEA, MEANS ANY AGENT WHATEVER" (marvellous logician) "USED PRODUCTIVELY WHICH PERISHES IN THE VERY ACT OF BEING USED."

(According to this, coal would be *circulating capital*, and so would be *oil*, but not cotton, etc. It cannot be said THAT COTTON PERISHES BY BEING TRANSFORMED INTO TWIST OR CALICO, AND SUCH TRANSFORMATION MEANS CERTAINLY USING IT PRODUCTIVELY!)

"Capital is *FIXED*, if the object serves, repeatedly, again and again, for the same operation, AND BY HOW MUCH LARGER HAS BEEN THE RANGE OF ITERATIONS, BY SO MUCH MORE INTENSELY IS THE *TOOL, ENGINE, OR MACHINERY* ENTITLED TO THE DENOMINATION OF *FIXED*" (pp. 113-14) (Notebook X, 4).

According to this, CIRCULATING CAPITAL would perish, be consumed, in the act of production; fixed capital—which for greater clarity is defined as *TOOL, ENGINE, OR MACHINERY* (and which therefore excludes, e. g., the *IMPROVEMENTS* incorporated in the soil)—would serve repeatedly for the same operation. The distinction concerns here only the technological difference in the act of production; it does not concern the form at all. CIRCULATING and FIXED CAPITAL, in the distinctions given here, may well possess features on the strength of which one agent, "any AGENT WHATEVER", is *FIXED* capital and the other *CIRCULATING*, but NEITHER OF THEM [possesses] ANY QUALIFICATION WHICH WOULD ENTITLE IT TO THE "*DENOMINATION*" OF CAPITAL.

^a Marx quotes in French.—*Ed.*

According to Ramsay ([*An Essay on the Distribution of Wealth*, Edinburgh, London, 1836,] IX, 83-84)¹¹

"only the *approvisionnement*^a is CIRCULATING CAPITAL, because the capitalist MUST PART WITH IT IMMEDIATELY and it *does not enter into the process of reproduction at all*, but is exchanged direct for living labour, for consumption. All other capital (raw material, too) REMAINS IN THE POSSESSION OF ITS OWNER OR EMPLOYER UNTIL THE PRODUCE IS COMPLETED" (l. c. [p. 21]). "CIRCULATING CAPITAL CONSISTS ONLY OF SUBSISTENCE AND OTHER NECESSARIES ADVANCED TO THE WORKMAN, PREVIOUS TO THE COMPLETION OF THE PRODUCE OF HIS LABOUR" (l. c. [p. 23]).

With respect to the *approvisionnement*, he is right in so far as it is the only part of capital which circulates during the production phase itself, and from this aspect it is circulating capital *par excellence*. On the other hand, it is wrong to maintain that FIXED CAPITAL REMAINS IN THE POSSESSION OF ITS OWNER OR EMPLOYER no longer than or only "UNTIL THE PRODUCE IS COMPLETED". Hence later, too, he defines FIXED CAPITAL AS

"ANY PORTION OF THAT LABOUR (BESTOWED UPON ANY COMMODITY) IN A FORM IN WHICH, THOUGH ASSISTING TO RAISE THE FUTURE COMMODITY, IT DOES NOT MAINTAIN LABOUR" [p. 59].

(But how many COMMODITIES DO NOT MAINTAIN LABOUR! I. e. do not belong to the articles of the worker's consumption. In Ramsay's view, these are all *fixed capital*.)

(If the interest on £100 at the end of the first year or of the first three months is £5, then at the end of the first year, the capital will be 105 or 100 (1 + 0.05); at the end of the 4th year, it will = 100 (1 + 0.05)⁴ = £121. £⁵⁵/₁₀₀ and £¹/_{1,600} = £121 11s. ³/₅ farth. or £121 11s. 0.6 farthing. Therefore it yields £1 11s. ⁶/₁₀ farthing over and above 20.)

[VI-28] (In the question posed above,^b it is assumed that on the one hand a capital of 400 turns over only once in a year, while on the other [a capital of 100 turns over] four times, in both cases at 5%. In the first case the capital would yield 5% once a year, i.e. 20 on 400; in the second case, 4 × 5%, likewise 20, on 100 in a year. The velocity of circulation would compensate for the size of the capital; just as in simple money circulation, 100,000 thaler which circulates three times a year is = to 300,000, but so also is 3,000 which circulates 100 times. But if the capital circulates four times a

^a Means of subsistence.—*Ed.*

^b See this volume, pp. 18-19.—*Ed.*

year, it is *possible* that the surplus gain itself is added to the capital in the second turnover and turned over with it. In this way the difference of £1 11s. 0.6 farthing would come about. But this difference in no way follows from the presupposition. Only the *abstract* possibility exists. What follows from the presupposition is, rather, that three months are necessary to turn over a capital of £100. Then, if, e.g., the month = 30 days, to turn over a capital of £105—assuming the same turnover ratio, the same relation of the turnover time to the size of the capital—would take not 3 months but * $105 : x = 100 : 90$; $x = \frac{90 \times 105}{100} = \frac{9,450}{100} = 94 \frac{5}{10}$ days = 3 months $4 \frac{1}{2}$ days. The first difficulty is thereby completely resolved.)

(The fact that a larger capital with a slower turnover does not produce more surplus value than a smaller capital with a relatively more rapid turnover, in no way means in itself that a smaller capital turns over more rapidly than a larger one. In so far as the larger capital consists of more fixed capital and must seek out more distant markets, this is indeed the case. The size of the market and the velocity of circulation are not necessarily inversely related. This relationship only occurs when the available physical market is no longer the economic market, i.e. when the economic market moves farther and farther away from the place of production. Incidentally, to the extent that this does not stem from the mere distinction between fixed and circulating capital, the moments determining the circulation of the different capitals cannot, as yet, be discussed here at all. It may be observed in passing that in so far as trade posits new points of circulation, i.e. brings different countries into the sphere of commerce, discovers new markets, etc., this is something quite different from the mere circulation costs, which are required to effect a definite number of exchange operations. It is the positing of exchange itself, not of operations of exchange. Creation of markets. This point will have to be considered specially, before we HAVE DONE WITH CIRCULATION.)

Let us now continue our examination of the views on “FIXED” and “CIRCULATING CAPITAL”.

“Depending on whether *capital* is more *perishable* or less *perishable*, i.e. *must be reproduced more frequently or less frequently in a given period of time*, it is called *circulating capital* or *fixed capital*. Furthermore, capital circulates, or returns to its employer, *in very unequal times*. E.g., the wheat bought by a farmer to sow is

* On the other hand, it could be assumed that, with continuity of the production process, the surplus obtained is converted into capital every 3 months.

comparatively a fixed capital to the wheat purchased by a baker to make into loaves" (Ricardo, [*On the Principles of Political Economy, and Taxation*, 3rd edition, London, 1821, pp. 26-27,] VIII, 19)¹²

Then he also remarks:

"Different *proportions of fixed and circulating capital* in different trades; different *durability of fixed capital itself*" (Ricardo, l.c. [p. 27]).

"Two kinds of COMMERCE may employ capital of equal value, but it may be very differently divided with respect to the part which is fixed, and that which is circulating. They may even employ an equal value of fixed capital and of circulating capital; but the durability of the fixed capital may be very unequal. E.g., one may have steam-engines to the value of £10,000, the other, ships." (This from the translation of Ricardo's book [published] by Say, [*Des principes de l'économie politique et de l'impôt*, 2nd ed.,] Vol. I, [Paris, 1835.] pp. 29, 30).

What is wrong, from the outset, is that, according to Ricardo, capital is "*more or less perishable*". Capital as capital, *value*, is not perishable. Yet the use value in which the value is fixed, in which it exists, is "*more or less perishable*" and must therefore "*be reproduced more frequently or less frequently in a given period of time*". Hence the distinction between fixed capital and circulating capital is reduced here to the greater or lesser *necessity to reproduce a given capital, in a given period of time*. This is one distinction made by Ricardo.

The different *degrees of durability* or *different degrees of fixity of capital*, i.e. *the different degrees, the relative duration of the relative fixity*, is the second distinction. So that fixed capital itself is fixed more or less. *The same capital* appears in the same business in two different forms, *particular modes of existence*, as *fixed and circulating*, hence exists doubly. To be fixed or circulating appears as a *particular determinateness of capital*, apart from that of being capital. But it necessarily must proceed to this particularity.

Finally, as [regards] the third distinction, "*that capital circulates, or returns, in very unequal times*", Ricardo means by it, as his example of the baker and the farmer shows, merely the difference in the time for which capital in different branches of business, according to their specificity, is *fixed, engaged* in the *phase of production* as distinct from that of circulation. *Fixed capital* therefore occurs here as we had it before, as fixedness in each phase; except that the specifically longer or shorter fixedness in the phase of production, in this definite phase, is regarded as positing a characteristic feature, a particularity, of capital.

Money sought to posit itself as *imperishable value*, as eternal value, by relating negatively to circulation, i.e. to exchange with real wealth, perishable commodities, which are dissolved in

transient enjoyments, as Petty very neatly and very naively puts it.^a In capital, the imperishability of value is posited (TO A CERTAIN DEGREE) in that capital, while of course embodying itself in, adopting the form of, perishable commodities, just as constantly changes form, alternately adopting its eternal form as money and its perishable form as commodities. The imperishability is posited as the only thing it can be, perishability that is perishable—process—life. But capital maintains this ability only by constantly sucking in, vampire-like, living labour as its life-blood.

The imperishability—the durability of value in its form as capital—is only posited by reproduction, which itself is dual, reproduction as commodity, reproduction as money and unity of these two reproduction processes. When reproduced as a commodity, capital is fixed in a particular form of use value, and hence is not *universal exchange value*, or indeed realised *value*, as it should be. That it has posited itself as value in the act of reproduction, in the production phase, it only proves through circulation. The greater or lesser perishability of the commodity in which [VI-29] value exists, requires slower or more rapid reproduction of that value, i.e. repetition of the labour process.

The *particular nature of the use value* in which value exists, or which now appears as the body of capital, appears here as itself *determining the form* and the action of capital; as giving one capital a particular quality as compared with another; as particularising it. Hence, as we have already seen on repeated occasions, nothing is more mistaken than overlooking the fact that the distinction between use value and exchange value, which in simple circulation, to the extent that it is *realised*, lies outside the economic determination of form, lies outside it in general. We have found, rather, that at the different stages of the development of economic relations exchange value and use value are determined in different relations, and that this determinateness itself appears as a different determination of value as such.

Use value itself plays a role as an economic category. Where precisely it does so, emerges from the development itself. E.g. Ricardo, while believing that bourgeois political economy deals only with exchange value and treats use value merely as exoteric, derives precisely the most important determinations of exchange value from use value, from their mutual relation: for instance, *rent*, *the minimum level of wages*, and *the distinction between fixed and*

^a W. Petty, *Several Essays in Political Arithmetick*, London, 1699, pp. 178-79 and 195-96.—Ed.

circulating capital, to which precisely he attributes a very important influence on the determination of prices (THROUGH THE DIFFERENT REACTION PRODUCED UPON THEM BY A RISE OR FALL IN THE RATE OF WAGES). Similarly in the relationship of demand and supply, etc.

The same determination appears once in the determination of use value and then in that of exchange value, but at different stages and with different significance. Using is consuming, whether for production or for consumption. Exchange is this act mediated by a social process. The using itself may be posited by, and be a mere consequence of, exchange; on the other hand, exchange may appear simply as a moment of using, etc. From the standpoint of capital (in circulation), exchange appears as the positing of its use value; while, on the other hand, its use (in the act of production) appears as positing for exchange, as the positing of its exchange value.

It is the same with production and consumption. In the bourgeois economy (as in every economy) they are posited in specific distinctions and in specific unities. The point is, precisely, to understand this *differentia specifica*. Mr. Proudhon's or the social sentimentalists' [assertion] that they are *the same* gets one nowhere.^a

The good thing about Ricardo's analysis is that, to begin with, the moment is emphasised of the necessity of *more rapid or slower reproduction*; that, hence, the greater or lesser perishability, the slower or more rapid consumption (in the sense of self-consumption), is considered with respect to *capital* itself. I.e., the relationship of use value for *capital* itself.

Sismondi, on the contrary, at once introduces a determination which is initially exoteric to capital: *direct or indirect consumption by man*, i.e. whether the object is a direct or an indirect means of subsistence for him. He associates this with the *more rapid or slower consumption of the object* itself. The objects which serve directly as means of subsistence are more perishable, because intended for consumption, than those which help to make means of subsistence. The latter type of objects are meant to be durable; their perishability is fate. He says:

"Fixed capital is *consumed slowly*, in an indirect manner, to help to reproduce what man destines for his use; circulating capital never ceases to be directly employed for the use of man. Whenever a thing is consumed, it is consumed for one person *sans retour*^b; at the same time, there may be a person for whom its consumption

^a See present edition, Vol. 28, pp. 31 and 339-40.—*Ed.*

^b Irrevocably.—*Ed.*

implies its reproduction" (Sismondi, [*Nouveaux principes d'économie politique*, 2nd ed., Vol. I, Paris, 1827, p. 95] VI).¹³

He also represents the relationship thus:

"The first transformation of the annual consumption into permanent installations suitable for increasing the productive forces of future labour [is] fixed capital; this first labour is always accomplished by a labour, represented by a wage, exchanged for means of subsistence, which the worker consumes in the process of labour. Fixed capital is consumed gradually" (i.e. is gradually used up). Second transformation: "Circulating capital consists of the seeds to be worked up by labour (raw material) and the worker's consumption" (l.c. [pp. 97-98, 94]).

This is more relevant to the origin [of capital]. Firstly, the transformation of fixed capital itself into what is merely a stationary form of circulating capital, fixed circulating capital; secondly, the purpose: the one is intended to be consumed as means of production, the other as product; or the different ways in which a thing is consumed, determined by its role among the conditions of production in the production process.

Cherbuliez simplifies the matter in the sense that circulating capital [is] the consumable, fixed capital the non-consumable, part of capital.^a (The one can be eaten up, the other cannot. A VERY EASY METHOD OF TAKING THE THING.)

Storch, in a passage already cited above^b (34 in the Notebook), vindicates for circulating capital in general the property of capital to circulate. But he refutes himself by arguing^c that

"all fixed capital is originally derived from circulating capital and must constantly be maintained at the expense of the latter".^d

(Hence it derives from circulation, or is itself circulating in its first moment and constantly renews itself by means of circulation; consequently, though it does not enter into circulation, circulation enters into it.) Storch adds further on:

"No fixed capital can bring in revenue except by means of circulating capital" (26, b Notebook).¹⁴

We shall come back to this later.

//"Reproductive consumption is not, properly speaking, an expense, but merely an advance, since it is reimbursed to him who grants it." Storch's polemic against Say [*Considérations etc.*], p. 54 (p. 5b, second notebook on Storch).

^a A. Cherbuliez, *Richesse ou pauvreté*, Paris, 1841, pp. 16-19.—*Ed.*

^b See this volume, p. 24.—*Ed.*

^c H. Storch, *Cours d'économie politique*, Vol. I, p. 246.—*Ed.*

^d Here and below Marx quotes Storch in French.—*Ed.*

(The capitalist gives back to the worker a part of his own surplus labour in the form of an *avance*, for which he must reimburse the capitalist not merely with an equivalent, but with surplus labour.)//

(The formula for the calculation of compound interest is: $S = c(1+i)^n$. (S is the total volume of capital c after the lapse of n years at an interest rate of i .)

The formula for the calculation of an ANNUITY is:

$$x \text{ (the ANNUITY)} = \frac{c(1+i)^n}{1 + (1+i) + (1+i)^2 + \dots + (1+i)^{n-1}}$$

In the preceding analysis, we divided capital up into *constant value* and *variable value*.^a This is always correct when capital is considered within the production phase, i.e. in its immediate valorisation process. How capital itself, as presupposed value, may alter its value, depending upon whether its reproduction costs rise or fall, or also as a result of a fall in profits, etc., obviously does not belong here, where the general concept of capital is discussed, but in the section dealing with capital as real capital, as the reciprocal effect of many capitals upon each other.

//Because competition appears historically as the dissolution of guild compulsion, government regulation, internal tariffs and the like, within the country, and as the abolition of shutting-off, prohibition or protection, on the world market—in short, because it appears historically as the negation of the limits and barriers peculiar to the production stages preceding capital—and because historically it was quite correctly described and [VI-30] advocated by the Physiocrats as *laissez faire, laissez passer*, it has accordingly been considered in terms of that, purely negative, its purely historical, aspect. On the other hand, this has led to the even greater stupidity of regarding competition as the clash of the unfettered individuals actuated only by self-interest—as the mutual repulsion and attraction of the free individuals, and hence as the absolute form of existence of free individuality in the sphere of production and exchange. Nothing could be further from the truth.

(1) If free competition dissolved the barriers of earlier production relations and modes of production, one must *d'abord*^b take into account that what was a barrier to free competition, was

^a See present edition, Vol. 28, pp. 291-323 and 352-53.—*Ed.*

^b First of all.—*Ed.*

an immanent limit for earlier modes of production, within which they spontaneously developed and moved. These limits became barriers only after the productive forces and relations of intercourse had attained a level of development sufficient for capital as such to begin to act as the regulating principle of production. The limits it swept away were barriers to its movement, development, realisation. In so doing, it by no means abolished all limits, or all barriers, only the limits that did not correspond to it, that were barriers to it. Within its own limits—much as they may appear, from a higher viewpoint, as barriers to production and be posited as such by capital's own historical development—it feels itself to be free, unconfined, i.e. limited only by itself, only by its own conditions of life. Just as guild industry in its heyday found in the guild organisation absolutely the kind of freedom which it needed, i.e. the production relations which corresponded to it. Indeed, it posited these relations out of itself and developed them as *its own* immanent conditions, hence not at all as external and restricting barriers. From the historical aspect, the negation of the guild system, etc., by capital through free competition merely means that capital, once it had grown strong enough, tore down, by means of the mode of intercourse adequate to it, the historical barriers which hindered and impeded the movement adequate to it.

Yet competition is far removed from having only this historical significance or from being only *this negativity*. *Free competition* is the relation of capital to itself as another capital, i.e. the real behaviour of capital as capital. It is only at this point that the inner laws of capital—which only appear as tendencies in the initial historical stages of its development—are first posited as laws; production based upon capital only posits itself in its adequate forms in so far and to the extent that free competition is developed. For free competition is the free development of the mode of production based upon capital; the free development of its conditions and of its process as constantly reproducing these conditions.

In free competition, it is capital that is set free, not the individuals. As long as production based on capital is the necessary, hence the most appropriate, form for the development of society's productive power, the movement of individuals within the pure conditions of capital appears as their freedom. But then it is also dogmatically affirmed as such by continual references to the barriers which free competition has demolished. Free competi-

tion is the real development of capital. By means of it, that which corresponds to the nature of capital, to the mode of production based upon capital, to the concept of capital, is posited as an external necessity for the individual capital. The reciprocal compulsion exerted under free competition by capitals upon one another, upon labour, etc. (the competition of workers among themselves is merely another form of the competition of capitals) is the *free*, and at the same time *real*, development of wealth as capital. This is so much the case that the most profound economic thinkers, e.g. Ricardo, *presuppose* the absolute dominance of free competition as essential for studying and formulating the adequate laws of capital, which simultaneously appear as the vital tendencies dominating it.

On the other hand, free competition is the adequate form of the productive process of capital. The further free competition is developed, the purer do the forms of the movement of capital emerge. What Ricardo, e.g., has thereby admitted, *malgré lui*, is the *historical nature* of capital, and the restricted character of free competition, which is merely the free movement of capitals, i.e. their movement within conditions which are not part of any dissolved earlier stages, but are capital's own conditions. The dominance of capital is the presupposition for free competition, just as the Roman imperial despotism was the presupposition for the free Roman "private law".

As long as capital is weak, it itself still looks for the crutches of past modes of production, or of modes of production which pass away with its rise. As soon as it feels strong enough, it throws the crutches away and moves according to its own laws. As soon as it begins to feel that it itself is, and is known to be, a barrier to development, it takes refuge in forms which, while apparently completing the dominance of capital by curbing free competition, simultaneously proclaim the dissolution of capital and of the mode of production based upon it. What is inherent in the nature of capital is actually externalised, as an outward necessity, only by competition, which is merely the forcing by the many capitals of the immanent determinations of capital upon one another and upon themselves. Hence not a single category of the bourgeois economy, not even the most basic one, e.g. the determination of value, really comes into its own [other than] through free competition, i.e. through the actual process of capital, which appears as the reciprocal effect of all capitals and all other relations of production and commerce determined by capital upon one another.

Hence, on the other hand, the absurdity of regarding free competition as the ultimate development of human freedom, and the negation of free competition as equivalent to the negation of individual freedom and of social production based upon individual freedom. It is merely the kind of free development possible on the limited basis of the domination of capital. This type of individual freedom is therefore, at the same time, the most sweeping abolition of all individual freedom and the complete subjugation of individuality to social conditions which assume the form of objective powers, indeed of overpowering objects—objects independent of the individuals relating to one another.

To bring out the essence of free competition is the only rational answer to its glorification by the prophets of the MIDDLE CLASS and to its anathematising by the socialists. If it is argued that within free competition individuals, in pursuing their purely private interest, realise the common or RATHER the *general* interest, this means merely that they press upon each other under the conditions of capitalist production and hence their mutual repulsion itself only reproduces the conditions under which this interaction takes place. Incidentally, once the illusory view of competition as the alleged absolute form of free individuality begins to vanish, this is proof that the conditions of competition, i.e. of production based upon capital, are already felt to be and thought of as *barriers*, and therefore already *are* barriers, and to a constantly increasing degree. The assertion that free competition is equivalent to the ultimate form of development of the productive forces, and hence of human freedom, boils down to the assertion that the rule of the MIDDLE CLASS is the terminal point of world history—certainly an agreeable thought for the parvenus of the day before yesterday.//

[VI-31] Before continuing our survey of views on fixed and circulating capital, let us for a moment return to something discussed earlier.

For the time being we assume that production time coincides with labour time. The CASE in which there are, within the production phase itself, interruptions conditioned by the technological process will be considered later.

Suppose that the production phase of a capital is 60 working days, 40 of which are necessary labour time. Then, under the law developed earlier, surplus value, or the new value posited by capital, i.e. the alien labour time appropriated, = $60 - 40$; = 20. Let this surplus value (=20) be represented by S , and the production

phase—or the labour time used during the production phase—by p . In a given period of time, (which we shall call Z)—e.g., 360 days—the total value produced can never be greater than the [sum of value produced within the] number of production phases contained in 360. The highest possible coefficient of S —i.e. the maximum of surplus value that capital can produce under the given assumptions—is equal to the number of repetitions of the production of S in 360 days. The maximum number of times this process—the reproduction of capital, or rather, now, the reproduction of its production process—can be repeated is determined by the ratio of the production period to the overall time period within which the former is to be repeated. If the given time=360 days, and the duration of the production phase=60 days, then $\frac{360}{60}$ or $\frac{Z}{p}$, i.e. 6, is the coefficient which shows how many times p is contained in Z , or how many times, given its own immanent limits, the process of reproduction of capital can be repeated in 360 days.

Self-evidently, the maximum quantity of S that can be produced, i.e. of surplus value that can be posited, is determined by the number of processes in which S can be produced in a given time period. $\frac{Z}{p}$ expresses this relation. The quotient of $\frac{Z}{p}$ or q is the largest possible coefficient of S in the time period of 360 days, in general in Z . $\frac{SZ}{p}$ or Sq is the maximum [surplus] value [that can be produced in Z]. If $\frac{Z}{p} = q$, $Z = pq$, i.e. the entire duration of Z would be production time: the production phase p is repeated as many times as it is contained in Z . The total [surplus] value produced by capital in a given period of time would then be=to the surplus labour appropriated by it in one production phase \times by the number of times this production phase is contained in the given time.

Hence, in the above example, $= 20 \cdot \frac{360}{60} = 20 \times 6 = 120$ days. The magnitude q , i.e. $\frac{Z}{p}$, would express the number of *turnovers* of capital; but since $Z = pq$, $p = \frac{Z}{q}$, i.e. the duration of one production phase would be equal to the total time divided by the number of turnovers. One production phase of capital would therefore equal one turnover. Turnover time and production time would then be completely identical; hence the number of turnovers would be

determined exclusively by the ratio of one production phase to total time.

However, in this case, circulation time has been assumed as=0. Actually, it has a certain length, which can never become=0. Now assume that for every 60 days' production time or 60 production days, 30 circulation days are required. This circulation time, required for p , can be designated as c . In this case, one turnover of capital, i.e. the total time it requires before it is in a position to repeat the valorisation process, the positing of surplus value, is equal to $30+60,=90$ days ($=p+c$) ($1U$ (turnover) $=p+c$).

In a period of 360 days, a turnover taking 90 days can be repeated only $\frac{360}{90}$, i.e. 4 times. The surplus value of 20 could then be posited only 4 times; $20 \times 4=80$. In 60 days, the capital produces 20 surplus days; yet it must circulate for 30 days, i.e. it cannot posit any surplus labour, any surplus value, during these 30 days. For the capital this is the same (so far as the result is concerned) as if in 90 days it had only posited a surplus value of 20 days. Formerly, the number of turnovers was determined by $\frac{Z}{p}$; now it is determined by $\frac{Z}{p+c}$, or $\frac{Z}{U}$. Formerly, the maximum [surplus] value was $\frac{SZ}{p}$; the surplus value actually produced now is $\frac{SZ}{p+c}$; ($20 \cdot \frac{360}{60+30}=20 \cdot \frac{360}{90}=20 \times 4=80$). The number of turnovers is, therefore, equal to the total time divided by the sum of the production time and the circulation time; and the total [surplus] value is S multiplied by the number of turnovers. But this formula is not enough yet to express the relations of surplus value, production time and circulation time.

The maximum of [surplus] value creation is expressed by the formula $\frac{SZ}{p}$, the maximum limited by circulation time is given by $\frac{SZ}{p+c}$ (or $\frac{SZ}{U}$). Subtracting the second quantity from the first, we get:

$$\frac{SZ}{p} - \frac{SZ}{p+c} = \frac{SZ(p+c) - SZp}{p(p+c)} = \frac{SZp + SZc - SZp}{p(p+c)} = \frac{SZc}{p(p+c)},$$

The difference is therefore $\frac{SZc}{p(p+c)}$, or $\frac{SZ}{p} \times \frac{c}{p+c}$. The magnitude $\frac{SZ}{p+c}$, or S' , as we may represent [surplus] value in the second determination, is expressed by the formula

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Handwritten mathematical derivation involving fractions and variables, possibly representing a derivative or a ratio.

Extensive handwritten notes and calculations, including several lines of algebraic manipulation and possibly some geometric or physical reasoning.

Handwritten equations, including one that appears to be a derivative or a relationship between variables.

Large block of handwritten text, likely a detailed explanation or a series of related calculations, covering the lower half of the page.

$S' = \frac{SZ}{p} - \left(\frac{SZ}{p} \times \frac{c}{p+c} \right)$. Before we continue the analysis of this formula, others have to be brought in.

If the quotient of $\frac{Z}{p+c}$ is designated as q' , then q' expresses the number of times $U=(p+c)$ is contained in Z , the number of turnovers. $\frac{Z}{p+c} = q'$; hence $Z = pq' + cq'$. In this equation, pq' expresses the total production time and cq' the total circulation time.

Designate the total circulation time as C (so $cq' = C$). (Z (360) = 4×60 (240) + 4×30 (120)). From what has been presupposed, $q' = 4$. $C = cq' = 4c$; 4 being the number of turnovers. As we saw earlier, the maximum of [surplus] value creation = $\frac{SZ}{p}$, but in that case Z was assumed to be equal to the production time. Yet now the actual production time is $Z - cq'$, as also follows from the equation. $Z = pq'$ (total production time) + cq' (total circulation time, or C). Consequently, $Z - C = pq'$. As a result, $S \cdot \frac{Z - C}{p}$ is the maximum of [surplus] value creation. For the production time is not 360 days but 360 days - cq' , i.e. - 4×30 , or - 120; hence [the total surplus value produced is]

$$20 \cdot \left(\frac{360 - 120}{60} \right) = \frac{20 \times 240}{60} = 80.$$

[VI-32] Finally, as regards the formula

$$\begin{aligned} S' &= \frac{SZ}{p} - \left(\frac{SZ}{p} \times \frac{c}{c+p} \right) = \frac{360 \times 20}{60} - \left(\frac{20 \times 360}{60} \times \frac{30}{30+60} \right) = \\ &= 120 - \left(120 \times \frac{30}{90} \right) = 6 \times 20 - \left(6 \times 20 \times \frac{3}{9} \right) = 20 \times 6 - \left(20 \times 6 \times \frac{1}{3} \right) \text{ or} \\ &= 120 - \left(120 \times \frac{1}{3} \right) = 120 - 40 = 80, \end{aligned}$$

it means that [surplus] value is equal to the maximum [surplus] value, i.e. to the [surplus] value determined purely by the relation of production time to total time, minus the number which expresses how many times the circulation time is contained in this maximum, and this number is the maximum itself multiplied by the number of times one turnover is contained in c , in the circulation time per turnover, or divided by the number which expresses how many times c is contained in $c+p$ or C in Z .

If c were = 0, S' would be = $\frac{SZ}{p}$, and would thus be at its maximum. S' grows smaller in the same measure as c increases, and hence is inversely related to it, for the factor $\frac{c}{c+p}$ and the number $\frac{SZ}{p} \times \frac{c}{c+p}$, or $\frac{SZ}{p} \times \frac{c}{U}$, which is to be subtracted from $\frac{SZ}{p}$, the maximum [surplus] value, increase in the same measure. $\frac{c}{c+p} = \frac{c}{U} \cdot \frac{c}{U}$ expresses the relation of circulation time to one turnover of capital. If we multiply the numerator and the denominator by q' , we get: $\frac{cq'}{(c+p)q'} = \frac{C}{Z} \cdot \left(\frac{c}{c+p} = \frac{30}{30+60} = \frac{1}{3} \right)$; $\frac{c}{c+p}$, or $\frac{1}{3}$, expresses the relation of circulation time to total time, since $\frac{360}{3} = 120$. The turnover ($c+p$) is contained in c $\frac{c}{c+p}$ or $1/3$ (or $\frac{C}{Z}$) [times].

We therefore have three formulas:

$$(1) \quad S' = \frac{SZ}{p+c} = \frac{SZ}{U}$$

$$(2) \quad S' = \frac{S(Z-C)}{p}$$

$$(3) \quad S' = \frac{SZ}{p} - \left(\frac{SZ}{p} \times \frac{c}{c+p} = S \left\{ \frac{Z}{p} - \left(\frac{Z}{p} \times \frac{c}{c+p} \right) \right\} \right)$$

Hence $Sq:S' = \frac{SZ}{p} : \frac{S(Z-C)}{p}$; or $Sq:S' = Z:(Z-C)$. The

maximum [surplus] value relates to the actual [surplus] value as a given period of time relates to this period minus total circulation time. Or also $Sq:S' = (pq' + cq') : (pq' + cq' - cq') = (p+c) : p$.

Concerning (3):

$$S' = \frac{SZ}{p} - \left(\frac{SZ}{p} \times \frac{c}{c+p} \right) = S \left\{ \frac{Z}{p} - \left(\frac{Z}{p} \times \frac{c}{c+p} \right) \right\} \text{ or, since } \frac{Z}{p} = q,$$

$$S' = S(q - q \cdot \frac{c}{c+p}) = S(q - q \frac{c}{U}).$$

The total surplus value is therefore equal to the surplus value posited in one production phase, the coefficient of the latter value

being the number of times the production time is contained in the total time minus the number of times the circulation time of one turnover is contained in this latter number.

$$S(q - q\frac{c}{U}) = Sq(1 - \frac{lc}{U}) = Sq(\frac{U-c}{U} = \frac{Sq\rho}{U} = \frac{SZ}{\rho+c}),$$

which is the first formula. Hence formula (3) means ... formula (1): The total surplus value is equal to the surplus value produced in one production phase multiplied by the total time, divided by the turnover time, or multiplied by the number of times the sum of production time and circulation time is contained in the total time.

Formula (2): The total [surplus] value is equal to the surplus value multiplied by the total time minus the total circulation time, divided by the duration of one production phase.

(The basic law developed under competition, as distinct from that established with respect to value and surplus value, is that value is determined, not by the labour contained in it, or by the labour time in which it is produced, but by the labour time in which it can be produced, or by the labour time necessary for reproduction. Only in this way is the individual capital in reality placed under the conditions of capital in general, although the original law seems to have been overthrown. But it is only thus that *necessary* labour time is posited as determined by the movement of capital itself. This is the basic law of competition. Demand, supply, price (production costs) are further determinations of form; price as market price; or general price. Then the positing of a general rate of profit. On the basis of the market price, capitals are then allocated to different branches. Lowering of production costs, etc. In short, here all determinations appear in *inverse order* as compared with their appearance in capital in general. There price is determined by labour; here labour is determined by price, etc., etc.

The action of the individual capitals upon one another has the effect, precisely, of forcing them to behave as *capital*; the apparently independent operation of the individual capitals, and their chaotic collisions, are precisely the positing of their general law. The market acquires yet another meaning here. The action of capitals as individual ones upon each other thus becomes precisely their positing as general ones, and the abolition of the apparent independence and autonomous existence of individual capitals.

This abolition takes place to an even greater extent in credit. And the extreme form to which this abolition proceeds, but which is, at the same time, the *ultimate positing* of capital in its adequate form, is joint-stock capital.)

(Demand, supply, price, production costs, the opposition of profit and interest, the different relations between exchange value and use value, consumption and production.)

So we have seen that the surplus value that capital can posit in a definite period of time is determined by the number of times the valorisation process can be repeated, or the capital can be reproduced, within that period, but that the number of these reproductions is determined by the relation of the duration of the production phase, not to the total time period, but to this total time minus circulation time. Circulation time therefore appears as time during which the [VI-33] ability of capital to reproduce itself, and therefore to reproduce surplus value, is suspended. Hence its productivity—i.e. its production of surplus values—is inversely related to circulation time, and would attain its maximum level if the latter dropped to zero.

Since circulation is the passage of capital through the different, conceptually determined moments of its necessary metamorphosis, of its life process, it is an indispensable condition for capital, one posited by capital's own nature. In so far as this passage takes time, capital cannot *increase* its value during this time, for it is *not*-production time, it is time in which capital does *not* appropriate living labour. Hence, circulation time can never increase the value produced by capital, but can only posit time *which posits no value*, i.e. can only appear as a limit to the increase of value, its limiting effect being measurable by the ratio it bears to labour time. Circulation time cannot be reckoned as value-producing time, the latter only being labour time which objectifies itself in value. It is not part of the production costs of value; nor is it part of the production costs of capital; but it is a condition which impedes capital's self-reproduction.

Obviously, the obstacles to the valorisation of capital—i.e. to its appropriation of living labour—do not constitute a moment of its valorisation, of its positing of value. Therefore, it is ludicrous to take the term *production costs* in the original sense here. Or we must set the production costs apart as a particular form from the labour time which objectifies itself in value (as we must set profit apart from surplus value). But even then, circulation time does not

form part of the production costs of capital in the same sense as wages, etc., do. It is an *ITEM* which comes into the reckoning in the settling of accounts between individual capitals, because they share out the surplus value among themselves in certain general proportions.

Circulation time is not time in which capital produces value, but time in which it realises the value produced in the production process. Circulation time does not increase the quantity of value, but posits it in other appropriate determinations of form, converting it from the determination of product into that of commodity, from that of commodity into that of money, etc. The fact that the price, which previously had a notional existence in the commodity, is now really posited, and that the commodity is now actually exchanged for its price, money, does not increase this price, of course.

Circulation time, therefore, does not appear as time which determines value; and the number of turnovers, as far as it is determined by circulation time, does not appear as indicating that capital introduces a new value-determining element, one which belongs to it, *sui generis*, as distinct from labour. On the contrary, it appears as a limiting, negative principle. Hence the necessary tendency of capital is *circulation without circulation time*, and this tendency is the basic attribute of credit and the *CREDIT CONTRIVANCES* of capital. On the other hand, credit is, therefore, also a form in which capital seeks to posit itself as distinct from the individual capitals, or in which the individual capital seeks to posit itself as capital as distinct from its quantitative limit. However, the most that it can achieve in this *LINE* is, on the one hand, *FICTITIOUS capital*. On the other hand, credit merely appears as a new element of *concentration*, of the swallowing-up of capitals by individual centralising capitals.

From one aspect, circulation time is objectified in *money*. The attempt of credit to posit money as a merely formal moment, so that money mediates the change of form without itself being *capital*, i.e. value. This is a form of *circulation without circulation time*. Money is itself a product of circulation. We shall see later how capital creates new products of circulation in credit.

But if, on the one hand, capital strives for *circulation without circulation time*, it seeks, on the other, to attribute the value of *production time* to *circulation time* as such, to attribute *value* to it in the various organs by which the process of circulation time and circulation is mediated; to posit all of them as money, and in a further determination as capital. This is another aspect of credit.

All this springs from the same source. All the requirements of circulation, money, conversion of commodity into money, conversion of money into commodity, etc., may be traced back to *circulation time*, although they adopt various, apparently quite heterogeneous, forms. The machinery designed to reduce circulation time is itself part of it.

Circulation time is that time of capital which may be regarded as the time of its specific movement as capital, as distinct from production time, during which it reproduces itself, exists not as already produced capital which has merely formal transformations to undergo, but as capital-in-process, creative capital, sucking its life-blood from labour.

The opposition of labour time and circulation time comprises the entire doctrine of credit, as this involves, i.a., the problem of CURRENCY, etc. Of course, apart from circulation time being a deduction from the possible production time, real costs of circulation come into evidence later, i.e. it emerges that values which have already been posited in reality, must be expended in circulation. But IN FACT capital only burdens itself with all these costs—deductions from the surplus value already produced—in order to increase the sum of surplus values that can be produced, e.g., in a year, that is, to increase the aliquot part of production time contained in a definite time period—i.e. to reduce circulation time.

True, it also emerges that in practice circulation time does not really interrupt production time (except in crises and DEPRESSIONS OF TRADE). But this is merely because each capital is divided up into portions, with one part in the production phase and the other in the circulation phase. Not the whole of a given capital is active, but, e.g. (depending on the ratio of circulation time to production time), $\frac{1}{3}$, $\frac{1}{x}$ of it, while the other part is involved in circulation. Or it may be that a given capital is doubled (e.g., by means of credit). For this capital—[for] the original capital—it is then the same as if circulation time did not exist at all. But then the capital it has borrowed is in that PLIGHT. And if we abstract from the question of OWNERSHIP, it is again quite the same as if one capital had been divided into two. Instead of *a* being divided into two and *b* being divided into two, *a* draws *b* to itself and then divides up into *a* and *b*. Illusions concerning this process are widespread among the credit cranks (who are seldom creditors, but RATHER debtors).

We have already indicated^a that the dual and contradictory

^a See the beginning of the previous paragraph.—*Ed.*

condition of capital, continuity of production and the necessity for circulation time, or, also, continuity of circulation (not circulation time) and the necessity for production time, can only be fulfilled by dividing capital into portions, one of which *circulates as finished product*, and the other *reproduces itself in the production process*, and these portions alternate; when the one returns to phase *P* (production process), the other leaves it.

This process takes place day after day, and also within longer intervals (time dimensions). The whole capital and the total value have been reproduced as soon as both portions have gone through the production process and the circulation process, or also as soon as the second portion re-enters into circulation. Thus the point of departure is also the end point. Hence the turnover depends on the size of the capital, or RATHER, here, still on the *total sum* of these two portions. Only when it has been reproduced, has the *whole turnover* been completed; otherwise, only $\frac{1}{2}$, $\frac{1}{3}$, $\frac{1}{x}$ of it, depending upon the proportion of the constantly circulating part.

[VI-34] It was further emphasised that each part could be regarded in opposition to the other as fixed or circulating and that they did in fact alternately adopt these roles in relation to each other. The simultaneity of the different phases of the process of capital is only made possible by the fact that capital is divided and rejects portions, each of which is capital, but capital in a different determination.

This change of form and substance is similar to that in an organic body. If, e.g., it is said that the body reproduces itself within 24 hours, it does not do so all at once; rejection in one form and renewal [in] another are spread out in time and take place simultaneously. Incidentally, in the body the bone-structure is fixed capital; it is not renewed in the same time as flesh and blood. Consumption (self-consumption), and hence reproduction, proceed with different degrees of rapidity. (Here we, therefore, already have the *transition to many capitals*.) The important thing here above all is to keep in mind, as yet, only capital as such; for the determinations developed here are determinations which make value in general into capital, constitute the *differentia specifica* of capital as such.

Before going any further, we shall once again draw attention to the important point that circulation time—i.e. the time during which capital is separated from the process in which it absorbs labour into itself, i.e. the labour time of capital as capital—merely transposes *presupposed* value from one determination of form into the other, but it is not an element which *creates* or increases *value*.

By converting a value of 4 days' labour which existed in the form of twist, into a value of 4 days' labour which exists as money, or a symbol recognised as the representative of 4 days' labour in general, 4 general working days, the *presupposed* and *measured* value is translated from one form into the other, but it is not increased. The exchange of equivalents leaves them, *qua* quantities of value, the same *after* the exchange as they were *before* it. If we assume a single capital, or treat the various capitals of a country as one capital (national capital) as distinct from that of other countries, it is clear that the time during which this capital is not active as productive capital, i.e. posits no surplus value, is a deduction from the valorisation time at its disposal.

Such time appears—conceived in this abstract form, still wholly disregarding the costs of circulation itself—as a negation, not of the valorisation time actually posited, but of the *possible* valorisation time, i.e. possible if circulation time were zero. Plainly, the national capital cannot regard the time during which it does not multiply itself as time during which it does. Nor can, e.g., an isolated peasant regard the time in which he cannot harvest or sow, in which in general his labour is interrupted, as time which enriches him. That capital, used as it is, and necessarily so, to considering itself as productive and yielding fruit independently of labour, of its absorption of labour, assumes itself to be fruitful at all times, and reckons its circulation time as time producing value—as production cost—is QUITE ANOTHER THING.

One therefore sees the error when Ramsay, e.g., says

“THAT THE USE OF FIXED CAPITAL MODIFIES TO A CONSIDERABLE EXTENT THE PRINCIPLE THAT VALUE DEPENDS ON QUANTITY OF LABOUR. FOR SOME COMMODITIES ON WHICH THE SAME QUANTITY OF LABOUR HAS BEEN EXPENDED, REQUIRE VERY DIFFERENT PERIODS BEFORE THEY ARE FIT FOR CONSUMPTION. BUT AS DURING THIS TIME THE CAPITAL BRINGS NO RETURN, IN ORDER THAT THE EMPLOYMENT IN QUESTION SHOULD NOT BE LESS LUCRATIVE THAN OTHERS IN WHICH THE PRODUCE IS SOONER READY FOR USE, IT IS NECESSARY THAT THE COMMODITY, WHEN AT LAST BROUGHT TO MARKET, SHOULD BE INCREASED IN VALUE BY ALL THE AMOUNT OF PROFIT WITHHELD.”

(It is already presupposed here that capital as such always yields a uniform profit, as a healthy tree yields fruit.)

“THIS SHOWS HOW CAPITAL MAY REGULATE VALUE INDEPENDENTLY OF LABOUR.” E.g., wine in the cellar. (Ramsay, [*An Essay on the Distribution of Wealth*, p. 43.] IX, 84.)¹¹

This is as if circulation time—alongside labour time, or on the same scale as it—produced *value*. Capital, of course, includes both moments. (1) *Labour time* as the moment which produces value.

(2) *Circulation time* as the moment which limits labour time and hence the total production of value by capital; a moment necessary because value, or capital, in the form in which it immediately results from the production process, is certainly value, but value which has yet to be posited in its adequate form. The time required for this change of form—i.e. the time which elapses between production and reproduction—is time which depreciates capital. While, on the one hand, the determination of capital as circulating, as capital-in-process, implies *continuity*, it equally implies the *interruption* of continuity.

The economists correctly define circulation, the revolution that capital must go through to kindle itself for new production, as *une série d'échanges*. But by doing so, they admit that this circulation time does not increase the quantity of value, and hence cannot be time positing new value. For a *série d'échanges*, whatever the number of *échanges* it comprises, and whatever the amount of time required to perform these operations, is merely an exchange of equivalents. The positing of values—the extremes mediated—as equal, obviously cannot posit them as unequal. In quantitative terms, they can neither have been increased nor decreased by the exchange.

The surplus value produced during one production phase is determined by the surplus labour set in motion by capital during that phase (the surplus labour appropriated). The sum of surplus values that capital can produce in a certain period of time is determined by the repetition of the production phase during this period; or by the *turnover* of capital. The turnover, however, is equal to the duration of the production phase + the duration of circulation, i.e. equal to the sum of circulation time and production time. The turnover approaches production time the more closely the shorter circulation time is, i.e. the time which elapses between capital *sortant de la production et rentrant dans elle*.³

Surplus value is IN FACT determined by the labour time objectified during one production phase. The more often capital is reproduced, the more often the production of surplus value takes place. The number of reproductions = the number of *turnovers*. Hence total surplus value $[S'] = S \times nU$ (n is the number of turnovers).

$S' = S \times nU$; therefore $S = \frac{S'}{nU}$. If the production time required by a capital of £100 in a certain branch of industry equals 3 months, the capital could turn over 4 times a year; and if the S value

³ Leaving production and its re-entry into it.—*Ed.*

produced each time=5, the total surplus value would=5 (the S produced in one production phase) \times 4 (the number of turnovers determined by the relation of production time to the year)=20. But since circulation time is, e.g., $\frac{1}{4}$ of production time, 1 turnover would=3+1 months, i.e. 4 months, and the capital of 100 could turn over only 3 times a year [S']=15. Therefore, although the capital posits an S value of £5 in 3 months, [it] is the same for it as if it only posited a [surplus] value of 5 in 4 months, since it can only posit one of 5×3 in a year. It is the same for it as if it produced an S of 5 per 4 months; i.e. as if in 3 months it produced only $1\frac{5}{4}$ or $3\frac{3}{4}$, and in the one month of circulation $1\frac{1}{4}$.

To the extent that the turnover is distinct from the duration posited by the conditions of production itself, it=circulation time. The latter, however, is not determined by labour time. Hence the sum of surplus values posited by capital in a given period of time appears to be determined, not simply by labour time, but by labour time and circulation time, [VI-35] in the proportions given above. But the determination which capital introduces here into the positing of value is, as shown above, a *negative, limiting* one.

If, e.g., a capital of £100 requires 3 months, say 90 days, for production, it could, if circulation time=0, turn over 4 times a year, and *all of it* would be continuously active as capital, i.e. as positing surplus labour, as value multiplying itself. If 80 of the 90 days represented necessary labour, 10 would represent surplus labour. Assume now that circulation time was $33\frac{1}{3}\%$ of production time or $\frac{1}{3}$ of it; i.e., 1 month to 3. Circulation time would then equal $\frac{90}{3}$; one-third of production time, or 30 days; $c = \frac{1}{3} p$. ($c = \frac{p}{3}$.)

WELL. The question is: how large a proportion of this capital can now be continuously engaged in production? during the whole year? If the capital of 100 had worked for 90 days, and circulated as a product of 105 for a month, then during this month it could not employ any labour at all.

(Of course, the 90 working days can be 3, 4, 5, $x \times 90$, depending upon the number of workers employed during those 90 days. They would only=90 days if only 1 worker were employed. But for the time being, we are not concerned with this.)

(In all these calculations, it is assumed that surplus value is not re-capitalised, but that the capital continues to work with the same number of workers. Yet it is only with the realisation of the surplus [value] that the entire capital as well is again realised as money.)

I.e., for one month, the capital could not be employed at all.

(The capital of 100 constantly employs, e.g., 5 workers; contained in it is their surplus labour, and the product which is circulated is never the original capital but that which has absorbed the surplus labour and hence has a surplus value. Strictly speaking, therefore, the circulation of a capital of 100 is to be understood as the circulation of a capital of, e.g., 105, i.e. of the capital together with the profit posited in 1 act of production. But at this point, that *erreur*^a is of no consequence, notably in dealing with the above question.)

Suppose that twist worth £100 has been produced at the end of 3 months, and 1 month passes before I receive the money and can recommence production. Now to set the same number of workers to work during the 1 month when the capital circulates, I must have a surplus capital of £33¹/₃, for if £100 sets a certain amount of labour in motion for 3 months, ¹/₃ of £100 would set it in motion for one month.

At the end of the 4th month, the capital of 100 would RETURN into the production phase, and that of 33¹/₃ would enter into the circulation phase. Given the same relation, the latter would take ¹/₃ of a month for circulation, and hence would come back into production after 10 days.

The first capital could only re-enter circulation at the end of the 7th month. The 2nd capital, which entered into circulation at the beginning of the 5th month, would return, say, on the 10th day of the 5th month, re-enter circulation on the 10th of the 6th month and return on the 20th of the 6th month. It would then re-enter circulation on the 20th of the 7th month, and return at the end of the 7th month. So the first capital would be resuming its course at precisely the moment when the 2nd would be returning. Beginning of the 8th month and return at etc. Beginning of the 9th etc.

In a word: if the capital were ¹/₃ larger—precisely the amount made up by circulation time—it could give continuous employment to the same number of workers. But it can also continuously maintain itself in the production phase by constantly employing ¹/₃ less labour. Suppose the capitalist began with only 75 of his capital; at the end of the 3rd month production would be completed, and one month would be needed for circulation. During this month, however, he could still carry on production, since he has kept a capital of 25 on hand; and if he needs 75 to

^a Inaccuracy.—Ed.

set a certain amount of labour in motion for 3 months, he needs 25 to set a corresponding amount in motion for 1 month. He would continuously have the same number of men working. Each of his commodities takes $\frac{1}{12}$ of a year to sell.

If the sale of his commodities always takes [a time equal to] $\frac{1}{3}$ of production time, so etc. It should be possible to solve this problem by means of a very simple equation, to which we shall come back later. Properly speaking, it does not belong here. But it is important because of the problems of credit later.

Meanwhile thus much is clear. Call production time pt , circulation time ct , and capital C . C cannot be simultaneously in its production phase and in its circulation phase. If it is to continue to produce while it circulates, it must divide itself up into 2 parts, of which one is engaged in the production phase and the other in the circulation phase, the continuity of the process being maintained thus: when part a is posited in the former determinateness, part b is posited in the latter. Let the portion always engaged in production be x . Then $x=C-b$ (where b is the part of capital engaged in circulation). $C=b+x$. If ct , circulation time, were zero, b would also be zero; and x would be equal to C . b (the part of capital engaged in circulation): C (total capital)= ct (circulation time): pt (production time). $b:C=ct:pt$; i.e. the ratio of the part of capital in circulation to total capital is given by that of circulation time to production time.

If a capital of 100 turns over at a gain of 5% every 4 months, with one month's circulation time per 3 months' production time, total surplus value will, as we have seen,^a $=\frac{5 \cdot 12}{4} M$ (month) $=5 \times 3=15$; instead of 20, if $c=0$, for in that case, $S'=\frac{5 \times 12}{3}=20$. But now 15 is the gain yielded at 5% by a capital of 75 whose circulation time = 0; which turns over 4 times a year; which is always employed. At the end of the 1st quarter, $3\frac{3}{4}$; at the end of the year, 15. (But it would only turn over a total capital of 300, as against 400 if, in the former case, $ct=0$.)

Consequently, a capital of 100, with circulation time of 1 month per 3 M production time, can continuously EMPLOY productively a capital of 75; a capital of 25 is always in circulation and unproductive. $75:25=3M:1M$; or, if we call the part of capital employed in production p , that in circulation c , and the corresponding time periods p' and c' , then $p:c=p':c'$. ($p:c=1:\frac{1}{3}$.)

^a See this volume, pp. 40-47, but there time is reckoned in days, not months.— *Ed.*

The ratio of the part of C engaged in production to that in circulation is always $1:\frac{1}{3}$; this $\frac{1}{3}$ is continuously represented by varying component parts. But $p:C=75:100=\frac{3}{4}$; $c=\frac{1}{4}$; $p:C=1:\frac{4}{3}$ and $c:C=1:4$. The total turnover= $4M$; $p:U=3M:4M=1:\frac{4}{3}$.

[VI-36] In the circulation of capital, there is a simultaneous change of form and material.^a We must begin here not with money, but with the production process as the presupposition. In production, so far as the material aspect is concerned, the instrument is expended and the raw material is worked up. The result is the product—a newly created use value, which is different from its elemental presuppositions. As regards the material aspect, first a product is created in the production process. This is the first, and an essential material change. On the market, in the exchange with money, the product is ejected from the circulation of capital and falls within the sphere of consumption, becomes an object of consumption, whether for the final satisfaction of an individual need or as the raw material of another capital.

In the exchange of the commodity for money, the material change and the change of form coincide, for in money precisely the content itself belongs to the economic determination of form. And the reconversion of capital into the material conditions of production implies here the reconversion of money into commodity. A definite use value is reproduced, just as is value as such. But just as the material element from the outset, at its entry into circulation, was posited here as a product, so at the end of circulation the commodity is again posited as condition of production. To the extent that money figures here as means of circulation, it is, on the one hand, in fact, merely the mediator between production and consumption, in the *échange*, where capital rejects value from itself in the form of the product; and, on the other hand, the mediator between production and production, where capital rejects itself in the form of money and draws the commodity into its circulation in the form of condition of production.

From the material aspect of capital, money appears merely as

^a Here the following passage is crossed out in the manuscript: "Firstly, capital exists as money, which at this stage we still can conceive of in the form of undeveloped metallic money. Here form and content are abstractly identical; the material of value and its form are the same; taken in the abstract, since capital as."—*Ed.*

means of circulation; from the formal aspect, it appears as the nominal measure of its valorisation and, during a particular phase, as value-for-itself. Hence capital is $C—M—M—C$ to just the same extent as it is $M—C—C—M$, and in such a way that both forms of simple circulation are, at the same time, determined further here: $M—M_1$ is money that produces money, and $C—C_1$ is a commodity whose use value is both reproduced and increased. With respect to money circulation, which at this point appears both as entering into the circulation of capital and as determined by it, we will only observe *en passant*^a—since *au fond*^b the issue can only be dealt with after we have considered the many capitals in their action and reaction upon one another—that obviously money is posited here in different determinations.

Up to this point, we have assumed that production time and labour time coincide. However, in, e.g., agriculture, interruptions in labour occur within production itself, prior to the completion of the product. The same labour time may be employed and yet the duration of the production phase may differ, because labour is interrupted. If the only difference is that in one case longer labour is required to finish the product than in the other, NO CASE AT ALL IS CONSTITUTED. For then it is clear that, in conformity with the general law, the product which contains a greater quantity of labour is of correspondingly greater value, and if reproduction in a given period of time is less frequent, the value reproduced is so much the greater. 2×100 is precisely as much as 4×50 . This is as valid for surplus value as for total value.

The unequal duration [of the production process] for different products, although exactly the same quantity of labour time (i.e. accumulated and living labour together) is employed upon them, is the QUESTION. Ostensibly, fixed capital operates here entirely by itself, without the intervention of human labour, like, e.g., the seed committed to the earth's womb. If additional labour is needed, this is to be subtracted. The question is to be posed in its pure form.

If circulation time is the same here, the turnover is less frequent because the production phase lasts longer. Therefore, production time + circulation time = $1U$ is greater than when production time coincides with labour time. The time required here to bring the

^a In passing.—Ed.

^b Basically.—Ed.

product to maturity, the interruptions of labour involved, constitute conditions of production here. Non-labour time is a condition for labour time, necessary to actually posit the latter as production time. Obviously, the question must be discussed later, in connection with the equalisation of the rate of profit. Yet we must clear the ground here.

The slower RETURN—this is the essential point—is due here, not to circulation time, but to the very conditions under which labour becomes productive; it is part of the technological conditions of the production process. What must be absolutely denied, since it is perfectly absurd, is the idea that a natural circumstance which prevents capital in a certain branch of production from exchanging itself in the same time with the same quantity of labour time, as another capital does in another branch of production, can in any way contribute to *increasing* its value. Value, and hence surplus value too, is not equal to the time the production phase lasts, but to the labour time employed during this production phase, both objectified labour time and living. The latter alone can produce surplus value—and does so in the proportion which it bears to the objectified labour time employed—because it alone yields surplus labour time. //It is clear that other determinations also come into play in the equalisation of the rate of profit. But here we are dealing with the creation of surplus value, not with its distribution.//

Hence, it has been correctly asserted that from this viewpoint, e.g. agriculture is less productive (productivity refers here to the production of values) than other industries. Just as in another respect—in so far as the growth of productivity in it directly diminishes necessary labour time—it is more productive than all other industries. Yet in itself this circumstance can only benefit it where capital and the GENERAL FORM OF PRODUCTION corresponding to it are already dominant.

This interruption within the production phase already implies that agriculture can never be the sphere with which capital begins, where it originally establishes itself. The interruption contradicts the most fundamental conditions of industrial labour. Hence it is only through its reaction that agriculture is vindicated to capital and farming becomes industrial. Requires a high degree of development of competition, on the one hand, and advanced chemistry, machinery, etc., i.e. manufacturing industry, on the other. Therefore, historically too agriculture never *appears in a pure form* in the modes of production that precede capital or correspond to the lower stages of its development. Rural sideline

industries, e.g., spinning, weaving, etc., must MAKE UP for the limitation on the employment of labour time in this sphere—a limitation resulting from these interruptions.

The non-coincidence of production time and labour time can, in general, only be due to natural conditions which here stand directly in the way of the utilisation of labour, i.e. of the appropriation of the surplus labour by capital. Of course, far from constituting ADVANTAGES, these obstacles in capital's way rather involve it, *de son point de vue*^a, in losses.

Strictly speaking, the whole CASE is only to be mentioned here as an example of fixed capital, capital fixed in a particular phase. The only thing to be noted here is that capital creates no surplus value as long as it employs no living labour. The mere reproduction of the fixed capital employed posits no surplus value, of course.

(In the human body, as in capital, the reproduction of the various constituent parts does not take place in equal periods of time. Blood is renewed more quickly than muscle, muscle more quickly than bone, which in this respect may be considered as the fixed capital of the human body.)

[VI-37] As means by which circulation may be accelerated, Storch lists: (1) the formation of a class of "workers" who are solely occupied with trade; (2) improvement of the means of transport; (3) money; (4) credit. (See above.^b)

This higgledy-piggledy enumeration shows the entire confusion of the political economists. Money and the money circulation—what we called simple circulation—is the presupposition, condition of both capital itself and of the circulation of capital. Hence, money as it exists, as a relation of commerce belonging to a stage of production antecedent to capital, money as money, in its immediate form, cannot be said to accelerate the circulation of capital, but is, rather, its presupposition. When we speak of capital and its circulation, we are dealing with a stage of social development at which money is not introduced as a discovery, etc., but is a *presupposition*. To the extent that money in its immediate form itself possesses value, is not merely the value of other commodities, the symbol of their value—for if something immediate in itself is to be something else which is likewise immediate, it can only *represent* the latter thing, be, *d'une manière ou d'une autre*,^c a symbol—to the extent that money itself possesses

^a From its point of view.—*Ed.*

^b See this volume, p. 25.—*Ed.*

^c In one way or another.—*Ed.*

value, is itself objectified labour in a particular use value, it retards the circulation of capital, rather than accelerates it.

If one considers both aspects in which money appears in the circulation of capital, as means of circulation and as the realised value of capital, it forms part of the circulation costs to the extent that it itself is labour time, employed, on the one hand, to reduce circulation time, and, on the other, to represent a qualitative moment of circulation—the reconversion of capital into itself as value-for-itself. In neither aspect does it increase value. On the one side, it is a form of representing value which involves expenses, costs labour time and hence constitutes a deduction from surplus value. On the other side, it can be regarded as a device that saves circulation time, and hence sets time free for production. But to the extent that money itself, as such a device, costs labour and is a product of labour, it represents *faux frais de la production*^a in relation to capital. It figures among the circulation costs.

The original circulation cost is circulation time itself in opposition to labour time. The real circulation costs are themselves objectified labour time—machinery for reducing the original costs of circulation time. Hence money in its immediate form, as it is appropriate to a stage of production which historically precedes capital, appears to capital as a circulation cost, and capital therefore seeks to convert it into a form adequate to capital itself, and thus to turn it into a [mere] representative of one of the moments of circulation, a representative which costs no labour time and does not itself possess any value. The aim of capital is therefore to abolish money in its traditional, immediate reality, and to convert it into something which is *posited*, and likewise transcended, solely by capital, into something purely *notional*. So one cannot argue, as Storch does, that money is in general a means for accelerating the circulation of capital. On the contrary, it must be argued that capital seeks to transform money into a purely *notional* moment of its circulation, and to elevate it into the adequate form corresponding to capital. The abolition of money in its immediate form appears as a demand of money circulation which has become a moment of capital circulation; because in its immediate, presupposed form, money constitutes a *barrier* to the circulation of capital.

Circulation without circulation time is the tendency of capital. Hence also the positing of the instruments which only serve to

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

reduce circulation time, in *determinations of form* posited solely by capital, in the same way as the different moments through which capital passes in circulation are qualitative determinations of its own metamorphosis.

The formation of a special trading estate—i.e. a development of the division of labour which has transformed the very business of exchanging into a particular kind of labour—naturally implies that the sum of exchange operations must already have attained a certain level.

(If 100 people spent $\frac{1}{100}$ of their labour time on exchange, each man would be an exchanger to the extent of $\frac{1}{100}$. $\frac{100}{100}$ exchangers would represent ONE SINGLE MAN. To the 100, there could then be one merchant. The separation of trade from production proper, or the fact that exchange itself is represented to the exchangers by a special person, in general presupposes A CERTAIN DEGREE of development of exchange and intercourse. The merchant represents all buyers to the seller, and all sellers to the buyer; so he is not one of the extremes, but rather the middle term, of the exchange; hence he appears as mediator.)

The formation of a merchant estate, which presupposes the formation of money, even if not developed in all its moments, is likewise presupposed by capital and thus cannot be adduced as that which mediates its specific circulation. Since trade is, both historically and conceptually, a *presupposition* for the rise of capital, we shall have to come back to it before we conclude this chapter, since it belongs in the section on the origin of capital or the one preceding it.

The improvement of the means of transport, as far as it means the facilitation of the physical circulation of commodities, does not belong here, where only the determinations of form peculiar to the circulation of capital are considered. The product only becomes a commodity, only emerges from the production phase, when it is put onto the *market*. On the other hand, the means of transport are relevant here in so far as the *time* taken by capital to *return*—i.e. circulation time—is bound to increase with the distance separating the market from the place of production. From this angle, reduction of circulation time with the help of means of transport therefore appears as directly relevant to the analysis of the circulation of capital. Yet, strictly speaking, this belongs in the theory of the market, which itself belongs in the section on capital.

Finally, *credit*. This form of circulation, etc., directly posited by capital and hence deriving specifically from the nature of capital,

this *differentia specifica* of capital, is lumped in by Storch, etc., together with money, the trading estate, etc., which belong in general to the development of exchange and of production MORE OR LESS based upon it. To state the *differentia specifica* is here both part of the *logical* development of the matter in hand and the key to understanding its *historical* development. Historically, too, we find that in, e.g., England (and similarly in France) the attempts to replace money by paper coincide with the rise of capital, as do, on the other hand, the attempts to give capital, as far as it exists in the form of *value*, a form posited exclusively by capital itself, and, finally, the attempts to found credit. (E.g., Petty, Boisguillebert.)

Within circulation as the total process, we can distinguish between the greater and the lesser circulation. The former embraces the entire period from the moment when capital emerges from the production process until it returns into it. The latter is continuous and takes place simultaneously with the production process itself. It involves the part of capital which is paid out as wages, exchanged for the labour capacity.⁸

This circulation process of capital, this exchange of equivalents which is posited in form, but actually supersedes itself, which posits itself as merely formal (the transition of value into capital, where the exchange of equivalents turns into its opposite and, on the basis of exchange, exchange becomes purely formal, AND THE MUTUALITY IS ALL ON ONE SIDE), this circulation process of capital is to be developed thus:

The values which are exchanged are always objectified labour time, a *mutually* presupposed quantity of labour present (as a use value) in the form of an object. Value as such is always an effect, never a cause. It expresses the quantity of labour by which an object is produced, and hence that by which—assuming the same level of the productive forces—it can be reproduced.

The capitalist does not directly exchange capital for labour or labour time; he exchanges time contained, worked up in commodities, for time contained, worked up in the living labour capacity. The living labour time which he gets through exchange is not the exchange value of the labour capacity but its use value. Just as a machine is not exchanged or paid for as the cause of effects but as itself an effect; not by relation to its use value in the production process but as a product—a definite quantity of objectified labour. The labour time contained in the labour capacity, i.e. the time necessary to produce the living labour

capacity, is the same as is necessary—given the same level of the productive forces—to reproduce it, i.e. to maintain it.

Hence the exchange carried on between capitalist and [VI-38] worker is totally in accordance with the laws of exchange; moreover, it is its ultimate development. For as long as the labour capacity itself is not being exchanged, production is not as yet based upon exchange, and exchange is, rather, merely a narrow circle resting upon non-exchange as its basis, as in all stages preceding bourgeois production. But the use value of the value which the capitalist has acquired in the exchange is itself the element of valorisation and its measure, living labour and labour time. Moreover, the capitalist has acquired more labour time than is objectified in the labour capacity, i.e. more labour time than it costs to reproduce the living worker.

Hence, by acquiring in the exchange the labour capacity as an equivalent, capital has acquired labour time—to the extent that it exceeds the quantity contained in the labour capacity—without giving an equivalent for it; it has appropriated alien labour time *without exchange*, by means of the *form* of exchange. The exchange therefore becomes a merely formal one; and, as we have seen,^a as capital develops further, even the appearance is eliminated that capital was giving in exchange for the labour capacity anything other than the latter's own objectified labour, i.e. giving anything at all for it.

This inversion [Umschlag] is thus due to the fact that the ultimate stage of free exchange is the exchange of the labour capacity as a commodity, as value, for a commodity, for value, that it is acquired as objectified labour, but its use value consists in living labour, i.e. in the positing of exchange value. The inversion is due to the fact that the use value of the labour capacity as value is itself the value-creating element, the substance of value and the substance which increases value. Hence in this exchange the worker gives up his value-creating and value-increasing living labour time in exchange for the equivalent of the labour time objectified in him. He sells himself as an effect. As cause, as activity, he is absorbed by and incarnated in capital. Thus exchange is inverted into its opposite, and the laws of private property—liberty, equality, property—property in one's own labour and the ability to freely dispose of it—are inverted into the propertylessness of the worker and the alienation of his labour, his relation to it as alien property and vice versa.

^a See present edition, Vol. 28, pp. 381-83.—*Ed.*

The circulation of the part of capital posited as wages accompanies the production process, appears as an economic relation of form alongside it, and is simultaneous and INTERWOVEN with it. It is this circulation that posits capital as such; it is the condition of its valorisation process and posits not merely a formal determination of that process, but its substance. It is the continuously circulating part of capital, which does not for a moment enter into the production process itself, and continually accompanies it. It is the part of capital that does not for a moment enter into its reproduction process, which is not the case with the raw material. The *approvisionnement* of the worker emerges as a product from the production process, as its resultant. But as such it never enters into the production process, because it is FINISHED PRODUCE intended for individual consumption. It enters directly into the worker's consumption, and is directly exchanged to serve that purpose. Hence it is, in distinction from both raw material and instrument of labour, CIRCULATING CAPITAL κατ'ἔξοχὴν.^a

This is the only moment in the circuit of capital at which consumption directly enters into it. At this point, where the commodity is exchanged for money, it may be exchanged by another capital as raw material for new production. Further, under the presuppositions of capital, it is not the individual consumer but the merchant that confronts capital, and he buys the commodity merely to resell it for money. (This presupposition concerning the trading estate is in general to be developed. It implies that circulation among DEALERS is different from that between DEALERS and consumers.^b)

Therefore circulating capital appears here directly as capital intended for the individual consumption of the workers; in general, as intended for immediate consumption and therefore existing in the form of finished product. Hence, if, on the one hand, capital appears as the presupposition of the product, the finished product appears, to the same extent, as the presupposition of capital—which in terms of history means that capital did not create the world afresh, but rather found production and products already in existence before it subjugated them to its process. Once in motion, setting out from itself, it continuously presupposes itself in its different forms as consumable product, raw material and instrument of labour, in order to continuously reproduce itself in these forms. They appear first as the conditions presupposed by capital itself, and then as its result. In reproducing itself it produces its own conditions.

^a Par excellence.—*Ed.*

Hence we find that—because of the relation of capital to the living labour capacity, and to the natural conditions of the maintenance of the latter—circulating capital is also determined in respect of use value, as directly entering into individual consumption and subject to be consumed as a product. It has therefore been incorrectly concluded that circulating capital is, in general, *consumable* capital, as though coal, oil, dyes, etc., instruments, etc., soil improvements, etc., factory buildings were not all equally consumed, if by consumption one is to understand the abolition of their use value and their form. But, just as much, none of these are consumed, if individual consumption, consumption in the proper sense, is meant thereby.

In this circulation, capital continuously rejects [part of] itself as objectified labour so that it may assimilate living labour power, the air it needs to live. Now as for the worker's consumption, it reproduces one thing—the worker himself as living labour capacity. *Since this reproduction of him is a condition of capital, the consumption of the worker also appears as the reproduction, not directly of capital, but of the circumstances in which alone it is capital. The living labour capacity forms part of the conditions for the existence of capital just as much as raw material and instrument do. Hence capital reproduces itself doubly, in its own form, [and] in the consumption of the worker, but only to the extent that it reproduces him as living labour capacity.* Capital, therefore, calls this consumption productive—productive, not in so far as it reproduces the individual, but the individuals as labour capacity.

If Rossi objects to wages being included twice in the calculation, first as the revenue of the worker and then as reproductive consumption of capital,^a his objection is valid only in reference to those who cause wages to enter directly into the production process of capital as value. For the payment of wages is an act of circulation, which takes place simultaneously with and alongside the act of production. Or as Sismondi says in this connection, the worker consumes his wages non-reproductively; but the capitalist consumes them productively,^b in so far as he exchanges them for labour, which reproduces the wages and more than the wages.

This refers to capital itself only considered as an object. But in so far as capital is a relation, notably a relation to the living labour capacity, the worker's consumption reproduces this relation, or

^a P. Rossi, *Cours d'économie politique. Année 1836-1837*. In: *Cours d'économie politique*, Brussels, 1843, pp. 369-71.—*Ed.*

^b S. de Sismondi, *Nouveaux principes d'économie politique etc.*, Vol. I, pp. 87 and 93,—*Ed.*

capital reproduces itself doubly: as value, by its exchange with labour—as the possibility of recommencing the valorisation process, of once again acting as capital; and as a relation, by means of the worker's consumption, which reproduces him as labour capacity exchangeable for capital, for wages as part of capital.

From this circulation between capital and labour there follows, therefore, the determination of part of capital as constantly circulating, *approvisionnement*; constantly consumed; constantly to be reproduced. Strikingly displayed in this circulation is the difference between capital and money, between the circulation of capital and that of money. Capital pays, e.g., weekly wages; the worker takes his wages to the *épiciers*,^a etc., who directly or indirectly deposits it with the BANKER; and the following week, the factory owner takes it from the banker again, in order again to distribute it among the same workers, etc., and so on. The same sum of money continuously circulates new portions of capital. But the sum of money itself does not determine the portions of capital thus circulated. If the money value of wages rises, the circulating medium will rise too; but the volume of the circulating medium does not determine the rise. If the production costs of money did not fall, no increase in the amount of money would have any effect on the portion of it entering into this circulation. Here money appears as mere means of circulation. Since there is a large number of workers to be paid simultaneously, a certain sum of money is simultaneously necessary, a sum that increases with their number. On the other hand, if the money is turned over quickly, a smaller quantity of it is necessary than in situations in which there are fewer workers, but the machinery of the money circulation is not so well ordered.

This circulation is a prerequisite of the production process and thereby of the circulation [VI-39] process as well. On the other hand, if capital did not return from circulation, this circulation between worker and capital could not begin anew. Hence it is, for its part, conditioned by the fact that capital passes through the different moments of its metamorphosis *outside* the production process. Its failure to do so would not be due to an insufficient supply of *money as means of circulation*, but because either capital was not available in the form of products, [i.e.] this part of *circulating* capital was absent; or because capital had not posited itself in the *form of money*, i.e. had not realised itself as capital. Yet

^a Grocer.—Ed.

this too would not be due to the quantity of means of circulation, but to the fact that capital had not posited itself in the *qualitative determination* as money. For it to do so, it need not at all be posited in the form of HARD CASH, in the immediate money form, and whether or not it posited itself in this form would once again depend not on the quantity of money in circulation as means of circulation, but on the exchange of capital for value as such. Again a qualitative, not a quantitative, moment, as we shall argue in more detail when we come to speak of capital as money. (Interest, etc.)

Considered as a whole, circulation therefore appears in three forms:

(1) The total process—the passage of capital through its different moments. Here capital is posited as in flux, as circulating. To the extent that each of the moments constitutes a virtual interruption of the continuity, and can set itself up as an obstacle to the transition into the next phase, capital here likewise appears to be fixed in different relations, and the different modes of this fixity constitute different capitals: commodity capital, money capital, capital as conditions of production.

(2) The lesser circulation between capital and labour capacity. It accompanies the production process and appears as a contract, exchange, a form of intercourse, which is a presupposition for the production process to be set in motion. The part of capital which enters into this circulation—*approvisionnement*—is circulating capital κατ'ἐξοχήν.^a Not only is it determined in regard of form, but its use value, i.e. its material determination as a consumable product entering directly into individual consumption, itself constitutes part of its determination of form.

(3) The greater circulation, the movement of capital outside the production phase, the time during which it does so appearing as circulation time in contrast to labour time. From this opposition between capital engaged in the production phase and capital emerging from it, there results the distinction between *fixed* and *fluid capital*. The former is capital which is fixed to the production process and consumed in it; certainly it derives from the greater circulation, but it does not return into it, and in so far as it circulates, it only does so in order to be consumed in, to be confined to, the production process.

^a Par excellence.—*Ed.*

The three different forms of circulation of capital give rise to the three distinctions between circulating and fixed capital; they posit one part of capital as circulating *κατ' ἐξοχήν*, because it never enters into the production process, but constantly accompanies it; and, thirdly, they yield the distinction between *fluid* and *fixed* capital. Circulating capital in form No. 3 also includes No. 2, since the latter likewise forms a contrast to fixed capital. Yet No. 2 does not include No. 3.

The part of capital that as such belongs to the production process is the part of it which, in its material aspect, serves only as *means of production*; is the mediator between living labour and the material to be worked up. A part of the fluid capital, e.g., coal, oil, etc., also serves only as means of production. Everything that only serves as a means to maintain in operation a given machine, or another machine that keeps in motion the former. This distinction will have to be examined more closely. *D'abord*, this does not contradict determination 1, for fixed capital as *value* also circulates, in the degree in which it is used up. It is precisely in this determination as *fixed* capital—i.e. in the determination in which capital has lost its fluidity and is identified with a *definite* use value, which deprives it of the ability to be transformed—that *developed* capital, in as much as we have so far known it as productive capital, presents itself most strikingly, and it is precisely in this apparently inadequate form, and in its increasing ratio to the form of circulating capital in No. 2, that the development of capital as capital is measured. A pretty contradiction. To be developed.

The different kinds of capital, which in political economy come in from without like snow from the sky, appear here as just so many precipitates of the movements to which the nature of capital itself gives rise, or rather of this movement itself in its different determinations.

Circulating capital constantly

"PARTS" from the capitalist in order to return to him in the first form. *Fixed capital* does not do this (Storch).

"CIRCULATING CAPITAL THAT PORTION OF THE CAPITAL WHICH DOES NOT YIELD PROFIT TILL IT IS PARTED WITH; FIXED ETC. YIELDS SUCH PROFIT, WHILE IT REMAINS IN THE POSSESSION OF THE OWNER" (*Malthus*). "Circulating capital yields no revenue or profit to its owner, while it remains in his possession. *Fixed capital* yields profit to him without changing owners, and without requiring circulation" (*A. Smith*).^a

^a H. Storch, *Cours d'économie politique*, Vol. I, pp. 405 and 420; Th. R. Malthus, *Definitions in Political Economy*, London, 1827, pp. 237-38; A. Smith, *Recherches sur la nature et les causes de la richesse des nations*, Paris, 1802, Vol. II, pp. 197-98.—Ed.

From this viewpoint, the definition given above cannot be correct, since the departure of capital from its OWNER (*partir de son possesseur*) is precisely the *alienation* of property or possession which occurs in the act of exchange, and since it is the nature of all exchange value and hence of all capital to become value for its owner by being alienated. If fixed capital existed for its owner without the mediation of exchange and of the exchange value it comprises, fixed capital would IN FACT merely be use value, and consequently not capital.

But what underlies the above definition is this: as *value* fixed capital does circulate (even though merely in a piecemeal fashion, successively, as we shall see). As *use value* capital, it does not. *Fixed capital*, considered in its material aspect, as a moment of the production process, never goes beyond its BOUNDARIES; is not alienated by its possessor; remains in his hands. It only circulates with respect to its *formal aspect* as capital, perennial value. In circulating capital, there is no such distinction between form and content, use value and exchange value. In order to circulate as, to be, exchange value, it must enter into circulation as use value, be alienated as such. Use value for *capital* as such is only value itself. Circulating capital is realised as value for capital only by being alienated. As long as it remains in the capitalist's hands, it only has value *in itself*; it is not *posited*; only *δυνάμει*, not *actu*.^a Fixed capital, on the contrary, is only realised as value as long as it remains in the hands of the capitalist as use value, or, expressed as a physical relation, as long as it remains in the production process, which can be regarded as the inner organic movement of capital, its relating to itself, as against its animalistic movement, its existence for other purposes. Hence, since *fixed capital* remains in the production process once it has entered into it, it also vanishes in it, is consumed in it. The length of the time taken by this vanishing does not as yet concern us.

From this angle, therefore, what Cherbuliez calls *matières instrumentales*,^b such as coal, wood, oil, tallow, etc., which are completely destroyed in the production process and which possess only *use value* for that process itself, are part of *fixed capital*. But the same materials have a use value outside production too and can also be consumed in other ways, just as buildings, houses, etc., are not necessarily intended for production. They are *fixed capital*

^a Only potentially, not actually.—Ed.

^b Instrumental materials. See A. Cherbuliez, *Richesse ou pauvreté*, pp. 14-15.—Ed.

not by virtue of the particular mode of their existence, but by virtue of the use made of them. They become fixed capital by entering into the production process. They are *fixed capital* as soon as they are posited as moments of the production process of capital; because then they [VI-40] lose their quality of being potential circulating capital.

Just as the part of capital which enters into the lesser circulation of capital—or capital, so far as it enters into this movement—the circulation between capital and labour capacity, the part of capital circulating as wages—taken in its material aspect, as use value—*never departs from circulation and never enters into the production process of capital*, but is always rejected by that process as a product, as the result of a prior process of production, so the part of capital determined as *fixed capital*, on the contrary, never departs as use value, in its material existence, from the *production process* and never *re-enters into circulation*. While fixed capital enters into circulation only as *value* (as part of the value of the finished product), circulating capital enters into the production process only as *value*, since necessary labour is the reproduction of wages, of the part of the value of capital that circulates as wages. This is, therefore, the *first* determination of fixed capital; and seen from this angle fixed capital also embraces the *matières instrumentales*.

Secondly: Fixed capital, however, can only enter into circulation as value to the extent that it vanishes as use value in the production process. It enters as value into the product—i.e. as labour time worked up or preserved in it—to the extent that it vanishes in its independent form as use value. In consequence of its being used it is used up, but in such a way that its value is transferred from its form into that of the product. If it is not used, is not consumed in the production process itself—if the machine is idle, if the iron rusts and the wood rots—its value of course vanishes with its transitory existence as use value. Its circulation as value corresponds to its consumption as use value in the production process. Its total value is fully reproduced, i.e. returns from circulation, only when it has been completely consumed as use value in the production process. As soon as it has been completely resolved in value and, hence, has completely entered into circulation, it has completely disappeared as a use value, and must therefore be replaced as a necessary moment of production by a new use value of the same kind, i.e. it must be reproduced. The necessity of its reproduction, i.e. its reproduction time, is determined by the time in which it is used up, consumed, within the production process.

In the case of circulating capital, the reproduction is determined by circulation time; in the case of fixed capital, the circulation is determined by the time in which it is used up as use value, in its material existence, within the act of production, i.e. by the time within which it must be reproduced. A thousand lbs of twist can be reproduced as soon as it has been sold and the money received for it re-exchanged for cotton, etc., in short for the elements of production of twist. Its reproduction is therefore determined by its circulation time. A machine valued at £1,000, which lasts for 5 years, i.e. is only used up after 5 years has passed, and then is merely scrap iron—is used up each year to the extent of, say, $\frac{1}{5}$, if we assume the AVERAGE [rate] of consumption in the production process. Only $\frac{1}{5}$ of its value, therefore, enters into circulation each year, and it is only upon the passage of the 5 years that the whole of it has entered into and returned from circulation. [The rate of] its entry into circulation, therefore, is determined solely by the length of the time during which it is used up, and the time its value takes to enter wholly into circulation and return from it is determined by its overall reproduction time, the time in which it must be reproduced.

Fixed capital enters into the product only as value, whereas the use value of circulating capital has persisted in the product as its substance, and has merely acquired another form. This distinction introduces an essential modification into the *turnover time* of a total capital divided into fixed and circulating capital. Suppose that the total capital is S ; the circulating part of it is c , and the fixed part, f . Let the fixed capital constitute $\frac{1}{x}S$; the circulating capital $\frac{S}{y}$. Let the circulating capital turn over 3 times a year, the fixed capital only twice in 10 years. Within 10 years, f or $\frac{S}{x}$ turns over twice, while in the same 10 years $\frac{S}{y}$ turns over $3 \times 10 = 30$ times. If S were = to $\frac{S}{y}$, i.e. if the capital wholly consisted of circulating capital, its turnover, U , would be = 30; and the total capital turned over in 10 years would be = $30 \times \frac{S}{y}$. But the fixed capital turns over only twice in 10 years. Its $U' = 2$, and the total fixed capital turned over = $\frac{2S}{x}$. But $S = \frac{S}{y} + \frac{S}{x}$, and its total turnover time = the sum of the turnover times of these two parts. If the fixed capital turns over twice in 10 years, $\frac{2}{10}$ or $\frac{1}{5}$ of it turns over in one year; while

the circulating capital turns over 3 times in one year. $\frac{S}{5x}$ turns over once a year.

The question boils down to this: assuming that a capital of 1,000 thaler consists of 600 circulating capital and 400 fixed capital, i.e. $\frac{3}{5}$ circulating and $\frac{2}{5}$ fixed capital, that the fixed capital lasts for 5 years, hence turns over once in 5 years, and that the circulating capital turns over 3 times a year, what is the average turnover number, or turnover time, of the total capital? If it were wholly circulating capital, it would turn over 5×3 , or 15 times; the total capital turned over in the 5 years would be 15,000. However, $\frac{2}{5}$ of the capital only turns over once in 5 years. Consequently, of these 400 thaler $\frac{400}{5}$, i.e. 80 thaler, turn over in a year. Of the 1,000 thaler 600 turn over 3 times a year, and 80 once a year. That is to say, only 1,880 would turn over in the whole year; in the 5 years, therefore, $5 \times 1,880 = 9,400$ will turn over; i.e. 5,600 less than if the capital wholly consisted of circulating capital. If the latter were the case, the total capital would turn over once in $\frac{1}{3}$ of a year.^a

[VI-41] If the capital=1,000, with $c=600$ and turning over twice a year, and $f=400$ and turning over once a year, then $600 (\frac{3}{5} S)$ turns over in half a year; and $\frac{400}{2}$ or $(\frac{2S}{5 \times 2})$ similarly in half a year.

Hence in half a year, $600 + 200 = 800$ (i.e. $c + \frac{f}{2}$) turns over.

Correspondingly, in a whole year 2×800 , or 1,600 thaler, turns over; 1,600 thaler in a year; i.e. 100 in $\frac{12}{16}$ months, and therefore 1,000 in $\frac{120}{16}$, or $7\frac{1}{2}$, months. The entire capital of 1,000 thus turns over in $7\frac{1}{2}$ months, as compared with the 6 months required if it consisted wholly of circulating capital. $7\frac{1}{2} : 6 = 1 : 1\frac{1}{4}$ or $1 : \frac{5}{4}$.^b

Suppose the capital=100, made up of 50 circulating and 50 fixed, with the former turning over twice a year and the latter once. Then $\frac{1}{2}$ of 100 turns over once in 6 months, and $\frac{1}{4}$ of 100 likewise once in 6 months. Therefore, $\frac{3}{4}$ of the capital turns over in 6 months, $\frac{3}{4}$ of 100 in 6 months; or 75 in 6 months, and 100 in 8 months. If $\frac{2}{4}$ of 100 turns over in 6 months and $\frac{1}{4}$ of 100 ($\frac{1}{2}$ the fixed capital) in the same time, this means that $\frac{5}{4}$ of 100 turns over in 6 months. Consequently, $\frac{1}{4}$ turns over in $\frac{6}{3}$ or 2 months, and so $\frac{4}{4}$ of 100, or 100, in $6 + 2$, or 8 months.

The total turnover time of capital=6 (the turnover time of the

^a Here Marx crossed out several lines containing another version of this calculation.—*Ed.*

^b Thus in the manuscript.—*Ed.*

entire circulating capital and $\frac{1}{2}$ of the fixed capital or $\frac{1}{4}$ of the total capital) $+\frac{6}{3}$, i.e. + this turnover time divided by the number which expresses the proportion of the remaining fixed capital to the capital turned over in the turnover time of the circulating capital. So in the above example: $\frac{3}{5}$ of 100 turns over in 6 months, ditto $\frac{1}{5}$ of 100; therefore $\frac{4}{5}$ of 100 in 6 months; therefore the remaining $\frac{1}{5}$ of 100 in $\frac{6}{4}$ months; therefore the total capital in $6+\frac{6}{4}$ months= $6+1\frac{1}{2}$; or $7\frac{1}{2}$, months.^a

Expressed in general terms: The average turnover time = the turnover time of the circulating capital + this turnover time divided by the number of times the remaining part of the fixed capital is contained in the total sum of capital which was circulated in this turnover time.^b

Suppose there are 2 capitals each of 100 thaler. One is entirely circulating capital, the other is half fixed capital. Both operate at a gain of 5%. The one turns over entirely twice a year; in the other, the circulating capital likewise twice, and the fixed capital only once. The total capital turned over in the first case would be 200, and the profit 10; in the second, there would be 1 turnover in 8 months, or $\frac{1}{2}$ in 4, i.e. 150 would be turned over in 12 months and its profit would be $7\frac{1}{2}$.

This sort of calculation has tended to harden the common delusion that circulating capital or fixed capital yields gain by means of some MYSTERIOUS INNATE POWER, a delusion manifest even in Malthus's statement that "circulating capital yields gain if its POSSESSORS PART WITH IT, etc."; similarly, in the passages cited above from his *Measure of Value*, etc., namely in the way he describes the accumulation of the profits of fixed capital.^c The greatest confusion and mystification has arisen from the failure of the hitherto economic doctrines to consider the theory of surplus gain in its purity. Instead, they have lumped it together with the theory of real profit, which is all about the way the different capitals share in the general rate of profit. The profit of the capitalists as a class, or the profit of capital *as such*, must be there before it can be distributed, and it is the height of absurdity to wish to explain its origin by its distribution.

It follows from the above that profit diminishes because the turnover time of capital increases in proportion to the increase of the component part of it which is called fixed capital.

^a Here Marx crossed out several lines containing a formula for determining the turnover time of the part of capital—*Ed.*

^b Here Marx crossed out a formula representing this proposition.—*Ed.*

^c See present edition, Vol. 28, pp. 487-99 and this volume, p. 69.—*Ed.*

//The size of capital is assumed to be permanent, but this does not concern us here anyway, since the proposition is valid for capital of whatever size. Capitals differ in size, but the size of each individual capital is *equal to itself*. Hence as long as capital is only considered in its quality as capital, it may be of ANY size. But if we consider 2 capitals in distinction from one another, the difference in their size introduces a relation of qualitative determinations. Their very size becomes a quality distinguishing them from one another. *This is an essential aspect* showing how the consideration of capital as such differs from that of one capital in relation to another, or from that of capital in its reality—and size is only ONE SINGLE INSTANCE.//

A capital of the same [VI-42] size, 100 in the example above, would turn over completely twice a year, if it consisted entirely of circulating capital. But it is only turned over twice in 16 months, or only 150 thaler is turned over in a year, because half of it is fixed capital. As the number of times a capital is reproduced in a given time declines, or as the quantity of it reproduced in a given time declines, there is also a decline in the production of surplus time or surplus value, since capital in general posits value only to the extent that it posits surplus value. (At least, this is its tendency, its adequate action.)

As we have seen, fixed capital circulates as value only in the degree in which it is used up or consumed as use value in the production process. But the time in which it is thus consumed and must be reproduced in its form as use value depends upon its relative durability. Its durability, or its greater or lesser perishability—i. e. the greater or lesser length of time for which it can continue to repeat its function within the repeated production processes of capital—this determination of its use value, therefore, becomes here a form-determining moment, i. e. a determinant of capital with respect to its formal, not its material, aspect. Hence the necessary reproduction time of fixed capital, just as much as the proportion it constitutes of the whole capital, modify here the turnover time of the total capital and therefore its valorisation. A greater durability of capital (the duration of its necessary reproduction time) and a higher proportion of fixed capital to total capital, therefore, have precisely the same effect on valorisation as a slower turnover, occasioned either by the fact that the market from which capital returns as money is more distant, and hence more time is needed for it to run the course of circulation (e. g., capitals which work in England for the East Indies market return more slowly than those which work for less distant foreign

markets or for the HOME MARKET); or because the production phase itself is interrupted owing to natural conditions, as in agriculture. Ricardo at first emphasised the influence of fixed capital upon the valorisation process; but then he jumbled all these determinations together, as can be seen from the passages cited above.^a

In the first case (fixed capital) [the rate of] the turnover of capital is diminished because fixed capital is only slowly consumed within the production process, or because of the length of time required for its reproduction. In the second case, the diminished [rate of] turnover is due to the lengthening of *circulation time* (in the first case the fixed capital necessarily circulates always with the same velocity as the product, *in so far as* it does circulate, enter into circulation, because it does not circulate in its material form of existence but only as value, i. e. as a notional component of the total value of the product), to be more precise, to the lengthening of the circulation time of the second half of the circulation process proper, the reconversion of money. In the third case, the diminished [rate of] turnover is due to the longer time required by capital to emerge from the production process as a product, not, as in the first case, the longer time capital takes to perish in the production process. The first case is peculiar specifically to fixed capital; the other belongs to the category of non-fluid fixed capital, capital fixed in any phase of the total circulation process (FIXED CAPITAL OF A CONSIDERABLE DEGREE OF DURABILITY, OR CIRCULATING CAPITAL RETURNABLE AT DISTANT PERIODS. McCulloch, [*The Principles of Political Economy*, [London, 1825, p. 300] *Notebook*, p. 15).¹⁵

Thirdly: Up to this point, we have considered fixed capital only from one angle—in as much as its distinctions are posited in terms of its particular, specific relation to the circulation process proper. Considered from this angle, it shows further distinctions. Firstly, its value returns piecemeal, whereas each portion of circulating capital is exchanged wholly, because in the case of circulating capital the existence of value coincides with that of use value. Secondly, we have hitherto only considered the effect of fixed capital upon the average turnover time of a given capital. But we must also examine the effect it has on its own turnover time. The latter circumstance becomes important where fixed capital appears not as a mere instrument of production within the production process, but as an independent form of capital, e. g., in the form of railways, canals, roads, waterworks, as capital wedded to the soil, etc.

^a See this volume, pp. 32-35.—*Ed.*

This latter determination is especially important with respect to the proportions in which the total capital of a country is divided up into these two forms [fixed and circulating capital]. Then the way in which fixed capital is renewed and maintained; the economists argue that it can yield revenue only by means of circulating capital, etc. *Au fond*, this boils down to a consideration of the MOMENT in which fixed capital appears not as a particular, independent existence *alongside* and *outside* circulating capital, but as circulating capital transformed into fixed capital.

But what we want to consider first at this point is the relation of fixed capital, not towards the outside, but as given by the fact that it remains locked up in the production process. Fixed capital is posited by its being a particular moment of the production process itself.

//We are not in any way arguing that *fixed capital* is, in every determination, capital which does not serve individual consumption but production alone. A house can just as well be used for production as for consumption; similarly all vehicles: a ship or a wagon can be used both for pleasure trips and as means of transport; a road can be used as means of communication for production proper, as well as for strolling along, etc. We are not at all concerned with *fixed capital* in this second relation; for at this point we are discussing capital only as valorisation process and production process. The second determination will enter when we come to discuss interest. Ricardo can only have this determination in mind when he says:

“Depending on whether capital is more perishable or less perishable, i.e. must be reproduced more frequently or less frequently in a given period of time, it is called circulating capital or fixed capital” (Ricardo, [*On the Principles of Political Economy, and Taxation*, p. 26] VIII, 19^a).¹²

On that basis, a coffee pot would be fixed capital, and the coffee, circulating capital. The economists regard people’s social relations of production, and the determinations acquired by things subsumed under these relations, as *natural properties* of the things. This crude materialism is an equally crude idealism, indeed a fetishism which ascribes to things social relations as determinations immanent to them, and thus mystifies them. The difficulty of defining any thing at all as fixed or circulating capital by reference to its natural character has brought the economists here, as an exception, to the idea that things themselves are neither fixed nor

^a See this volume, pp. 32-33.— *Ed.*

circulating capital, hence probably not capital at all, as little as it is the natural property of gold to be money.//

(Lest we forget it, we must add to the points enumerated above the circulation of fixed capital as circulating capital, i.e., the transactions by which it changes its owners.)

"Fixed capital—engaged: capital so engaged in one kind of production that it can no longer be diverted from it to be employed in another kind of production" (Say, [*Traité d'économie politique*, Vol. II, p. 430,] 21¹⁶).^a

"Fixed capital is consumed in order to help to reproduce what man destines for his use ... consists of permanent installations suitable for increasing the productive forces of future labour" (Sismondi, [*Nouveaux principes d'économie politique*, Vol. 1, pp. 95, 97-98] VI),^b 13

"Fixed capital is the capital which is necessary to maintain the instruments, machines, etc., of labour" (Smith, [*Recherches sur la nature et les causes de la richesse des nations*], Vol. II, p. 226).

"FLOATING CAPITAL IS CONSUMED, FIXED CAPITAL MERELY USED IN THE GREAT WORK OF PRODUCTION" ([*The*] *Economist*, [No. 219, 6 November 1847, p. 1271] Notebook VI, p. 1).¹⁷

"It will be shown that the first stick or stone he took into his hand to help him in the pursuit of those objects, by performing part of his work, fulfilled exactly the same function as the capitals employed at present by the mercantile nations" (Lauderdale, [*Recherches sur la nature et l'origine de la richesse publique*, Paris, 1808,] p. 87, Notebook 8, a).^c 14 "It is one of the characteristic and distinguishing features of the human species thus to supplant labour by capital transformed into machinery" (p. 120) (p. 9, Notebook Lauderdale). "Now it will be seen that the profit of capital always derives either from its supplanting a portion of labour which would otherwise have to be performed by the hand of man; or from its performing a portion of labour which is beyond the reach of the personal exertion of man to accomplish" (p. 119, l. c.).

Lauderdale takes issue with Smith and Locke, [VI-43] whose belief that labour is the source of profit has, according to Lauderdale, the following result:

"If this notion of the profit of capital were strictly correct, it would follow that profit is not an original source of wealth but a derivative one; and capital could not be considered a source of wealth, its profit being only a transfer from the pocket of the labourer into that of the capitalist" (l. c., pp. 116, 117).

"The profit of capital always derives either from its supplanting a portion of labour which would otherwise have to be performed by the hand of man; or from its performing a portion of labour which is beyond the reach of the personal exertion of man to accomplish" (p. 119, l. c., [Notebook] p. 9, b).

"It should be noted that if the capitalist, by the use he makes of his money, saves a certain amount of labour to the class of consumers, he does not substitute for it

^a See this volume, p. 30. Marx quotes in French.—Ed.

^b See this volume, pp. 35-36. Marx quotes partly in French.—Ed.

^c This and the following passages from Lauderdale are quoted in French in the manuscript. In one quotation (from p. 116) Marx occasionally uses German words.—Ed.

an equal portion of his own; which proves that it is his capital, and not himself, that performs it" (10, Notebook, l. c., p. 132).

"If Adam Smith had not imagined that the effect of a machine was to facilitate labour or, as he expressed himself, to increase the productive power of labour (it is a strange confusion of ideas that has led Dr. Smith to describe the effect of capital as increasing the productive power of labour. According to this logic, one could very well claim that *shortening a circuitous road between two given places by half means doubling the velocity of the walker*), he would have seen that it was by supplanting labour that the funds paid for the machine yielded profit, and he would have attributed the origin of profit to this very circumstance" ([Notebook,] p. 11; p. 137).

"Capital, whether fixed or circulating, in home trade, far from serving to set labour in motion, or adding to the productive power of labour, is, on the contrary, only useful and profitable in these two situations: either it supplants the necessity of a portion of labour that would otherwise have to be performed by the hand of man, or it performs a certain kind of labour that is beyond the powers of man himself to accomplish."

This, Lauderdale says, is not a purely verbal distinction.

"The idea that capital sets labour in motion, and that it adds to its productive power, gives rise to the opinion that labour is everywhere proportioned to the quantity of existing capital; that the industry of a country always corresponds to the funds employed; from which it follows that the increase of capital is by far the best and unlimited means of augmenting wealth. If, instead, we admitted that capital can have no other useful and profitable employment than that of supplanting or performing a certain kind of labour, we would draw the natural conclusion that the State can derive no advantage from possessing more capital than can be employed in performing or supplanting labour in the production and manufacture of things required by the consumer" (pp. 150-52, [Notebook,] pp. 11, 12).

To prove his proposition that capital is, independently of labour, a source *sui generis* OF PROFIT and thus OF WEALTH, he points to the surplus profit which the owner of a newly invented machine derives before his *brevet d'invention*^a expires, and competition depresses prices, and then concludes with the words:

"This alteration in the rule of charging does not prevent the profit" (for the use value) "of the machine from being received out of a fund of the same nature as that which it was paid from before the expiration of the patent: *this fund is always that part of the revenue of the country which formerly was destined to pay the wages of the labour supplanted by the new invention*" (l. c., p. 125, [Notebook,] p. 10, b).

Ravenstone, on the contrary, argues (IX, 32)¹¹ that:

MACHINERY CAN SELDOM BE APPLIED WITH SUCCESS TO ABRIDGE THE LABOURS OF AN INDIVIDUAL; MORE TIME WOULD BE LOST IN ITS CONSTRUCTION THAN COULD BE SAVED BY ITS APPLICATION. IT IS ONLY REALLY USEFUL WHEN IT ACTS ON GREAT MASSES, WHEN A SINGLE MACHINE CAN ASSIST THE LABOURS OF THOUSANDS. IT IS ACCORDINGLY IN THE MOST POPULOUS COUNTRIES WHERE THERE ARE MOST IDLE MEN THAT IT IS ALWAYS MOST

^a Patent.—Ed.

ABUNDANT. IT IS NOT CALLED INTO ACTION BY A SCARCITY OF MEN, BUT BY THE FACILITY WITH WHICH THEY ARE BROUGHT TOGETHER" (l. c.) [*Thoughts on the Funding System, and Its Effects*, London, 1824, p. 45].

[FIXED CAPITAL AND THE DEVELOPMENT OF THE PRODUCTIVE FORCES OF SOCIETY]

"Division of machines into (1) those applied to produce power; (2) those whose aim is simply the transmission of power and the performance of labour" (Babbage, [*Traité sur l'économie des machines et des manufactures*, pp. 20-21,] Notebook, p. 10).^{a 14}

"FACTORY signifies the cooperation of different classes of workers, adults and non-adults, skilfully and diligently watching over a system of productive machinery continually kept in operation by a central [source of] power, and excludes any workshop the mechanism of which does not form a continuous system, or which does not depend on a single driving force. Examples of the latter are dyeing works, brass foundries, etc.—This term, in its strictest sense, implies a vast automaton, made up of a large number of *mechanical and intellectual organs* working together and without interruption, to produce the same object, all these organs being subordinated to a self-powered driving force" (Ure, [*Philosophie des manufactures*, Vol. I, Brussels, 1836, pp. 18-19] p. 13¹⁴).

The capital which is consumed in the production process proper, or fixed capital, is emphatically *means of production*. In a broader sense, the entire production process and each of its moments, as well as each moment of circulation—so far as its material aspect is considered—is merely means of production for capital, to which value alone exists as an end in itself. Raw material itself, from its material aspect, is means of production for the product, etc.

But to determine the use value of fixed capital by its being consumed in the production process proper is the same as saying that it is used only as a means in this process, and itself exists merely as an agent for the transformation of raw material into product. As such means of production, its use value may consist in its being merely a technological condition for the process to take place (the place in which the production process is carried on), as in the case of buildings, etc., or in its being an immediate condition for the operation of the means of production proper, as all *matières instrumentales* are. Both are, in turn, merely material presuppositions for carrying on the production process in general, or for the application and maintenance of the means of labour. And the means of labour in the strict sense serves only within

^a Marx quotes from Babbage partly in German and partly in French. The following quotation from Ure is in French.—*Ed.*

production and for production, and has no other use value.

Initially, when we discussed the transition of value into capital, the labour process was simply included into capital, and with respect to its physical condition, the material form in which it existed, capital appeared as the totality of the conditions for this process, and accordingly fell into definite qualitatively different portions: *the material of labour* (this, not raw material, is the correct and conceptual expression), *means of labour* and *living labour*.^a On the one hand, capital, according to the material form in which it existed, was divided up into these three elements; on the other, the moving unity of these elements was the *labour process* (or the entering of these elements into process with one another), and their inert unity was the product. In this form, the material elements—material of labour, means of labour and living labour—appear merely as the essential moments of the labour process itself, which is appropriated by capital. But this material aspect of capital—or its determination as use value and real process—diverged completely from the determination of its form. In this determination itself

(1) the 3 elements in which capital appears prior to the exchange with labour capacity, prior to the actual process, appeared merely as quantitatively different portions of capital itself, as quantities of value, whose unity is formed by capital itself as their sum. The material form, the use value, in which these different portions existed, did not affect the homogeneity of this determination. From the viewpoint of their formal determination, they only appeared as reflecting the fact that quantitatively capital fell into distinct portions.

(2) Within the process itself, the distinction between the element of labour and the other two, as regards form, consisted only in that labour was determined as positing value, and the other two as constant values. Yet as far as their distinctness as use values, the material aspect, was concerned, it was quite extrinsic to the formal determination of capital. Now, however, in the distinction between circulating capital (raw material and product) [VI-44] and *fixed capital* (means of labour), the distinction between the elements as use values is, at the same time, posited as a distinction of capital as capital, in its formal determination. The relationship of the factors to each other, which was only quantitative, now appears as a qualitative distinction of capital itself and as determining its overall movement (turnover). In terms of physical substance, too, the

^a See present edition, Vol. 28, pp. 224-27.—*Ed.*

material of labour and the product of labour, the neutral precipitate of the labour process, as *raw material* and *product*, are no longer determined as the material and product of labour but as the use value of capital itself in different phases.

As long as the means of labour remains means of labour in the strict sense, as it was—directly, historically—included by capital into its valorisation process, it only undergoes a formal change in that it now appears not merely as means of labour from its material aspect, but at the same time as a particular mode of existence of capital, one determined by the overall process of capital—as *fixed capital*.

Once included into the production process of capital, however, the means of labour passes through a series of metamorphoses until it ends up as the *machine*, or rather as an *automatic system of machinery* (system of machinery; *automatic* merely means the most complete, most adequate form of machinery, and alone transforms machinery into a system). That system is set in motion by an automaton, self-moved motive power; this automaton consists of a large number of mechanical and intellectual organs, with the workers themselves cast in the role of merely conscious members of it. In the machine, and to an even greater degree in machine[ry] as an automatic system, the means of labour is transformed, with respect to its use value, i. e. to its material character, into a form adequate to fixed capital and to capital in general. And the form in which it was included, as immediate means of labour, into the production process of capital is superseded by a form posited by capital itself and corresponding to it.

In no respect does the machine appear as the means of labour of the individual worker. Its *differentia specifica* is not at all to mediate between the activity of the worker and the object, as is the case with the means of labour. On the contrary, the worker's activity is posited rather as merely mediating the labour of the machine, its action upon the raw material—he watches over it and guards against obstructions. Not as in the case of the instrument, which the worker animates with his own skill and activity as an organ, and whose manipulation is thus dependent upon his virtuosity. On the contrary, the machine, which possesses skill and power in contrast to the worker, is itself the virtuoso. It possesses a soul of its own in the laws of mechanics which determine its operations; and to maintain its continuous self-motion it consumes coal, oil, etc. (*matières instrumentales*), as the worker consumes foodstuffs. The activity of the worker, restricted to a mere

abstraction of activity, is determined and governed in every respect by the movement of the machinery, not vice versa. Science, which compels the inanimate members of the machinery, by means of their design, to operate purposefully as an automaton, does not exist in the worker's consciousness, but acts upon him through the machine as an alien force, as the force of the machine itself.

The appropriation of living labour by objectified labour—of the value-creating power or activity by value-for-itself—an appropriation inherent in the concept of capital, is posited in production based upon machinery as the character of the production process itself, and is also posited in terms of its material elements and its material movement. The production process has ceased to be a labour process in the sense that it is no longer embraced by labour as the unity which dominates it. Now, on the contrary, labour appears merely as a conscious organ, dispersed at many points of the mechanical system in isolated living workers. It is subsumed under the overall process of the machinery itself, and is merely a member of the system, whose unity exists not in living workers but in the living (active) machinery. The latter confronts the isolated, insignificant activity of the worker as a mighty organism. In machinery, objectified labour confronts living labour in the labour process itself as the power which dominates it, a power which, in terms of its form, as the appropriation of living labour, is capital. The incorporation of the labour process into the valorisation process of capital as merely one of its moments is also posited materially by the transformation of the means of labour into machinery, and of living labour into a mere living accessory of this machinery, as the means of its action.

As we have seen,^a it is the necessary tendency of capital to increase the productive power of labour and to bring about the greatest possible negation of necessary labour. This tendency is realised by the transformation of the means of labour into machinery. In machinery, objectified labour physically confronts living labour as the power which dominates it and actively subsumes it under itself—not merely by appropriating living labour, but in the actual production process itself. In fixed capital existing as machinery, the relation of capital as value which appropriates the value-creating activity is posited, at the same time, as the relation of the use value of capital to the use value of the labour capacity. Moreover, the value objectified in the

^a See present edition, Vol. 28, p. 351.—*Ed.*

machinery appears as a presupposition in comparison to which the value-creating power of the individual labour capacity disappears as being infinitesimally small. With the enormous rates of production posited by machinery, there also disappears in the product every reference to the immediate need of the producer, and thus to immediate use value. The form in which the product is produced, and the conditions in which it is produced, already imply that it is only produced as a bearer of value, and its use value only as the condition for this. Objectified labour itself directly appears in the machine not only in the form of the product, or of the product employed as the means of labour, but in that of productive power itself. The development of the means of labour into machinery is not a matter of chance for capital, but the historical transformation of the traditional means of labour, as handed down from the past, into a form adequate to capital. The accumulation of knowledge and skill, of the general productive forces of the social mind, is thus absorbed in capital as opposed to labour, and hence appears as a property of capital, more precisely, of *fixed capital*, to the extent that it enters into the production process as means of production in the strict sense.

Therefore, *machinery* appears as the most adequate form of *fixed capital*; and fixed capital, as far as capital is considered in its relation to itself, as the *most adequate form of capital in general*. On the other hand, as far as fixed capital is confined to its existence as a particular use value, it does not correspond to the concept of capital, for capital as value is indifferent to every particular form of use value, and can with equal indifference adopt or shed any of them as its incarnation. In this respect, in terms of capital's relation to what is outside it, *circulating capital* appears as the adequate form of capital as against fixed capital.

Furthermore, to the extent that machinery develops with the accumulation of social knowledge and productive power in general, it is not in the worker but in capital that general social labour is represented. The productive power of society is measured in terms of *fixed capital*, exists in it in the form of objects; and conversely the productive power of capital develops with this general progress, which is appropriated gratis by capital. We need not enter into the development of machinery *en détail* here, but only in general, in so far as in *fixed capital* the *means of labour*, considered in its physical aspect, loses its immediate form and confronts the worker physically as *capital*. Knowledge appears in machinery as alien and external to him, and living labour as subsumed under objectified labour operating independently of

him. The worker appears as superfluous—unless his action is conditioned by the needs [of capital].^a

[VII-1]^b Hence, the full development of capital only takes place—or capital has only posited the mode of production corresponding to it—when the means of labour is not merely formally determined as *fixed capital* but is superseded in its immediate form, and *fixed capital* confronts labour within the production process as machinery. The entire production process then appears no longer as subsumed under the immediate skill of the worker, but as technological application of science. Capital thus tends to impart a scientific character to production, and immediate labour is reduced to a mere moment of this process. Just as we found when discussing the transformation of value into capital, a more detailed analysis of capital shows that, on the one hand, it presupposes a definite given historical development of the productive forces—these including science, too—and, on the other, spurs them on and accelerates their growth.

Hence the quantitative volume and effectiveness (intensity) of the development of capital as fixed capital indicates, in general, the DEGREE to which capital is developed as capital, as power over living labour, and to which it has, in general, subjected to itself the production process. It is also indicative as expressing the degree of accumulation of objectified productive forces and similarly of objectified labour. But if capital gives to itself its adequate form as use value within the production process only when it adopts the form of machinery and other physical forms of existence of fixed capital, e.g., railways, etc. (which we shall take up later), it does not in any way follow that this use value—machinery in itself—is capital, or that its existence as machinery is identical with its existence as capital. Just as little as gold would lose its use value as gold if it ceased to be *money*. Machinery would not lose its use value through ceasing to be capital. From the fact that machinery is the most appropriate form of use value of fixed capital, it in no way follows that its subsuming under the social relation of capital is the most appropriate and best social production relation for the application of machinery.

In the same measure as labour time—the simple quantity of labour—is posited by capital as the sole determinant of value,

^a Manuscript damaged.—*Ed.*

^b Marx opens page 1 of the seventh, last, notebook with the heading “Chapter on Capital (Continuation)” and the note “(This notebook [was] begun at the end of February '58).”—*Ed.*

immediate labour and its quantity disappear as the determining principle of production, of the creation of use values. It is reduced both quantitatively, in that its proportion declines, and qualitatively, in that it, though still indispensable, becomes a subaltern moment in comparison to general scientific work, the technological application of the natural sciences, on the one hand, and also in comparison to the general productive power originating from the organisation of society in overall production, a productive power which appears as a natural gift of social labour (although it is an historical product). Thus capital works to dissolve itself as the form which dominates production.

Thus if, on the one hand, the transformation of the production process from the simple labour process into a scientific process, one forcing the powers of Nature into its service and thus setting them to work in the service of human needs, appears as a property of *fixed capital* as against living labour; if, further, individual labour as such ceases in general to appear as productive, but rather is productive only in collective labours which subjugate the powers of Nature to themselves, and this elevation of immediate into social labour appears to reduce individual labour to helplessness compared to the concentrated collectivity represented in capital, then, on the other hand, the maintenance of labour in one branch of production by *COEXISTING LABOUR*¹⁸ in another now appears as the property of *circulating capital*.

In the lesser circulation,^a capital advances wages to the worker, who exchanges them for the products necessary for his consumption. The money he has received can effect the exchange only because simultaneously others work alongside him; and it is only because capital has appropriated his labour that it can give him in money a draft upon alien labour. This exchange of his own labour with alien does not appear here to be mediated and conditioned by the simultaneous coexistence of the labour of others, but by the advance which capital makes [to him]. The part of the *CIRCULATING CAPITAL* which is handed over to the worker, and *CIRCULATING CAPITAL* in general, appear to have the property of enabling the worker to undertake during production the exchange of matter necessary for his consumption. It appears not as an exchange of matter between simultaneously working labour powers, but as an exchange of matter effected by capital; a consequence of the existence of *CIRCULATING CAPITAL*.

^a See this volume, pp. 63-68.— *Ed.*

Hence all the powers of labour are transposed into powers of capital. Fixed capital stands for the productive power of labour (which is posited outside labour and appears to exist independently of it, objectively). And in circulating capital, the fact, on the one hand, that the worker has himself posited the conditions for the repetition of his labour, and, on the other hand, that the exchange of this his labour is mediated by the coexisting labour of others, appears in the form that capital makes the advance to him and, on the other hand, posits the contemporaneity of the different branches of labour. (Strictly speaking, the latter two determinations belong in the section on accumulation.) Capital posits itself as the mediator between the different LABOURERS in the form of circulating capital.

Fixed capital, in its determination as means of production, whose most adequate form is machinery, produces value, i. e. increases the value of the product, only in two respects: (1) to the extent that it possesses *value*, i.e. is itself a product of labour, a certain quantity of labour in objectified form; (2) in so far as it increases the proportion of surplus labour to necessary labour, by enabling labour, through increasing its productive power, to produce a larger quantity of products necessary for the maintenance of the living labour capacity in a shorter time. It is, therefore, an utterly absurd bourgeois phrase to claim that the worker shares with the capitalist because the latter, by means of fixed capital (which, moreover, is itself the product of labour, is *alien labour* simply appropriated by capital), alleviates or abridges his labour for him. (In fact, by setting him to work with a machine, the capitalist robs his labour of all independence and attractiveness.)

Capital employs the machine, rather, only in so far as it enables the worker to work a larger part of his time for capital, to relate to a larger part of his time as not belonging to him, to work a longer time for another. By this process, the quantity of labour necessary for the production of a certain object is in fact reduced to the minimum, but only in order that a maximum of labour can be valorised in a maximum of such objects. The first aspect is important because capital in this way—quite unintentionally—reduces human labour, the expenditure of [human] energy, to a minimum. This will be to the advantage of emancipated labour and is the condition for its emancipation.

What has been said above shows the absurdity of Lauderdale's attempt to make fixed capital into an autonomous source of value, one independent of labour time.¹⁹ It can be so only to the extent that it itself posits objectified labour time and surplus labour time. The employment of machinery itself historically

presupposes [VII-2]—see Ravenstone, above^a—superfluous hands. Only when there is a superfluity of labour powers, does machinery intervene to replace labour. It is only in the imagination of economists that machinery assists the individual worker. It can only operate with masses of workers, whose concentration vis-à-vis capital is, as we have seen, one of capital's historical presuppositions.^b Machinery is not introduced to make up for a shortage of labour power, but to reduce abundantly available labour power to the necessary volume. Only where labour capacity is available in large quantities is machinery introduced. (This to be reverted to.)

Lauderdale believes to have made a great discovery in asserting that machinery does not increase the productive power of labour, since it rather replaces labour or performs tasks which labour cannot perform on its own. It is inherent in the concept of capital that the increased productive power of labour is posited rather as the aggrandizement of a power outside it and as its own enfeeblement. The means of labour makes the worker independent—posits him as a proprietor. Machinery—as fixed capital—posits him as dependent, as appropriated. However, machinery has this effect only to the extent that it is determined as fixed capital; and it is determined as such only by the fact that the worker relates himself to it as a wage labourer, and the active individual in general as a mere labourer.

Hitherto, fixed capital and circulating capital appeared merely as different transitory determinations of capital. Now they have hardened into particular modes of existence of capital, and circulating capital appears alongside fixed capital. There are now 2 particular kinds of capital. In so far as one considers a single capital in a particular branch of production, it appears divided up into these 2 portions, or it falls in definite proportions into these 2 kinds of capital.

The different elements within the production process, originally means of labour and material of labour, and finally product of labour, now appear as circulating capital (the last two) and fixed capital. The differentiation of capital according to its purely material aspect has now been assimilated into the very form of capital and appears as a differentiator of capital.

Fixed capital—notably that whose material existence or use value is machinery—is the form best suited to give some

^a See present edition, Vol. 28, pp. 324-25 and this volume, pp. 79-80.—*Ed.*

^b See present edition, Vol. 28, pp. 504-10.—*Ed.*

semblance of truth to the shallow FALLACIES of those who, like *Lauderdale*, etc., believe that capital as such, divorced from labour, can produce *value*, and thus also *surplus value* (or profit). One may answer them, as was done, e.g., in *Labour Defended*,^a that the road-maker may indeed share with the road-user, but the "road" itself cannot do so.²⁰

Circulating capital—assuming that it actually passes through its various phases—causes the decrease or increase, the shortening or lengthening of circulation time, the easier or more arduous course through the various stages of circulation, a diminishing of the surplus value that could be produced in a given period of time if the process were not subject to these interruptions—either *because there is a decline in the number of reproductions*, or because the quantity of *capital continuously engaged in the production process contracts*. In neither case is there a reduction in the initially posited value; but, in both cases, a reduction in the rapidity of its growth. Yet, as soon as fixed capital has attained a certain level of development—and this level, as we have already indicated, is the measure of development of large-scale industry in general, and therefore rises in proportion to the development of the productive forces of large-scale industry (fixed capital is itself the objectification of these productive forces, is these forces themselves as a presupposed product)—from this moment onwards, every interruption of the production process directly reduces capital itself, its presupposed value.

The value of fixed capital is only reproduced to the extent that it is used up in the production process. If it is not used, fixed capital loses its use value, without its value passing on to the product. Hence the larger the scale on which fixed capital develops, in the sense in which it is considered here, the more *the continuity of the production process* or the continuous flow of reproduction becomes a compelling external condition of the mode of production based upon capital.

In this respect, too, the appropriation of living labour by capital takes on an immediate reality in machinery: on the one hand, it is the analysis and application of mechanical and chemical laws—originating directly from science—that enables the machine to perform the same labour as was previously performed by the worker. However, the development of machinery takes this course only when large-scale industry has already attained a high level of

^a [Hodgskin, Th.,] *Labour Defended against the Claims of Capital; or, the Unproductiveness of Capital Proved...—Ed.*

development and all the sciences have been forced into the service of capital, and when, on the other hand, the machinery already in existence itself affords great resources. At this point, invention becomes a business, and the application of science to immediate production itself becomes a factor determining and soliciting science.

However, this is not the way in which machinery has come into being on a general basis; and still less is it the way in which it develops in detail. The actual way is that of analysis—through the division of labour, which increasingly transforms the workers' operations into mechanical ones, so that at a certain point the workers can be replaced by a mechanism. (*Ad. ECONOMY OF POWER.*) Therefore, a definite mode of labour appears here to be directly transferred from the worker to capital in the form of the machine, and this transposition devalues his own labour capacity. Hence the workers' struggle against machinery. What was the activity of a live worker now becomes an activity of the machine. Thus the appropriation of labour by capital confronts the worker in a gross-sensuous way; capital as absorbing living labour into itself—"as though it had love in its bosom".^a

The exchange of living labour for objectified, i.e. the positing of social labour in the form of the antithesis of capital and wage labour, is the ultimate development of the *value relationship* and of production based on value. Its presupposition is and remains the sheer volume of immediate labour time, the quantity of labour employed, as the decisive factor in the production of wealth. But in the degree in which large-scale industry develops, the creation of real wealth becomes less dependent upon labour time and the quantity of labour employed than upon the power of the agents set in motion during labour time. And their power—their *POWERFUL EFFECTIVENESS*—in turn bears no relation to the immediate labour time which their production costs, but depends, rather, upon the general level of development of science and the progress of technology, or on the application of science to production. (The development of science itself, especially of natural science, and with it of all the other sciences, is, in turn, related to the development of material production.) E.g. agriculture becomes mere application of the science of the exchange of matter—in terms of how that exchange can be regulated to the maximum advantage of the social body as a whole.

Real wealth manifests itself rather—and this is revealed by

^a Goethe, *Faust*, Part I, "Auerbach's Cellar in Leipzig".—*Ed.*

large-scale industry—in the immense disproportion between the labour time employed and its product, and similarly in the qualitative disproportion between labour reduced to a pure abstraction and the power of the production process which it oversees. Labour no longer appears so much as included in the production process, but rather man relates himself to that process as its overseer and regulator. (What is true of machinery is equally true of the combination of human activities and the development of human intercourse.) No longer does the worker interpose a modified natural object as an intermediate element between the object and himself; now he interposes the natural process, [VII-3] which he transforms into an industrial one, as an intermediary between himself and inorganic nature, which he makes himself master of. He stands beside the production process, rather than being its main agent.

Once this transformation has taken place, it is neither the immediate labour performed by man himself, nor the time for which he works, but the appropriation of his own general productive power, his comprehension of Nature and domination of it by virtue of his being a social entity—in a word, the development of the social individual—that appears as the cornerstone of production and wealth. The *theft of alien labour time, which is the basis of present wealth*, appears to be a miserable foundation compared to this newly developed one, the foundation created by large-scale industry itself. As soon as labour in its immediate form has ceased to be the great source of wealth, labour time ceases and must cease to be its measure, and therefore exchange value [must cease to be the measure] of use value. The *surplus labour of the masses* has ceased to be the condition for the development of general wealth, just as the *non-labour of a few* has ceased to be the condition for the development of the general powers of the human mind. As a result, production based upon exchange value collapses, and the immediate material production process itself is stripped of its form of indigence and antagonism. Free development of individualities, and hence not the reduction of necessary labour time in order to posit surplus labour, but in general the reduction of the necessary labour of society to a minimum, to which then corresponds the artistic, scientific, etc., development of individuals, made possible by the time thus set free and the means produced for all of them.

By striving to reduce labour time to a minimum, while, on the other hand, positing labour time as the sole measure and source of wealth, capital itself is a contradiction-in-process. It therefore

diminishes labour time in the form of necessary labour time in order to increase it in the form of superfluous labour time; it thus posits superfluous labour time to an increasing degree as a condition—*question de vie et de mort*^a—for necessary labour time. On the one hand, therefore, it calls into life all the powers of science and Nature, and of social combination and social intercourse, in order to make the creation of wealth (relatively) independent of the labour time employed for that purpose. On the other hand, it wishes the enormous social forces thus created to be measured by labour time and to confine them within the limits necessary to maintain as value the value already created. The productive forces and social relations—two different aspects of the development of the social individual—appear to capital merely as the means, and *are* merely the means, for it to carry on production on its restricted basis. IN FACT, however, they are the material conditions for exploding that basis.

"A nation is truly rich if 6 instead of 12 hours are worked. WEALTH is not command over surplus labour time" (real wealth) "but DISPOSABLE TIME, in addition to that employed in immediate production, for *every individual* and for the whole society."²¹

Nature does not construct machines, locomotives, railways, ELECTRIC TELEGRAPHS, SELF-ACTING MULES, etc. They are products of human industry; natural material transformed into organs of man's will over Nature, or of man's activity in Nature. They are *organs of the human mind which are created by the human hand*, the objectified power of knowledge. The development of fixed capital shows the degree to which society's general science, KNOWLEDGE, has become an *immediate productive force*, and hence the degree to which the conditions of the social life process itself have been brought under the control of the GENERAL INTELLECT and remoulded according to it. It shows the degree to which the social productive forces are produced not merely in the form of knowledge but as immediate organs of social praxis, of the actual life process.

There is yet another aspect from which the development of fixed capital indicates the degree of development of wealth in general or of the development of capital. The object of production directly aimed at use value, and similarly directly at exchange value, is the product itself, which is intended for consumption. The part of production

^a A matter of life or death.—Ed.

aimed at the production of fixed capital does not produce immediate objects of enjoyment or immediate exchange values; at least it does not produce immediately realisable exchange values. *So it depends upon the level of productivity already attained—upon a mere part of production time being sufficient for immediate production—that an increasingly large part of production time is employed in producing means of production.*

This presupposes that society can wait, can withdraw a large part of the wealth already created both from immediate enjoyment and from production intended for immediate enjoyment, and employ it for labour which is *not immediately productive* (within the material production process itself). For it to be able to do so, productivity and relative excess must already have attained a certain level, and indeed a level directly proportionate to the scale on which circulating capital is transformed into fixed capital. Just as the *amount of relative surplus labour depends upon the productivity of necessary labour*, so the *amount of the labour time employed on the production of fixed capital—living labour time as well as objectified—depends upon the productivity of the labour time intended for the direct production of products.*

Surplus population (surplus from this standpoint), like *surplus production*, is a condition for this, i.e. the result of the time employed upon immediate production must be relatively in excess of what is immediately required for the reproduction of the capital employed in these branches of industry. *The less the immediate yield of fixed capital, the less fixed capital engaged in the immediate production process, the larger this relative surplus population and surplus production must be; i.e. more relative surplus population and surplus production is required to build railways, canals, waterworks, telegraphs, etc., than to make machinery used in the immediate production process.* Hence—and we shall come back to that later—the continual over- and underproduction in modern industry reflecting the continual fluctuations and convulsions in the disproportionate—now insufficient, now excessive—transformation of circulating capital into fixed capital.

//The *creation of an abundance of DISPOSABLE TIME* apart from necessary labour time, for society in general and for each of its members (i.e. scope for the development of the full productive powers of the individual, hence also of society), this creation of not-labour-time appears under the conditions of capital, and at all earlier stages, as the creation of not-labour-time, free time, for a few. What capital adds is that it increases the surplus labour time of the masses by all the means of art and science, because its

wealth consists directly in its appropriation of surplus labour time; for its *direct aim is value*, not use value.

Hence it is INSTRUMENTAL, *malgré lui*,^a IN CREATING THE MEANS OF SOCIAL DISPOSABLE TIME, of reducing labour time for the whole of society to a declining minimum, and of thus setting free the time of all [members of society] for their own development. But its tendency is always, on the one hand, *to create DISPOSABLE TIME, and on the other TO CONVERT IT INTO SURPLUS LABOUR*. Yet if it is too successful in the former, it is afflicted with surplus production, and then necessary labour is interrupted, as *NO SURPLUS LABOUR* can be utilised *by capital*.

The more this contradiction develops, the more obvious it becomes that the growth of the productive forces can no longer be tied to the appropriation of alien SURPLUS LABOUR, and that the working masses must, rather, themselves appropriate their surplus labour. Once they have done so—and DISPOSABLE TIME has thereby ceased to possess an *antithetical* existence—then, on the one hand, necessary labour time will be measured by the needs of the social individual; and, on the other, society's productive power will develop so rapidly that, although production will now be calculated to provide wealth for all, the DISPOSABLE TIME of all will increase. For real wealth is the developed productive power of all individuals. Then [VII-4] wealth is no longer measured by labour time but by DISPOSABLE TIME. *Labour time as the measure of wealth* posits wealth itself as based upon poverty, and DISPOSABLE TIME only as existing *in and through the opposition to surplus labour time*; or the whole time of an individual is posited as labour time, and he is consequently degraded to a mere labourer, subsumed under labour. *Hence the most developed machinery now compels the labourer to work for a longer time than the savage does, or than the labourer himself did when he was using the simplest, crudest implements.*//

"If the whole labour of a country were only sufficient TO RAISE THE SUPPORT OF THE WHOLE POPULATION, THERE WOULD BE NO SURPLUS LABOUR, CONSEQUENTLY NOTHING THAT COULD BE ALLOWED TO ACCUMULATE AS CAPITAL. IF THE PEOPLE RAISE IN ONE YEAR SUFFICIENT FOR THE SUPPORT OF 2 YEARS, ONE YEAR'S CONSUMPTION MUST PERISH, OR FOR ONE YEAR MEN MUST CEASE FROM PRODUCTIVE LABOUR. BUT THE POSSESSORS OF SURPLUS PRODUCE OR CAPITAL EMPLOY PEOPLE UPON SOMETHING NOT DIRECTLY AND IMMEDIATELY PRODUCTIVE, e.g. IN THE ERECTION OF MACHINERY. So it goes ON" (*The Source and Remedy of the National Difficulties* [London, 1821, pp. 4-5]).

//Just as with the development of large-scale industry the basis on which it rests, appropriation of alien labour time, ceases to constitute or to create wealth, so, as this development takes place,

^a Despite itself.—Ed.

immediate labour as such ceases to be the basis of production. That happens because, on the one hand, immediate labour is transformed into a predominantly overseeing and regulating activity; and also because, on the other hand, the product ceases to be the product of isolated immediate labour, and it is rather the *combination* of social activity that appears as the producer.

“As soon as the division of labour has been developed, almost any labour by an isolated individual becomes some part OF A WHOLE, HAVING NO VALUE OR UTILITY OF ITSELF. THERE IS NOTHING ON WHICH THE LABOURER CAN SEIZE [and say:] THIS IS MY PRODUCE, THIS I WILL KEEP TO MYSELF” ([Th. Hodgskin,] *Labour Defended*, [London, 1825,] 1, 2, XI²² [p. 25]).

In immediate exchange, the isolated immediate labour appears as realised in a particular product or part of a product, and its communal social character—its character as the objectification of general labour, and satisfaction of general need—is only posited by exchange. By contrast, in the production process of large-scale industry, we see, on the one hand, that the productive power of the means of labour developed to an automatic process presupposes the subjection of the natural forces to the social intelligence, *and, on the other hand, that the labour of the individual in its immediate existence is posited as superseded individual, i.e., as social, labour. Thus the other basis of this mode of production is abolished.*!

Within the production process of capital itself, the labour time employed upon the production of fixed capital relates to that employed upon the production of circulating capital as *surplus labour time* to *necessary labour time*. In the degree in which production directed to the satisfaction of immediate needs becomes more productive, a larger part of production can be directed to satisfy the needs of production itself or to the production of means of production. In so far as the production of *fixed capital* aims directly, in material terms too, neither at the production of immediate use values, nor of values required for the immediate reproduction of capital, i.e. values which in the creation of value itself represent, relatively, use value, but aims at the production of means for the creation of value, hence not at value as an immediate object, but at the creation of value, at the means of valorisation as the immediate object of production—the production of value materially posited in the object of production itself as the purpose of production, of the objectification of productive power, the value-producing power of capital—to that extent *capital posits itself as an end-in-itself*—and is active as *capital*—*in a higher potency in the production of fixed capital than in that of circulating capital*. Therefore, in this respect too, the

magnitude which fixed capital already possesses, and which its production constitutes in overall production, is *the measure of the development* of wealth based upon the capitalist mode of production.

“The number of labourers DEPENDS ON *CIRCULATING CAPITAL* SO FAR as that number DEPENDS ON THE QUANTITY OF *PRODUCTS OF CO-EXISTING LABOUR*, WHICH LABOURERS ARE ALLOWED TO CONSUME” ([Th. Hodgskin,] *Labour Defended* [p. 20]).

All the passages from various economists cited above refer to fixed capital as the part of capital which is locked up in the production process.

“FLOATING CAPITAL IS CONSUMED; FIXED CAPITAL IS MERELY USED IN THE GREAT PROCESS OF PRODUCTION” ([*The Economist*, [No. 219, 6 November 1847, p. 1271,] VI, 1 17).

This is incorrect, and holds good only for the part of circulating capital which is itself consumed by fixed capital, i.e., for the *matières instrumentales*. Only *fixed capital* is consumed “IN THE GREAT PROCESS OF PRODUCTION”, taking this to be the immediate production process. And its consumption within the production process is IN FACT its *USE*, the *using up* of it.

Furthermore, the *greater durability* of *fixed capital* is not to be understood in purely material terms either. The iron and wood which compose the bed in which I sleep, or the stone of which the house is built in which I live, or the marble statue with which a palace is adorned, are as durable as the iron and wood, etc., which are employed in the construction of machinery. But *durability* is a condition for the instrument, for the means of production, not merely for the technical reason that metal, etc., is the main material of all machinery, but because the instrument is to play the same role continually in repeated production processes. Its durability as a means of production is a direct requirement of its use value. The more frequently it has to be renewed, the more expensive it is; the larger is the part of capital which must be uselessly employed on it. Its duration is its existence as a means of production. The longer it lasts, the greater its productive power. With circulating capital, on the contrary, to the extent that it is not transformed into fixed capital, its durability has no relation whatever to the act of production itself and is thus not a conceptually posited moment. That some of the objects thrown into the *fonds de consommation* are again determined as *fixed capital*, because they are consumed slowly and may be consumed by many individuals successively, is connected with further determinations

(renting instead of selling, interest, etc.) with which we are not yet concerned here.

[VII-5]^a “Since the general introduction of inanimate mechanism into British manufactories, man, with few exceptions, has been treated as a secondary and inferior machine; and far more attention has been given to perfect the raw materials of wood and metals than those of body and mind” (Robert Owen, *Essays on the Formation of the Human Character*, London, 1840, p. 31).

//Real economising—saving—consists in the saving of labour time (the minimum production costs,²³ and their reduction to the minimum). But this saving is identical with the development of the productive power. Hence in no way *renunciation of enjoyment* but development of POWER, of the capacity to produce and hence of both the capacity for and the means of enjoyment. The capacity for enjoyment is a condition for it, and hence the basic means for it, and this capacity is created by the development of an individual disposition, productive power.

The saving of labour time is equivalent to the increase of free time, i.e. time for the full development of the individual, which itself, as the greatest productive force, in turn reacts upon the productive power of labour. From the standpoint of the immediate production process, it can be considered as the production of *fixed capital*, this fixed capital BEING MAN HIMSELF.

Incidentally, it is self-evident that immediate labour time itself cannot remain in abstract antithesis to free time, as it appears to do from the standpoint of bourgeois political economy. Labour cannot become a game, as desired by Fourier,^b whose great merit it remains to have stated that the ULTIMATE OBJECT is the raising of the mode of production itself, not [that] of distribution, to a higher form. Free time—which is both leisure and time for higher activity—has naturally transformed its possessor into another subject; and it is then as this other subject that he enters into the immediate production process. This process is simultaneously discipline, with respect to the developing human being, and application, experimental science, material creative and self-objectifying science, with respect to the developed man, whose mind is the repository of the accumulated knowledge of society. So far as labour demands practical manual exertion and free motion, as in agriculture, the production process is for both of them, at the same time, EXERCISE.

^a In Marx's hand at the top of this page: “March. 1858”.—*Ed.*

^b Ch. Fourier, *Le Nouveau Monde industriel et sociétaire*. In: *Œuvres complètes*, 3rd ed., Vol. 6, Paris, 1848, pp. 245-52.—*Ed.*

Just as the system of bourgeois economy unfolds to us only gradually, so also does its negation of itself, which is its ultimate result. At this point, we are still concerned with the immediate production process. If we consider bourgeois society in the round, it is always society itself, i.e. man himself in his social relations, that appears as the final result of the social production process. Everything that has a solid form, like the product, etc., appears merely as a moment, a vanishing moment in this movement. Even the immediate production process itself appears here merely as a moment. The conditions and objectifications of that process are themselves, to an equal degree, moments of it, and it is only individuals that appear as its subjects; yet individuals in relations to one another, which they reproduce just as much as they produce them anew. Their own continuous process of movement, in which they renew themselves to just the same extent as they renew the world of wealth which they create.//

(In his *Six Lectures delivered at Manchester, 1837*, Owen discusses the difference between workers and capitalists which capital creates BY ITS VERY GROWTH and appearance on a wide scale (and it attains this only in large-scale industry, which is connected with the development of fixed capital). However, he says that the development of capital is a *necessary condition* for the RE-CREATION OF SOCIETY, and relates of himself:

"It was BY BEING GRADUALLY TRAINED TO CREATE AND CONDUCT SOME OF THESE LARGE" (MANUFACTURING) "ESTABLISHMENTS, THAT YOUR LECTURER" (Owen himself) "was taught to perceive the great errors and DISADVANTAGES of past and present attempts to improve the character and the condition of his fellow-men" (p. [57-]58).

We shall quote here the entire passage, so that we may refer to it on another occasion.²⁴

"The producers of fully developed wealth may be divided into workers in soft and workers in hard materials, under the immediate direction, as a general rule, of masters whose object it is to make pecuniary gain by the labour of those whom they employ. Before the introduction of the chemical and mechanical manufacturing system, operations were carried on upon a confined scale; there were many small masters, each having a few journeymen, who looked forward to becoming also in due time, small masters. These usually fed at the same table, and lived together; and there prevailed a spirit and feeling of equality between them. Since the period when SCIENTIFIC POWER began to be largely applied to the business of manufacture, a gradual change took place in this respect. Almost all manufactures, to be successful, must now be carried on EXTENSIVELY and with large capital; small masters with small capitals have now very little chance of success, especially in the manufacture of the soft materials, such as cotton, wool, flax, etc.; it is now indeed

EVIDENT that so long as the present classification of society and mode of conducting business life shall continue, the small masters will be more and more superseded by those who possess large capitals, and that the former comparatively happy equality among producers must give place to the greatest inequality between master and worker that has yet occurred in the history of man. The large capitalist is now elevated to the position of an imperial lord, having the health, life, and death, INDIRECTLY, of his slaves at his will. This power he obtains by combining with other large capitalists engaged in the same interests with himself, and thus does he effectively coerce to his purpose those whom he employs. The large capitalist now wallows in wealth, the right use of which he has not been taught and knows not. He has acquired power by his riches. His riches and his power blind his understanding; and when he most GRIEVOUSLY oppresses, he believes he is conferring favours... His SERVANTS, as they are called, his SLAVES IN FACT, are reduced to the most hopeless degradation; the majority of them, robbed of their health, of their domestic comforts and of the leisure and the healthy open air amusements of former days. Through excessive exhaustion of their powers, brought on by long protracted monotonous employments, they are seduced into habits of intemperance and unfitted for thought or reflection. They can have no physical, intellectual or moral enjoyments, except of the very lowest description; all the real pleasures of life being far removed from them. The existence which a very large portion of the workers endure under the present system is, in short, not worth possessing.

“But for the changes of which these are the results no individuals are BLAMEABLE; they proceed in the REGULAR ORDER OF NATURE, and are preparatory and necessary steps towards the great and important social revolution which is in progress. Without large capitals, large establishments would not have been formed; men could not have been trained to conceive the PRACTICABILITY OF EFFECTING NEW COMBINATIONS, IN ORDER TO SECURE A SUPERIOR CHARACTER TO ALL and the production of more wealth annually than all could consume; and that that wealth also should be of a very superior description to that [VII-6] hitherto generally produced” (l.c., [pp.] 56, 57).

“It is this new chemical and mechanical manufacturing system that is now enlarging the human faculties to prepare them to understand other PRINCIPLES and PRACTICES, to adopt them, and thus to effect the greatest beneficial change in affairs that the world has yet known. And it is this new manufacturing system that now creates the necessity for another and superior classification of society” (l.c., [p.] 58).

[CIRCULATION AND REPRODUCTION OF FIXED AND CIRCULATING CAPITAL]

We have previously noted that the productive power (fixed capital) only imparts value—because it only possesses value—in so far as it is itself produced, is itself a certain quantity of objectified labour time. But there are also natural agents, such as water, land (especially), mines, etc., which are appropriated, hence possess exchange value and therefore must be included as values in the calculation of the production costs. In a word, landed property (it includes the soil, mines, water) enters the reckoning. But the value

of means of production which are not the product of labour does not as yet belong here, since they do not come under the heading of capital itself. For capital, they appear in the first place as a given, historical presupposition, and we leave them as such at this point. Only the form of landed property modified to correspond to capital—or of natural agents as value-determining magnitudes—belongs in the discussion of the system of bourgeois economy. For our analysis of capital nothing is changed, at this point, by considering the soil, etc., as a form of fixed capital.

Since *fixed capital* in the sense of the produced productive power, as agent of production, increases the mass of use values produced in a definite time, fixed capital cannot increase unless there is an increase in the quantity of the raw material which it works up. (This applies to manufacturing industry. In the extractive industries, e.g. fishing, mining, labour consists merely in overcoming the obstacles to the winning and appropriation of raw products or primary products. There, no raw material is worked on for production, but rather the existing raw product is appropriated. In agriculture, on the other hand, the raw material is the soil itself; the circulating capital is the seed, etc.) Hence the employment of fixed capital on a larger scale presupposes an enlargement of the part of circulating capital which consists of raw materials, and consequently a growth of capital in general. It also presupposes a (relative) decline in the portion of capital exchanged for living labour.

In *fixed capital*, capital exists, physically too, not merely as objectified labour intended to serve as means of new labour, but as value whose use value is the production of new values. The existence of fixed capital is therefore $\kappa\alpha\tau'\acute{\epsilon}\xi\omicron\chi\acute{\eta}\nu$ ^a its existence as productive capital. *Hinc*^b the level of development already attained by the mode of production based on capital—or the extent to which capital itself is already presupposed, has presupposed itself, as the condition for its own production—is measured by the existing volume of fixed capital. Not only by its quantity, but by its quality as well.

Finally: In *fixed capital*, the social productive power of labour is posited as a property inherent in capital; *the SCIENTIFIC POWER as well as the combination of social forces within the production process, and finally the skill translated from immediate labour into machines, into lifeless productive power.* In *circulating capital*, on the other hand, it

^a Above all.—*Ed.*

^b Hence.—*Ed.*

is the exchange of labours, of the various branches of industry, their inter-meshing and formation of a system, the coexistence of productive labour, that appears as the *property of capital*.

//The determinations of raw material, product and instrument of production vary in accordance with the determination adopted by the use values in the production process itself. What may be regarded as mere raw material is itself the product of labour. (The description of mere raw material certainly does not apply to agricultural products, all of which are reproduced, and not only reproduced in their original form, but modified in their natural being itself in conformity with human needs. Quote from Hodges, etc. The products of purely extractive industries, e.g. coal, metals, are themselves results of labour, which is required not merely to bring them up to the surface, but also, as with the metals, to give them the form in which they can serve as the raw materials of industry. But they are not reproduced, for as yet we do not know how to make metals.)

The product of one industry is the raw material of another, *et vice versa*. The instrument of production itself is the product of one industry and serves as instrument of production in another. The waste product of one industry is the raw material of another. In agriculture, a part of the product (seed, livestock, etc.) itself figures as the raw material of that very industry, and therefore, like fixed capital, never emerges from the production process. The part of agricultural produce set aside for consumption by livestock can be regarded as a *matière instrumentale*. But the seed is reproduced in the production process, while the instrument as such is consumed in it. Since the seed and the working animals always remain in the production process, can not both be regarded as fixed capital? No, since otherwise all raw material would have to be regarded thus. As such, raw material is always engaged in the production process.

Finally, the products entering into direct consumption re-emerge from it as raw materials for production, e.g. fertiliser in the process of nature, etc., paper made of rags, etc. Yet, secondly, their consumption reproduces the individual himself in a particular mode of existence, not merely in his immediate vitality, and in particular social relations. So that the final appropriation by individuals, which takes place in the process of consumption, reproduces them in the original relations in which they figure in the production process and in mutual intercourse; it reproduces them in their social existence, and thus reproduces their social existence itself—society—which appears as the subject of this

great overall process to the same extent as it appears as its result. //

Fourthly^a:

We must now examine the other relations of fixed capital and circulating capital.

We said above that in *circulating capital* the social relation of the different labours to one another is posited as the property of capital, just as the social productive power of labour is in fixed capital.

“The circulating capital of a nation consists of money, means of subsistence, raw materials, and *l'ouvrage fait*” (A. Smith, [*Recherches sur la nature et les causes de la richesse des nations*,] Vol. II, p. 218).

As regards money, Smith cannot decide whether he should call it circulating or fixed capital. If it is constantly employed only as the instrument of circulation, which is itself a moment of the total reproduction process, it is *fixed capital*—as instrument of circulation. Yet its use value then consists solely in circulating; never, then, does it enter either into the production process proper or into individual consumption. It is the part of capital which is permanently fixed in the circulation phase, and in this respect it is the most perfect form of circulating capital. From the other angle, since it is fixed as instrument, it is *fixed capital*.

In so far as the relation to individual consumption is a criterion for distinguishing between *fixed capital and circulating capital*, this distinction is already given by the fact that *fixed capital* does not enter into circulation as use value. (In agriculture, a part of the seed enters [VII-7] as use value into circulation, since the seed multiplies itself.) The fact that fixed capital does not enter into circulation as use value implies that it does not become an object of individual consumption.

“*Fixed capital*” serves reiteratedly, again and again, for the same operation, “AND BY HOW MUCH LARGER HAS BEEN THE RANGE OF THESE ITERATIONS, BY SO MUCH [THE] MORE INTENSELY IS THE TOOL, ENGINE, OR MACHINERY, ENTITLED TO THE DENOMINATION OF FIXED” (De Quincey, [*The Logic of Political Economy*, p. 114,] X, 4¹⁰).

Assume a capital of £10,000, composed of 5,000 fixed capital and 5,000 circulating capital; the latter turns over once a year, the former once in 5 years. This means that 5,000, or $\frac{1}{2}$ the total capital, turns over once a year. During the same time, $\frac{1}{5}$ of the fixed capital, or £1,000, turns over; in 1 year, therefore, £6,000,

^a Cf. this volume, pp. 71,76.—*Ed.*

^b Work completed.—*Ed.*

or $\frac{3}{5}$ of the total capital, turns over. Hence $\frac{1}{5}$ of the total capital turns over in $\frac{12}{3}$ months and the whole capital in $\frac{12 \times 5}{3}$ months, i.e. in $\frac{60}{3} = 20$ months = 1 year 8 months.

The total capital of £10,000 has turned over in 20 months, although it takes 5 years to replace the fixed capital. That turnover time, however, only holds for the repetition of the production process and hence for the creation of surplus value; not for the reproduction of the capital itself. If capital recommences the process—returns from circulation into the form of fixed capital—less frequently, it returns the more frequently into the form of circulating capital. But this does not replace the capital itself.

The same is true of circulating capital. If a capital of 100 returns 4 times a year and, as a result, yields 20%, while a capital of 400 circulates only once and yields an equal amount [in absolute terms], the former capital is, in the outcome, still 100 at the end of the year, and the latter still 400, although the former has acted in the production of use values, and in the positing of surplus value, as a capital four times its size. Here we see the velocity of turnover compensate for the size of the capital—striking proof that it is only the quantity of surplus labour set in motion, and of labour in general, not the size of capital in itself, that determines the creation of value and hence of surplus value. The capital of 100 has successively set in motion as much labour during the year as one of 400, and thus has produced the same quantity of surplus value.

But the point here is this: In the above example the circulating capital of 5,000 first returns in the [first] half of the first year,^a then at the end of the second [half]; in the [first] half of the second year; in the second half of the second year (the first 4 months) $\frac{2}{3}$ of it is returned, and the rest will have been replaced by the end of that half year.

But only $\frac{1}{5}$ of the fixed capital was returned in the first year and $\frac{1}{5}$ in the second. At the end of the first year, the owner of the capital has £6,000 in hand, at the end of the second, 7,000; and at the end of the third, fourth and fifth years, 8,000, 9,000 and 10,000 respectively. Only at the end of the fifth year is he once again in possession of the total capital with which he began the production process, although *his capital has been operative in the*

^a According to the original assumption, it should first return at the end of the first year. In this paragraph and in one passage further on, Marx seems to assume that the circulating capital turns over twice a year.—*Ed.*

production of surplus value as if the whole of it were turned over in 20 months. So the total capital itself is reproduced only in 5 years.

The first determination of the turnover is important for the relation in which capital is valorised; but the second introduces a new relation, which is not present at all in the case of circulating capital. Since circulating capital enters into circulation in its entirety and returns from it in its entirety, it is reproduced as capital as often as it is realised as surplus value or as surplus capital. On the other hand, since fixed capital never enters into circulation as use value, and enters into it as value only in the degree in which it is consumed as use value, it is by no means reproduced immediately the surplus value determined by the average turnover time of the total capital is posited.

The circulating capital must be turned over 10 times in the 5 years which elapse before the fixed capital is reproduced, i.e. the turnover period of the circulating capital must pass 10 times whilst that of fixed capital passes once; and the *total average turnover of the capital—20 months—must be repeated 3 times before the fixed capital has been reproduced.* Hence, the larger the part of capital consisting of fixed capital—i.e. the greater the extent to which capital is active in the mode of production corresponding to it, with an extensive application of produced productive power—and the more durable the fixed capital, i.e. the longer its reproduction time, the more its use value corresponds to its determination—with so much the greater frequency must the part of capital determined as circulating *repeat the period of its turnover, and the longer the total time capital takes to run the course of its total circulation.*

HENCE *continuity of production becomes an extreme necessity for capital with the development of the portion of it determined as fixed capital. For circulating capital, interruptions, unless they are so long as to ruin its use value, are merely interruptions in the creation of surplus value. For fixed capital, however, an interruption constitutes a destruction of its original value itself, SO FAR AS in the meantime its use value is inevitably destroyed relatively unproductively, i.e. without replacing itself as value. So it is only with the development of fixed capital that the continuity of the production process corresponding to the concept of capital is posited as the *conditio sine qua [non]* for its maintenance; and therefore, similarly, the continuity and continual growth of consumption.*

This is No. I [the first distinction between fixed and circulating capital]. But in respect of form No. II is even more important. The total time in terms of which we measured the RETURN of capital was the year, as the unit of time in which we measured labour was the day. We did so firstly because the year is more or less the

natural reproduction time or duration of the production phase for most vegetable raw materials used in industry. The turnover of circulating capital was thus determined by the number of turnovers it completed in a year as the total time. IN FACT, circulating capital begins its reproduction at the end of each turnover, and if the number of turnovers during the year has a bearing on the total value, the particular fates experienced by circulating capital, during each turnover, do appear to determine the conditions under which it recommences its reproduction, but each of these fates constitutes, in itself, a complete life-act of circulating capital. As soon as capital has been reconverted into money, it can e.g. be transformed into conditions of production different from the initial ones, throw itself from one branch of production into another, with the result that its *reproduction, materially considered, will not be repeated in the same form.*

The introduction of fixed capital alters this, and neither the turnover time of capital nor the unit by reference to which the number of turnovers is measured, the year, appears any longer as the measure of time for the movement of capital. This unit is now determined, rather, by the *reproduction time* required for the fixed capital and hence by the total circulation time it takes to enter into circulation as value and return from it in the totality of its value. During all this time the reproduction of fixed^a capital must *take place in the same form materially too*, and the number of its necessary turnovers, i.e. *the number of turnovers necessary for the reproduction of the original capital, is distributed over a longer or shorter period of years.* A longer *total period* is therefore posited as the unit in terms of which its turnovers are measured, and their *repetition* is now linked to this unit not merely externally but by necessity. According to Babbage,^b the average reproduction of machinery in England takes 5 years; hence, the real, probably 10 years. There can be no doubt at all that the cycle through which industry has been passing in *plus ou moins*^c ten-year periods since the large-scale development of fixed capital, is linked with the *total reproduction phase of capital* determined in this way. We shall find other determining factors too, but this is one of them. There were good and bad times for industry and for the harvests (in agriculture) in the past, too. But the several-year-long industrial cycle divided up into characteristic periods, epochs, is unique to large-scale industry.

^a The original has "circulating".—Ed.

^b *Traité sur l'économie des machines et des manufactures*, pp. 375-76.—Ed.

^c Roughly.—Ed.

[VII-8] Here we come to distinction No. III, which appears for the first time.

Circulating capital was precipitated from the production process in the form of the product, the newly created use value, and entered wholly into circulation. Once reconverted into money, the value of the product (the entire necessary and surplus labour time objectified in it) was fully realised, and thereby both the surplus value was realised and all the conditions of reproduction fulfilled. With the realisation of the price of the commodity, all these conditions were fulfilled and the process could be recommenced. However, this is true only of that part of circulating capital which enters into the large circulation. AS TO THE OTHER PORTION OF IT, WHICH CONTINUOUSLY ACCOMPANIES THE PROCESS OF PRODUCTION ITSELF, THE CIRCULATION OF THAT PART OF IT WHICH IS TRANSFORMED INTO WAGES, whether or not these WAGES themselves are replaced by a use value entering into circulation naturally depends upon whether labour is employed in the production of fixed capital or of circulating capital.

Fixed capital, on the other hand, does not itself circulate as use value, but only enters—to the extent that it is used up as use value in the production process—as value into the manufactured raw material (in manufacture and agriculture) or into the raw product directly extracted [from the earth] (as in mining). Hence fixed capital in its developed form only returns over a cycle of years, which comprises a series of turnovers of circulating capital. It is not AT ONCE exchanged in the form of the product for money, so that its reproduction process coincides with the turnover of circulating capital. It enters into the price of the product only piecemeal, and therefore returns as value only piecemeal. *It returns piece by piece over longer periods, whereas circulating capital circulates wholly in shorter ones.* To the extent that fixed capital exists as such, [it] does not return, because it does not enter into circulation. To the extent that it does enter into circulation, it no longer exists as fixed capital, but constitutes a notional component of the value component of circulating capital. In general, it only returns in so far as it is directly or indirectly *converted into the product, and therefore into circulating capital.* Because it is not an immediate use value for consumption, it does not enter into circulation as use value.

This difference in the form of RETURN of fixed and circulating capital will later appear significant as the distinction between selling and renting, ANNUITY, interest and profit, *loyer*^a in its different forms and profit. Their failure to understand this *merely*

^a Rent.—Ed.

formal distinction led Proudhon and his gang to the most confused conclusions, as we shall see.

In its remarks on the recent crisis,²⁵ *The Economist* reduces the whole distinction between fixed and circulating capital to that between the

“RESALE OF ARTICLES WITHIN A SHORT PERIOD AND AT A PROFIT” (*The Economist*, No. 754, 6 February 1858 [p. 137]) and “PRODUCTION OF A REVENUE LARGE ENOUGH TO PROVIDE FOR EXPENSES, RISK, WEAR AND TEAR, AND THE MARKET RATE OF INTEREST”.

//*RISK*, which plays a role in the economists' determination of profit—it can obviously play none in the case of surplus gain, since the creation of surplus value is not increased as a result of it, and it is impossible that capital may run risks in the *realisation* of this surplus value—is the danger that capital may not traverse the different phases of circulation, or that it remains fixed in one of them.

We have seen^a that surplus gain forms part of the production costs, if not of capital, then certainly of the product. The necessity for capital to realise this surplus gain or part of it, is doubly an external compulsion to it. As soon as interest and profit become separated, hence the industrial capitalist must pay interest, a portion of the surplus gain constitutes *production costs* from the viewpoint of capital, i.e. forms part of its outlays. On the other hand, to protect itself against the danger of depreciation to which it is exposed in the metamorphoses of the overall process, it gives itself a kind of *AVERAGE* insurance. A part of the surplus gain appears to it merely as compensation for the risk it runs to make more money; a risk that the advanced value itself may be lost. In this form, the surplus gain appears to capital as having to be realised to ensure its reproduction. Of course, neither of these factors determines surplus value, but they do cause its positing to appear as an external necessity for capital, not merely as the satisfaction of its tendency towards enrichment.//

The quicker *RETURN* resulting from the sale of the entire article, and the *RETURN*, only once a year, of part of the fixed capital, have been discussed above. As regards profit—we are not concerned with merchant's profit here—every part of the circulating capital as emerging and returning from the production process, i.e. in so far as objectified labour (the value of the advances), necessary labour (the value of wages) and surplus labour are contained in it,

^a See present edition, Vol. 28, pp. 241-45.—*Ed*

yields profit as soon as it passes through circulation, because the realisation of the product is also the realisation of the surplus labour contained in it. However, it is neither circulating nor fixed capital that creates profit, but the appropriation of alien labour mediated by both, therefore *au fond* only that part of circulating capital which enters into the small circulation. And this profit is in fact realised only by capital's entering into circulation, hence only by capital in its form as circulating capital, never in that of fixed capital. And what *The Economist* means here by fixed capital—so far as its revenues are concerned—is the form of fixed capital in which it does not enter directly into the production process as machinery, but exists in RAILWAYS, BUILDINGS, AGRICULTURAL IMPROVEMENTS, DRAININGS, etc.

//We are not concerned here with the illusory view that *all parts of capital yield profit evenly*.^a This illusion stems from the division of surplus value into average portions, without reference to the proportions in which capital is divided up into circulating and fixed, or to the part of capital which is converted into living labour. That was, to some extent, also Ricardo's illusion, and in determining value as such he therefore discusses the effect of the proportions of fixed and circulating capital right at the beginning. And the reverend PARSON Malthus speaks with STUPID ingenuousness of the profits accruing to fixed capital, as though capital grew organically by virtue of some natural power. //

In this case, the realisation of the value and surplus value contained in the fixed capital appears in the form of an ANNUITY, with the interest representing surplus value, and the ANNUITY itself the piecemeal RETURN of the value advanced. So what we have here, IN FACT, is not fixed capital entering into circulation as value by virtue of its constituting part of the product (though this *is* the case with AGRICULTURAL IMPROVEMENTS), but fixed capital being sold in the form of its use value. It is not sold here in one go, but as an ANNUITY.

It is now quite clear, *d'abord*, that some forms of fixed capital initially figure as circulating capital, and only become fixed capital when they are fixed in the production process. E.g., the circulating products of the owner of a machine-building factory are machines, just as the product of a cotton-weaver is calico, and they enter into circulation for him in precisely the same way. To him, they are circulating capital; to the manufacturer who uses them in the

^a See Th. R. Malthus, *Principles of Political Economy*, 2nd ed., London, 1836, p. 268.—Ed.

production process, they are fixed capital; because they are product to the former, and instrument of production only to the latter. Similarly, for the BUILDING-TRADE, even houses are circulating capital, in spite of their immovability; but they are fixed capital for one [VII-9] who buys them in order to rent them out, or to use them for production as workshops. How fixed capital itself circulates as use value, i.e. is sold, changes hands, will be discussed further on.

However, the point of view that capital is sold as capital—whether as money or in the form of fixed capital—obviously does not belong here, where we are considering circulation as the movement of capital in which it posits itself in its different, conceptually determined moments. Productive capital becomes product, commodity, money, and is reconverted into the conditions of production. In each of these forms it remains capital and becomes capital only by being realised as such. As long as it remains in one of the phases, it is fixed as commodity capital, money capital, or industrial capital. But each of these phases constitutes only one moment of its movement, and in the form in which it rejects itself in order to pass from one phase into another it ceases to be capital. If it rejects itself as a commodity and becomes money, or vice versa, it does not exist as capital in the rejected form but in the newly adopted one. Of course, the rejected form can in turn become the form of another capital, or it can be directly the form of a consumable product. Yet this does not concern us, nor does it concern capital itself, in so far as we are discussing its circuit, revolving as it does within itself. Rather, it rejects each of the forms as its being-not-capital, in order to assume them later again. Yet if capital is loaned out as money, land, a house, etc., it becomes a commodity *as capital*; or the commodity which is put into circulation is *capital as capital*. This is to be discussed further in the next section.

What is paid when the commodity is converted into money—to the extent that its price concerns the part of the fixed capital turned into value—is the part necessary for the partial reproduction of the fixed capital, the part used up and worn out in the production process. So what the buyer pays for is the use or wear of fixed capital, in so far as it is itself value, objectified labour. Since this wear occurs gradually, he only pays for part of it in the product, while he replaces, in the price he pays for the product, the entire value of the fractional part of raw material contained in that product. The consumed, worn-out fractional part of fixed capital is not only paid for successively; it is paid for simultaneous-

ly by a large number of buyers, piecemeal, in the proportion in which they buy products.

Since in the first half of its circulation capital appears as *C* and the buyer as *M*, capital's aim being value, and that of the buyer being use (whether, in turn, productive [does not] concern us here, where we only have to consider the formal aspect, as it appears vis-à-vis capital in its circulation), the buyer's relation to the product is, in general, that of the consumer. Hence the buyer indirectly pays in all commodities successively and in a piecemeal fashion for the use and wear of the fixed capital, although it does not enter into circulation as a use value.

However, there are forms of fixed capital in which he pays for its use value directly—as in the case of means of communication, transport, etc. In all these cases, fixed capital *IN FACT* never emerges from the production process, e.g. railways, etc. Yet, while it serves some within the production process as means of communication necessary to bring the product to market, and [as] means of circulation for the producers themselves, it may serve others as a means of consumption, as a use value, e.g. the traveller taking a pleasure trip, etc.

Regarded as a means of production, it differs here from machinery, etc., in that it is consumed simultaneously by different capitals as a common condition for their production and circulation. (We are not as yet discussing consumption as such.) It does not appear as comprised within one particular production process, but as a blood-vessel linking together a large number of such production processes carried on by particular capitals, which only consume it piecemeal. Over against all these particular capitals and their particular production processes, fixed capital is therefore determined here as the product of a particular branch of production distinct from them, a branch in which it, in contrast to machinery, cannot be sold by one producer as circulating capital and obtained by another as fixed capital, but can only be sold in the form of fixed capital itself. Then its piecemeal *RETURN*, concealed in the commodity, becomes apparent.

Yet as itself a product which is sold (for the industrialist, the machine which he uses is not a product), it then simultaneously includes the surplus value, therefore the *RETURN* of interest and profit, *s'il y a*.^a Since it can be consumed in the same common and successive form, can be use value for immediate consumption, its sale—not as an instrument of production but as a commodity in

^a If there is any.—*Ed.*

general—appears in the same form. But as far as it is sold as an instrument of production—a machine is *sold* simply as a commodity, and becomes an instrument of production only in the industrial process—i.e. as far as its sale coincides directly with its consumption in the general social production process, this is a determination which does not belong in the discussion of the simple circulation of capital. In simple circulation, fixed capital, as far as it is involved as an agent of production, appears as a presupposition of the production process, not as its result. Hence it can only be a matter of replacing its value, a value in which no surplus value is included for the person who employs it. On the contrary, *he* has paid surplus value to the producer of the machine. But a railway or buildings rented out for production *at one and the same time* constitute instruments of production and are realised as a product, as capital, by the person who sells them.

Since every moment that appears as a presupposition of production is at the same time its result—in that production reproduces its own prerequisites—the original division of capital within the production process now appears as the falling-asunder of the production process into 3 production processes, in which different portions of capital—now also appearing as distinct capitals—operate. (Here we can still speak of a single capital operating, since we are considering *capital* as such, and this method of consideration makes it simpler to discuss the proportions of these different types of capital.)

The capital is annually reproduced in different and varying portions as raw material, product and means of production; in short, as fixed capital and circulating capital. In each of these production processes there appears as a presupposition at least that part of the circulating capital which is to be exchanged for the labour capacity and for the maintenance and consumption of the machinery or the instrument, and of the means of production.

In purely extractive industry, e.g. mining, the mine itself exists as the material of labour, but not as raw material passing on into the product. In manufacturing industry, on the other hand, the raw material must, in all forms, possess a particular existence. In agriculture, the seed, fertiliser, livestock, etc., can be regarded as raw materials and, equally, as *matières instrumentales*. Agriculture constitutes a form of production *sui generis*, because the mechanical and chemical process is combined with the organic, and the natural reproduction process is merely controlled and directed. Similarly, the extractive industries (of which mining is the principal one) form an industry *sui generis*, because no reproduc-

tion process takes place in them, at least none subject to our control or known to us. (Fishing, hunting, etc., may involve a reproduction process; similarly forestry. So these are not necessarily purely extractive industries.)

Now, in so far as the means of production, fixed capital, as itself [VII-10] produced by capital and hence including objectified surplus time, can only be disposed of by its producer as circulating capital, e.g. the machine by the machine-builder, before it becomes fixed capital, i.e. in so far as it only enters into circulation as a use value, its circulation contains no new determination whatever. But in so far as it can only be realised, like e.g. railways, while simultaneously serving as an instrument of production, or only in the degree in which it is consumed as such, it shares with fixed capital in general the feature that its value only returns piecemeal; but in addition, there is the fact that in this RETURN of value is included the RETURN of its surplus value, the surplus labour objectified in it. It then has a special form of RETURN.

Now, the important point is that the production of capital thus appears as the production of circulating capital and fixed capital in definite portions, so that capital itself produces its dual type of circulation as fixed capital and circulating capital.

Before we SETTLE this last point, there are a few collateral matters.

"FLOATING CAPITAL IS CONSUMED, FIXED CAPITAL MERELY USED, IN THE GREAT WORK OF PRODUCTION" (*The Economist*, [No. 219, 6 November 1847, p. 1271,] VI, p. 1¹⁷).

The difference between CONSUMPTION and USE is merely a matter of rapid or gradual DESTRUCTION. We need not dwell on this POINT any further.

"FLOATING CAPITAL ASSUMES AN INFINITE VARIETY OF FORMS, FIXED CAPITAL HAS ONLY ONE" (*The Economist*, [loc. cit.,] VI, p. 1).

As far as the production process of capital itself is concerned, this "INFINITE VARIETY OF FORMS" is much more correctly reduced by A. Smith to a mere change of form.

Fixed capital is used by its master "as long as it remains in the same shape". I.e. it persists in the production process, as use value, in a particular material form. Circulating capital, on the contrary, (A. Smith, [*Recherches sur la nature et les causes de la richesse des nations*,] Vol. II, pp. 197, 198) "constantly goes from his hand in one shape" (as a product) "to return to him in another" (as a condition of production) "and only yields profit by means of such CIRCULATION and successive *échanges*".

Here, Smith is not speaking of the "INFINITE VARIETY OF FORMS" in which circulating capital appears. Considered materially, "fixed capital" also adopts an "INFINITE VARIETY OF FORMS"; he is speaking of the metamorphoses through which circulating capital passes precisely as use value, and this "INFINITE VARIETY OF FORMS" is therefore reducible to the qualitative distinctions between the different phases of circulation. Circulating capital, considered in a definite production process, always returns in the same form of raw materials and money for wages. Its material form at the end of the process is the same as it was at its beginning. Incidentally, elsewhere *The Economist* itself reduces the "INFINITE VARIETY OF FORMS" to the conceptually determined change of form peculiar to circulation:

"The commodity is entirely consumed IN THE SHAPE IN WHICH IT IS PRODUCED" (i.e. enters into circulation as use value and is precipitated from it) "and REPLACED IN HIS HANDS IN A NEW SHAPE" (as raw material and wages), "READY TO REPEAT A SIMILAR OPERATION" (much rather, the same) (l.c., VI, p. 1).

Smith also explicitly states that fixed capital "needs no circulation" ([op. cit.,] Vol. II, pp. 197, 198).

In the case of *fixed capital*, value is locked up in a particular use value; in that of circulating capital, value adopts the form of various use values, and also the form independent of any particular use value (as money), just as much as it discards them. Hence a continuous change of its material and form takes place.

"Circulating capital furnishes him" (the entrepreneur) "with the materials and the wages for the labourers and puts industry in action" (A. Smith, Vol. II, p. 226).

"Every *fixed capital* originally derives from, and requires to be continually supported by, a *circulating capital*" (l.c., p. 207).^a

"So great a part of the circulating capital being continually withdrawn from it in order to be placed in the other two branches of the general stock of society, this capital in turn needs to be renewed by continual supplies, without which it would soon be reduced to nought. These supplies are drawn from 3 principal sources: the produce of the land, of mines, and of fisheries" (l.c., p. 208).

//We have already analysed one of the distinctions emphasised by *The Economist*:

"EVERY PRODUCTION THE WHOLE COST OF WHICH IS RETURNED TO THE PRODUCER OUT OF THE CURRENT INCOME OF THE COUNTRY IS FLOATING CAPITAL; but every PRODUCTION for which ONLY AN ANNUAL SUM IS PAID FOR THE USE, IS—FIXED CAPITAL" (Notebook VI, p. 1). "In the first case the producer depends wholly upon the CURRENT INCOME of the country" (l.c. [*The Economist*, No. 219, 6 November 1847, p. 1271]).

^a Marx quotes this and the following passage from Smith in French.—Ed.

We have seen^a that only part of the fixed capital returns within the time determined by the circulating capital, the time which serves as the unit by reference to which the number of the latter's turnovers is measured, because it is the natural unit for the reproduction of most means of subsistence and raw materials, just as, and because, it appears as the natural period in the life process (cosmic process) of the Earth. This unit is the year, whose length, as calculated for the ordinary purposes of society, differs more or less, but insignificantly, from its natural length. The more closely the material being of fixed capital corresponds to its concept, i.e. the more adequate its material mode of existence is to that concept, the more likely its turnover time is to comprise a cycle of years.

Since circulating capital is wholly exchanged, first for money and secondly for the elements composing that capital, it presupposes the *production of a counter-value* equal to its entire value (which includes surplus value). One cannot say that it enters wholly into consumption or is able to do so, for it must, just as much, again serve in part as raw material or as an element for fixed capital, in short as itself an element for production—a counter-production. One part of the use value rejected by capital as a product, as the result of the production process, becomes an object of consumption and thus falls out of the circulation of capital in general; another part enters into another capital as a condition of production. This is posited in the very circulation of *capital as such*, since in the first half of circulation it pushes itself off from itself as a commodity, i.e. as a use value, that is to say—*considered in relation to itself* in this form—releases itself from its own circulation as a use value, an article of consumption. And in the second half of its circulation, it is exchanged as money for a commodity as a condition of production. Hence, as itself a circulating use value, it posits its material existence both as an article of consumption and as a new element of production or, rather, an element of reproduction. In both cases, however, its counter-value must be wholly available, i.e. it must be wholly produced, during the year. E.g. the quantity of manufactured products which can be exchanged over a year for agricultural products is determined by the volume of raw products produced in that year, reckoned from harvest to harvest. Since we are dealing here with *capital as such*, capital in the process of formation—the plurality of capitals does not yet exist for us—all

^a See this volume, pp. 104-05.—*Ed.*

we have outside capital is nothing but capital itself and simple circulation. From this circulation, capital absorbs into itself value in the two-fold form as money and commodity; and into this circulation, it throws value in the two-fold form as money and commodity.

When an industrial nation whose production is based on capital, e.g. England, exchanges with, say, the Chinese, and absorbs value in the form of money and commodity from their production process; or rather if it draws them into the sphere of circulation of its capital, it is immediately obvious that this does not oblige the Chinese themselves to produce as capitalists. Within a society itself, e.g. English society, the mode of production of capital develops in one branch of industry, while in others, e.g. agriculture, [VII-11] pre-capitalist modes of production are still more or less dominant.

Nevertheless, it is (1) the necessary tendency of capital at every point to subject the mode of production to itself, to its domination. Within a particular national society, this necessarily results from the transformation by capital of all labour into wage labour. (2) With respect to foreign markets, capital enforces this propagation of its mode of production by means of international competition. Competition is in general the means by which capital establishes its mode of production.

This much is clear: Quite regardless of what stands on either side of the successive exchanges, each time in the opposite determination, whether a capital again or capital itself as another capital, both determinations are already posited by the circulation of *capital* itself, even before we consider this two-fold movement. In the first phase, capital expels itself as use value, as commodity from the movement of capital, and is exchanged for money. The commodity expelled from the circulation of capital is no longer the commodity as a moment of self-perpetuating value, as the presence of value. It is its presence as use value, its being for consumption. Capital is converted from the form of commodity into that of money only in that in the usual circulation an exchanger *confronts it* as a consumer and converts *M* into *C*; in that he [carries out] this conversion in its material aspect, so that he relates himself to the use value as use value, his attitude to it being that of a consumer; only in this way is the use value replaced for capital as *value*. Capital, therefore, produces articles of consumption, but expels them in this form from itself, from its circulation. There is no other relation as far as the determinations hitherto developed are concerned.

The commodity, which as such is expelled from the circulation of capital, loses its determination of value and takes on that of use value in consumption as distinct from production. However, in the second phase of circulation, capital exchanges money for a commodity, and its transformation into a commodity now itself appears as a moment of the positing of value, since the commodity as such is taken into the circulation process of capital. If in the first phase capital presupposes consumption, in the second phase it presupposes production, production for production. For in this phase, value in the form of the commodity is taken into the circulation of capital from outside, or a process opposite to that effected in the first phase takes place. The commodity as use value for capital itself can only be the commodity as element, use value for capital's production process.

The process is a doubled one: In the first phase, capital *a* exchanges its product as *C* for the *M* of capital *b*; in the second, capital *b* exchanges itself as *C* for the *M* of capital *a*. Or in the first phase, capital *b* exchanges itself as *M* for the *C* of capital *a*; and in the second, capital *a* as *M* for the *C* of capital *b*. I.e. capital is simultaneously posited as *M* and *C* in each of the two circulation phases; but in two different capitals, which are always in the opposite phases of their circulation process. In the simple circulation process, the acts of exchange *C—M* or *M—C* appear as directly coinciding or as directly falling apart. Circulation is not merely the succession of the two forms of exchange, but is simultaneously each of them distributed to two different sides.

But we are not yet dealing here with exchange between many capitals. This belongs in the theory of competition or also in that of the circulation of capitals (credit). What does concern us here is, on the one side, the presupposition of consumption, of the commodity being ejected as use value from the movement of value, and [on the other] the presupposition of production for production, of value being posited in the form of use value as a condition for the reproduction of capital, a condition external to its circulation. What concerns us is that both these aspects result from the consideration of the simple form of circulation of capital.

This much is clear: The whole of the circulating capital is exchanged as *C* for *M* in the first phase, and as *M* for *C* in the second. Hence, taking the year as the unit of time by reference to which its evolutions are considered, the transformations of circulating capital are limited by the fact that the raw materials,

etc., are reproduced annually (the commodity for which it is exchanged as money must be produced, simultaneous production must correspond to it); and also by the fact that an annual revenue (the part of *M* which is exchanged for the commodity as use value) must be constantly produced, if the product precipitated by capital as use value is to be consumed. As such revenue there only exists that of the capitalists themselves and that of the workers, since we have not yet introduced any more developed relations. Incidentally, analysis of the exchange between capital and revenue, another form of the relation between production and consumption, is not as yet relevant.

On the other hand, since fixed capital is exchanged only to the extent that it enters as value into circulating capital, and since it is therefore only partly realised in the course of the year, it presupposes the existence of only *part of the counter-value*, and hence the production of only part of this counter-value in the course of the year. It is paid for only in proportion to its consumption. So far it is clear—and this already follows above from the difference in the industrial cycle introduced by fixed capital—that *fixed capital engages the production of future years*, and in the same way as it contributes to the creation of a large revenue, it anticipates future labour as its counter-value. Hence the anticipation of future fruits of labour is by no means a consequence of the national debt, etc., in short, it is not an invention of the credit system. It has *its roots in the specific mode of valorisation, turnover and reproduction of fixed capital.* //

Since the point for us here is to state the pure determinations of form, without introducing anything irrelevant, the above discussion clearly indicates that analysis of the different forms in which circulating capital and fixed capital yield revenue—or of revenue in general—does not, as yet, belong here at all. Here we should only deal with the different modes in which they return and affect the total turnover of capital, its reproduction movement in general. But the occasional observations above are important because, apart from dismissing the economists' higgledy-piggledy arguments irrelevant to the discussion of the simple distinction between fixed and circulating capital, they have shown us that the differences in the way they yield revenue, etc., stem from the formal distinction in the reproduction of fixed and circulating capital. We are still dealing merely with the simple RETURN of value. How this becomes the RETURN of revenue, and how that in turn gives rise to a difference in the determination of revenue, will only be seen later.

We have not yet spoken about the *maintenance costs*, the *frais d'entretien*, of fixed capital. They are partly composed of the *matières instrumentales* which it consumes in order to operate. They come under the heading of fixed capital in the first sense in which we considered it within the production process.^a These are circulating capital, and may just as well serve for consumption. They become fixed capital only to the extent that they are consumed in the production process. But unlike fixed capital proper, they do not possess a materiality which is determined purely by the form in which they exist. The other part of these *frais d'entretien* consists of the labour necessary for repairs.

[VII-12] Adam Smith's proposition that every fixed capital originally derives from, and requires to be continually supported by, a circulating capital.

"All fixed capital is originally derived from circulating capital and must constantly be maintained at the expense of the latter. *No fixed capital can yield revenue except at the expense of a circulating capital*" (Storch, [*Cours d'économie politique*, Vol. 1, p. 246] 26a^b).^b

As regards Storch's remark about revenue—a determination which does not belong here—it is clear that fixed capital only returns as value to the extent that it perishes in portions as use value, as fixed capital, and enters as value into circulating capital. So far as its *value* is concerned, it can, therefore, only return in the form of a circulating capital. And as a use value it does not circulate at all.

Further, since it itself only possesses use value for production, it can, likewise, return as value for individual use, for consumption, only in the form of circulating capital. Soil improvements can enter chemically direct into the reproduction process, and so be converted direct into use values. But in that case they are consumed in the form in which they exist as fixed capital. *In general, a capital can only yield revenue in the form in which it enters into and returns from circulation, since the production of revenue in direct use values, use values not mediated by circulation, contradicts the nature of capital. Therefore, since fixed capital only returns as value in the form of circulating capital, it is only in this form that it can yield revenue.* In general, revenue is merely the part of surplus value intended for immediate consumption. Its RETURNS therefore depend

^a See this volume, pp. 70-71.—*Ed.*

^b See this volume, pp. 36, 113. Marx quotes from Storch in: French.—*Ed.*

upon the mode in which value itself RETURNS. HENCE the different forms in which fixed capital and circulating capital yield revenue. Similarly, since fixed capital as such never enters into circulation as use value, and so is never precipitated from the valorisation process as use value, it never serves for immediate consumption.

As regards Smith, his view is made clearer to us by his saying that circulating capital must be annually replaced and constantly renewed by being constantly drawn from the sea, the land and the mines.^a Here circulating capital becomes something purely material to him; it is brought up in nets, mined, harvested. It is constituted by movable primary products, which are made movable by being detached, isolated, from their connection with the earth; or which are separated from their element in their ready-made isolation, like fish, etc.

Moreover, considered in purely material terms, if Smith presupposes the production of capital and does not go back to the beginnings of the world, it is equally certain that every circulating capital just as much *provient originaiement d'un capital fixe*.^b Without nets, man cannot catch fish; without a plough, he cannot till the soil; and without a hammer, etc., he cannot open up a mine. Even if he merely uses a stone as his hammer, etc., CERTAINLY this stone is not circulating capital, not capital at all, but means of labour. As soon as it becomes necessary for man to carry on production, he resolves to utilise a part of the existing natural objects directly as means of labour, and subsumes them under his activity, as Hegel has correctly put it, without any further process of mediation.²⁶

All capital, circulating as well as fixed, derives, not merely *originaiement* but *continuellement*, from the appropriation of alien labour. However, as we have seen,^c this process presupposes constant small circulation, the exchange of wages for the labour capacity, or the provision of means of subsistence. The production process of capital implies that *all capital returns only in the form of circulating capital*; consequently the renewal of fixed capital depends upon part of circulating capital becoming fixed, i.e. upon part of the produced raw materials being employed, and part of the labour being consumed (and therefore part of the means of subsistence being exchanged for living labour), in order to produce fixed capital. E.g. in agriculture, part of the product is consumed by the labour

^a See this volume, p. 113.—*Ed.*

^b Derives originally from a fixed capital.—*Ed.*

^c See this volume, pp. 63-68.—*Ed.*

employed in building irrigation works; or part of the corn is exchanged for guano, chemical substances, etc., which are incorporated into the soil but which, IN FACT, are without use value except to the extent that they are exposed to its chemical process.

A part of the circulating capital possesses use value only for the reproduction of fixed capital, and is only produced to serve the purposes of fixed capital (even if this production merely stands for the labour time needed to transfer it from one place to another). Fixed capital itself, however, can only be renewed as capital by becoming a value component of circulating capital, and by its *elements thus being reproduced by the transformation of circulating capital into fixed. The production of circulating capital presupposes fixed capital to just the same extent as the production of fixed capital presupposes circulating capital.* Or, the reproduction of fixed capital requires (1) that its value should RETURN in the form of circulating capital, for only thus can it be re-exchanged for its conditions of production; (2) that part of the living labour and raw material should be employed to produce instruments of production, direct or indirect, rather than exchangeable products. Circulating capital enters by relation to its use value into fixed capital in precisely the same way as labour does, while fixed capital enters by relation to its value into circulating capital, and into use value as MOVEMENT (where it is direct machinery), as movement in repose, as form.

//In connection with our above propositions concerning free labour, in particular, that pauperism is latent in it,^a the following passages should be cited from *Sir Fr. Morton Eden, Bt: The State of the Poor: or, an History of the Labouring Classes in England from the Conquest etc.*, 3 vols, 4^o. London, 1797.²⁷ In Volume I, Book I, Ch. I, we have the following:

“Our zone requires labour for the satisfaction of wants, and *therefore* at least a *portion* of society must work *indefatigably*, others are occupied in the arts, etc., and a few command the produce of industry even though they do not work. But these proprietors owe this solely to *civilisation and order*. They are peculiarly the creatures of *civil institutions*, for these have recognised that one [may] acquire the fruits of labour by other means than labour; the MEN OF INDEPENDENT FORTUNE owe their *property almost entirely to the labour of others*, not to their own abilities, which are not superior at all. It is not the possession of land, or money, but the COMMAND OF LABOUR that distinguishes the rich from the poorer part of the community” [op. cit., pp. 1-2].

^a See present edition, Vol. 28, pp. 522-29.— *Ed.*

With the emancipation of the peasants, *Poverty* as such arises—in feudal times, the peasant's being fettered to the soil, or at least to a given locality, spared the legislature from the need to concern itself with VAGRANTS, the poor, etc. Eden believes that the various commercial guilds, etc., supported their own poor [ibid., pp. 57, 60]. He says:

“WITHOUT THE MOST DISTANT IDEA, THEN, OF DISPARAGING THE NUMBERLESS BENEFITS DERIVED FOR THE COUNTRY FROM MANUFACTURES AND COMMERCE, THE RESULT OF THIS INVESTIGATION SEEMS TO LEAD TO THIS INEVITABLE CONCLUSION THAT MANUFACTURES AND COMMERCE” //i.e. the sphere of production in which capital first establishes its dominance// “ARE THE TRUE PARENTS OF OUR NATIONAL POOR” [ibid., p. 61].

He also states that from the time of Henry VII onwards (the CLEARING of superfluous MOUTHS from the land by the conversion of arable land into pasture begins at that time and continues for over 150 years, [or so] at least [do] the complaints and legislative interference; a period, therefore, when the number of hands placed at the disposal of industry kept growing) wages in industry were no longer laid down [by the law], but only those in agriculture. 11 Henry VII [ibid., pp. 73-75].

//Wage labour is not yet fully posited with the emergence of free labour. The labourers still have a basis in the feudal relations; there are still too few of them, and capital is therefore as yet unable as capital to reduce them to the minimum. Hence the statutory wage regulations. As long as the wages of labour are still regulated by statute, it cannot be said either that capital as capital has subsumed production under itself, or that wage labour has attained the mode of existence adequate to it.//

The Act referred to mentions linen-weavers, building-craftsmen and SHIPWRIGHTS. It also [VII-13] lays down the hours of work:

“As many day-labourers waste half the day in late coming, early departing, sleeping long at afternoon, long sitting at their breakfast, dinner, and supper, etc., etc.,” the hours of work shall be as follows: “between March 15 and September 15, from 5 of the clock in the morning, half an hour for BREAKFAST, and hour and a half for DINNER and sleeping, and half an hour FOR NOON MEAT, and work till between 7 and 8 at night. In winter, work throughout the light hours, but no midday sleep, which shall be granted only from May 15 until August 15” [ibid., pp. 75-76].

//In 1514, the wages of labour were again regulated, almost in the same way as in the previous case. The hours of work, too, were once again stipulated. Those unwilling to work UPON APPLICATION, were put into prison [ibid., pp. 81-82].

So, the free workers were still subject to *forced labour* at a stipulated wage. Initially, they have to be *forced* to work on the terms set by capital. The propertiless man is more inclined to

become a vagabond, a robber and a beggar than a worker. It is only under the developed mode of production of capital that becoming a worker is the self-evident thing for him to do. In the preliminary stage of capital, there is coercion by the State to convert the propertyless into *workers* on terms favourable to capital, terms that at this stage have not yet been forced upon the workers by their competition among themselves.//

(Savage means of coercion applied to this end under Henry VIII *i.a.*) (The dissolution of the *monasteries* by Henry VIII²⁸ likewise set many hands free.) (Under Edward VI, the severity of the laws against ABLE-BODIED LABOURERS unwilling to work was further intensified [*ibid.*, pp. 83-100]. 1 Edw, VI, [Ch.] 3:

“Whoever is ABLE TO WORK, but REFUSES TO LABOUR AND LIVES IDLE FOR 3 DAYS, SHALL BE BRANDED WITH RED-HOT IRON ON THE BREAST WITH THE LETTER V—AND SHALL BE ADJUDGED THE SLAVE FOR 2 YEARS OF THE PERSON WHO SHOULD INFORM AGAINST SUCH IDLER, etc.” “IF HE RUNS AWAY FROM HIS MASTER FOR 14 DAYS, HE SHALL BECOME HIS SLAVE FOR LIFE AND BE BRANDED ON FOREHEAD OR CHEEK WITH THE LETTER I, AND IF HE RUNS AWAY A SECOND TIME AND SHALL BE CONVICTED THEREOF BY 2 SUFFICIENT WITNESSES, HE SHALL BE TAKEN AS A FELON AND SUFFER PAINS OF DEATH” [*ibid.*, p. 101].

(The first mention of VAGRANTS OR STURDY ROGUES was in 1376; that of PAUPERS in 1388.)

(A similarly cruel law was passed in 1572 under Elizabeth.) [*Ibid.*, pp. 42-43, 61-62, 127.]

Circulating capital and fixed capital appeared in the previous determination as alternating forms of the same capital in the different phases of its turnover. Now that fixed capital has been developed to its highest form, they are simultaneously posited as 2 different modes of existence of capital. They become such because they return in different ways. Circulating capital which returns slowly has this feature in common with fixed capital. But what distinguishes it from fixed capital is that its use value itself—its material existence—enters into circulation and is simultaneously eliminated from it, cast beyond the limits of the turnover process. Fixed capital, on the other hand, as developed so far, only enters into circulation as value; and as long as it remains in circulation as a use value, too, as e.g. a machine in the stage of circulation, it is fixed capital only *δυνάμει*.^a

However, this distinction between fixed capital and circulating

^a Potentially.—*Ed.*

capital, based immediately upon the relation of the material existence of capital, or its existence as use value, to circulation, must, in reproduction, simultaneously be posited as the reproduction of capital in the dual form of fixed capital and circulating capital. To the extent that the reproduction of capital in each of its forms posits not merely objectified labour time but surplus labour time as well, i.e. not merely reproduces its value but posits a surplus value too, there is no difference between the production of fixed capital and that of circulating capital in this respect. Hence, in the case of a manufacturer of instruments or machines—in all the forms in which fixed capital at first appears as circulating capital, with respect to its material existence, in its existence as use value, before it is fixed as fixed capital, i.e. before it is consumed (for it is precisely its consumption that attaches it to the production phase and distinguishes it as fixed capital)—there is no difference at all in the form of valorisation of capital, whether it is reproduced as fixed capital or as circulating capital. In economic terms, therefore, no new determination is thereby introduced.

However, when fixed capital as such, and not merely in the determination of circulating capital, is thrown into circulation by its producer, and hence *the piecemeal use of it is sold, whether for production or consumption*—in the conversion of *C* into *M* which takes place in the first section of the circulation of capital, it is immaterial to this capital itself whether the commodity re-enters into the circulation sphere of another productive capital, or whether it serves the purpose of direct consumption, the commodity being *always* determined as a use value in relation to this capital, whenever the capital rejects it from itself, exchanges it for *M*—the mode of RETURN for the producer of fixed capital must differ from that for the producer of circulating capital. The surplus value produced by the former can return to him only piecemeal and successively, with the value itself. This is to be examined in the following section.

Finally, although circulating capital and fixed capital now appear as 2 different types of capital, circulating capital is posited by the consumption, the using-up, of fixed capital. Fixed capital for its part is merely circulating capital converted into this particular form. All capital converted into objectified productive power—all fixed capital—is fixed in this form, and is, therefore, use value torn as use value both from consumption and from circulation. When a machine or a railway is built, the fact that wood, iron, coal and living labour (hence, indirectly, also the

products consumed by the workers) are transformed into this particular use value, would not render them fixed capital unless there were also the other determinations analysed above. When circulating capital is converted into fixed capital, a part of the use values in the form of which capital circulated, as well as, indirectly, the part of capital exchanged for living labour, are converted into capital whose counter-value is only produced over a longer cycle. This capital enters into circulation as value only piecemeal and successively, and can only be realised by being used up in production.

The conversion of circulating capital into fixed capital presupposes relative surplus capital, since it is capital employed not for direct production but for the production of new means of production. Fixed capital itself can in turn serve as a direct instrument of production—as a means within the immediate production process. In this case, its value enters into the product and is replaced by the successive RETURN of products. Or fixed capital does not enter into the immediate production process, but appears as a general condition for the various production processes, e.g. as buildings, railways, etc., and its value can only be replaced by circulating capital, to whose production it has indirectly contributed.

A more detailed discussion of the proportions of production of fixed capital and circulating capital really belongs in a later section. If valuable machinery were employed to make a small amount of products, it would not be operating as a productive force, but would render the product infinitely more costly than if it had been produced without the aid of the machinery. Machinery produces surplus value, not because it itself possesses value—for this is simply replaced—but only because it increases relative surplus time, or diminishes necessary labour time. Hence, in the proportion in which the volume of machinery employed increases, the amount of products must increase and the living labour employed must relatively decline. *The smaller the value of the fixed capital in relation to its effectiveness, the more does it correspond to its purpose.* All non-necessary fixed capital appears as *faux frais de production*,^a just as do all unnecessary circulation costs. If capital could possess machinery without expending labour on it, capital would raise the productive power of labour and diminish necessary labour, without having to buy labour. Hence, the value

^a Overhead costs of production.—Ed.

of fixed capital is never an end in itself in the production of capital.

[VII-14] Therefore, circulating capital is converted into fixed capital, and fixed capital is reproduced in circulating capital, both processes only taking place in so far as capital appropriates living labour.

“Every saving in fixed capital means an increase in the net revenue of society” (A. Smith [*Recherches etc.*, Vol. II, p. 226]).

The final and last distinction put forward by economists is that between *mobile and immobile*; not in the sense that the former enters into the movement of circulation and the latter does not; but in the sense that one form is physically fixed, immobile, in the same way as a distinction is made between movable and immovable property. E.g. IMPROVEMENTS SUNK IN THE SOIL, water conduits, buildings, and to a large extent even machinery itself, since it must be physically fixed in order to operate; railways; in short, every form in which the product of industry is anchored to the surface of the earth. *Au fond*, this adds nothing to the determination of fixed capital; but its determination does imply that the more its use value, its material existence, corresponds to its determination of form, the more eminently it is fixed capital. Immovable use value, e.g. houses, railways, etc., is, therefore, the most tangible form of fixed capital. True, it is able to circulate just the same, in the sense in which immovable property circulates in general, as title; but not as use value; not in the physical sense. Initially, the growth of movable property, its increase as against immovable property, is evidence of the ASCENDANT MOVEMENT OF CAPITAL as against landed property. But once the mode of production of capital has been assumed, the degree in which capital has subjected the conditions of production to itself is shown by the extent to which capital is converted into immovable property. In this way it strikes roots in the soil itself, and what seemed to be the solid presuppositions—given by Nature itself—of landed property now themselves appear as merely posited by industry.

(Originally, membership of the community and, through that, a relation to the soil as property, are the basic presuppositions for the reproduction of both the individual and the community. Among the pastoral peoples, the land appears merely as a prerequisite for their nomadic life, hence there is no question of appropriating it. When permanent dwelling-places emerge with land cultivation the land is initially common property, and even

where things advance to private property, the individual's relation to it appears as posited by his relation to the community. He appears merely to hold it in fief from the community; etc., etc. Its transformation into mere exchangeable value—its mobilisation—is brought about by capital and the complete subordination of the state organism to it. Hence, even where the land has become private property, it is exchange value only in a restricted sense. Exchange value originates in the isolated natural product separated from the earth and individualised by means of industry (or simple appropriation). This is the stage, too, at which individual labour makes its first appearance. In general, exchange does not initially arise within the original communities, but on their borders; where the communities come to an end. To exchange the land which constitutes their territory, to sell it to alien communities, would OF COURSE be treason. Only BY AND BY can exchange be extended from its original sphere, that of movable property, to that of immovable property. It is only by expanding the former that capital gradually takes hold of the latter. Money is the principal agent in this process.)

A. Smith initially distinguishes circulating capital and fixed capital according to their determination in the *production process*.^a Only at a later point does he introduce the following proposition:

“A capital may be employed in different ways to yield profit: (1) as circulating capital, (2) as fixed capital” [ibid., p. 197].

Obviously, that second proposition is, as such, not relevant to the analysis of this distinction, since fixed capital and circulating capital must first be assumed as 2 types of capital before we can go on to argue how capital in both forms may be employed to yield profit.

“The total capital of the undertaker of every work is necessarily divided between his fixed and his circulating capital. Given the same sum, the greater the one part, the smaller will be the other” (A. Smith, [ibid.,] Vol. II, p. 226).

Since capitals (1) are divided up in unequal portions between fixed capital and circulating capital; (2) [have] a phase of production which either is or is not subject to interruption and since they return from markets which are more distant or less distant, and so [have] unequal circulation times, it follows that the surplus value which they produce in a given period of time, e.g.

^a See this volume, pp. 112-13.—*Ed.*

annually, must be unequal, as the number of reproduction processes which they perform in that period is unequal. The value they create appears to be determined not merely by the labour they employ within the immediate production process, but also by the DEGREE in which this EXPLOITATION OF LABOUR can be repeated in a given period of time.

Finally, therefore: While in the analysis of the simple production process, capital as valorising itself appears solely in relation to wage labour, and circulation lies outside it, in the reproduction process of capital, circulation is absorbed into capital, and indeed both moments of the circulation $C—M—M—C$ are (as a system of exchanges which it has to pass through, and in which it experiences a qualitative transformation each time it is exchanged). The circulation appears to be absorbed in capital in the form $M—C—C—M$, in so far as the process sets out from capital that is in the form of money and hence returns to that form. Capital now comprises both circuits, and no longer as mere change of form, or mere change of materials which is external to its form, but both as included into the very determination of value.

The production process as containing within itself the conditions for its renewal is the reproduction process, the latter's velocity being determined by the various relations analysed above, all of which stem from the distinctions characteristic of the circuit itself. Within the framework of the reproduction of capital, there simultaneously takes place the reproduction of the use values in which it is realised—or generally the continuous renewal and reproduction by human labour of use values, which are both consumed by man and perishable by nature. From the viewpoint of capital, the change of materials and alteration of form, subordinated to human needs by human labour, appear as the reproduction of capital itself. *Au fond* it is the constant reproduction of labour itself.

“Values comprising capital perpetuate themselves by means of reproduction: the products which compose a capital are consumed, just like any others; but their value, while being destroyed by consumption, reproduces itself in other materials or in the same”^a (Say [*Traité d'économie politique*, Vol. II, p. 185], 14¹⁶).

Exchange and a system of exchanges, and what is thereby implied, the conversion into money as an independent value, appear both as a condition for, and a barrier to, the reproduction of capital. Under the conditions of capital, production itself is in

^a Marx quotes in French.—*Ed.*

every respect subjected to exchange. These exchange operations, circulation as such, produce no surplus value, but they are conditions for its realisation. They are conditions for the *production of capital* itself, in so far as its *form as capital* is only posited to the extent that it passes through them. The reproduction of capital is at the same time the production of definite formal conditions; of definite [VII-15] modes of the relation in which personified objectified labour is posited. Circulation is therefore not merely the exchange of the product for the conditions of production—hence, e.g. of harvested wheat for seed, new labour, etc. In every form of production, the labourer must exchange his product for the conditions of production if he is to be able to repeat production. The peasant producing for immediate use also converts part of the product into seed, instrument of labour, draught animals, fertiliser, etc., and recommences his labour. The conversion into money is necessary for the reproduction of capital as such, and the reproduction of capital is necessarily production of surplus value.

//With respect to the reproduction phase (circulation time in particular) it should also be noted that limits are set to it by the use value itself. Wheat must be reproduced within a year. Perishable things, like milk, etc., must be reproduced more frequently. Meat, since the animal lives, i.e. withstands the passage of time, need not be reproduced so frequently; but the dead meat available in the market must be reproduced in the form of money in a very short period of time, or else it goes bad. The reproduction of value partly coincides with that of use value, and partly does not.//

Although what we previously called the constant part of capital is merely maintained by labour in one production process as value, it must be constantly reproduced by labour in another, because what appears in one production process as the presupposed material and instrument is a product in the other, and this renewal, reproduction, must take place constantly and simultaneously.

We come now to the *third section*.

Section Three

CAPITAL AS BEARING FRUIT.
INTEREST. PROFIT.
(PRODUCTION COSTS, ETC.)

Capital is now posited as the unity of production and circulation; and the surplus value which it produces in a certain period of time, e. g. a year, is $= \frac{SZ}{p+c} = \frac{SZ}{U}$, or $= S \left(\frac{Z}{p} - \frac{Z}{p} \times \frac{c}{p+c} \right)$.^a

Capital is now realised not merely as value which reproduces and therefore perpetuates itself, but also as value which posits value. By absorbing living labour time, on the one hand, and by its own movement of circulation (in which the movement of exchange is posited as capital's own movement, as the immanent process of objectified labour), capital relates itself to itself as positing new value, producing value. Its relation to surplus value is that of the basis to what is based upon it. Its movement consists in that, while producing itself, it at the same time behaves as basis towards itself as that which is based upon it; as presupposed value to itself as surplus value, or to surplus value as posited by it.

In a definite period of time which is posited as the unit by reference to which the number of its turnovers is measured, because it is the natural measure of its reproduction in agriculture, capital produces a definite surplus value, which is determined not only by the surplus value posited by capital in one production process, but also by the number of times the process is repeated, or capital is reproduced, within that period. Because of the incorporation of circulation, capital's movement outside the immediate production process, into its reproduction process, surplus value no longer *appears* as posited by the simple,

^a Here *S* means surplus value, *Z*—period of time, *p*—production phase, *c*—phase of circulation, *U*—turnover.—*Ed.*

immediate relation of capital to living labour. This relation appears, rather, as merely one moment of its overall movement.

Capital setting out from itself as the active subject, the subject of the process—and in the turnover the immediate production process does in fact appear to be determined by the movement of capital as capital independently of its relation to labour—relates to itself as to self-multiplying value, i.e. it behaves towards surplus value as posited by and based upon capital; it relates itself as the source of production to itself as the product; as the producing value to itself as the value produced. It therefore no longer measures the newly produced value in terms of its real measure, the ratio of surplus labour to necessary labour, but in terms of capital itself as its presupposition. In a definite period of time, a capital of a definite value produces a definite surplus value.

Surplus value thus measured in terms of the value of the preposited capital, capital thus being posited as self-valorising value, is *profit*. Viewed *sub specie capitalis*, not *sub specie aeternitatis*,^a surplus value is profit; and capital distinguishes itself within itself as capital, the producing and reproducing value, from itself as profit, the newly produced value. The product of capital is *profit*. The magnitude surplus value is therefore measured by reference to the value magnitude of the capital, and the *rate of profit* is consequently determined by the ratio between the value of the profit and that of the capital.

A very large part of what belongs here has been discussed above.^b But what has been anticipated must be placed here.

In so far as the newly posited value, which is of the same nature as capital, is itself re-absorbed into the production process, in turn maintains itself as capital, capital itself has increased and now operates as a capital of greater value. After capital set profit as the newly produced value apart from itself as the preposited self-valorising value and posited profit as the measure of its valorisation, capital again cancels that separation and posits profit in its identity with itself as capital, which, having increased by the amount of the profit, now recommences the same process on a larger scale. By describing its circle it augments itself as the subject of that circle, and thus describes ever larger circles, moving in a spiral.

The general laws we have so far developed can be briefly

^a "Sub specie aeternitatis"—"under the aspect of eternity" (Spinoza, *Ethics*, Part II, Proposition 44, Corollary 2; Part V, Propositions 22-36).—*Ed.*

^b See present edition, Vol. 28, pp. 291-328.—*Ed.*

summarised thus: Actual surplus value is determined by the ratio of surplus labour to necessary labour; or by the ratio between the portion of capital, of objectified labour, which is exchanged for living labour, and the portion of objectified labour by which it is replaced. On the other hand, surplus value in the form of profit is measured in terms of the total value of the capital preposited to the production process. Hence—*assuming the same surplus value, the same ratio of surplus labour to necessary labour*—the *rate of profit* depends on the ratio between the part of capital exchanged for living labour and the part of it existing in the form of raw material and means of production. So, as the portion exchanged for living labour declines, there is a corresponding decline in the rate of profit. In the same degree, therefore, in which capital as capital takes up more space in the production process relative to immediate labour, i.e. the greater the increase in relative surplus value—in the value-creating power of capital—the more *the rate of profit declines*.

We have seen that the size of the preposited capital, the capital preposited to reproduction, is specifically expressed in the growth of fixed capital as the produced productive power, objectified labour endowed with an illusory life of its own. The total size of the value of the producing capital will be expressed in every portion of it as a smaller proportion of capital exchanged for living labour, as compared to the part of capital existing as constant value. Take manufacturing industry as an example. In the same proportion as fixed capital (machinery, etc.) increases, there must be an increase in the part of capital existing in the form of raw materials and a decline in the part of it exchanged for living labour.

Hence the rate of profit falls in proportion to the value magnitude of the capital preposited to production—and of the part of capital working in production as capital. The broader the existence already attained by capital, the smaller is the ratio of the value newly [VII-16] produced to that preposited (the value which is reproduced). Therefore, *if we assume equal surplus value, i.e. an equal ratio of surplus labour to necessary labour*, the profit may still be unequal; and, indeed, must be unequal, in relation to the size of the capitals. The rate of profit may fall, although the actual surplus value rises. The rate of profit may rise, although the actual surplus value falls.

In fact, capital may grow, and profit may grow in the same proportion, if the part of capital preposited as value and existing in the form of raw materials and fixed capital increases in

the same proportion as the part of capital exchanged for living labour. Yet this proportionality presupposes growth of capital without growth and development of the productive power of labour, an assumption that cannot possibly be made. It contradicts the law of development of capital and especially that of the development of fixed capital. Such progress can only take place at stages of development at which the mode of production of capital is not yet adequate to it, or in spheres of production in which capital has arrogated dominance to itself as yet merely in form, e.g. in agriculture. In that sphere, the natural fertility of the soil may have the same effect as an increase of fixed capital—i.e. the relative surplus labour time may increase—without reducing the quantity of necessary labour time. (E.g. in the UNITED STATES.) The GROSS PROFIT, i.e. the surplus value considered outside its formal relation, not as a proportion, but as a simple quantity of value without reference to another quantity, will on average grow *not in step with the rate of profit, but in step with the size of the capital.*

While the rate of profit will therefore be inversely related to the value of capital, *the sum of profit* will be directly proportional to it. However, this proposition, too, only holds for a limited level of development of the productive power of capital or labour. A capital of 100 operating at a profit of 10% yields a smaller sum of profit than a capital of 1,000 operating at a [rate of] profit of 2%. In the first case the sum is 10, in the second it is 20, i.e. the GROSS PROFIT on the large capital is twice that on the capital which is $\frac{1}{10}$ its size, although the rate of profit on the smaller capital is 5 times that on the larger capital. But if the profit on the larger capital were only 1%, the sum of profit would be 10, the same as that for the capital which is $\frac{1}{10}$ its size, because the rate of profit would have declined in the same proportion as the size of the capital [had increased]. If the rate of profit on the capital of 1,000 were only $\frac{1}{2}\%$, the sum of profit would be only half as great as that of the capital $\frac{1}{10}$ its size, only 5, because the rate of profit would be $\frac{1}{20}$ th.

Therefore, expressed in general terms:

If the rate of profit of the larger capital declines, but not in proportion to its size, the GROSS PROFIT increases even though the rate of profit declines. If the rate of profit declines in proportion to its size, the GROSS PROFIT remains the same as that on the smaller capital; it remains stationary. If the decline in the rate of profit is proportionately greater than the increase in the size of the capital, the GROSS PROFIT on the larger capital, as compared with the smaller, declines just as much as the rate of profit does.

In every respect, this is the most important law of modern political economy, and the most essential one for comprehending the most complex relationships. It is the most important law from the historical viewpoint. Hitherto, despite its simplicity, it has never been grasped and still less has it been consciously formulated.

This decline in the rate of profit is synonymous with: (1) the productive power already produced and the material basis which it constitutes for new production; this presupposes, at the same time, an enormous development of *SCIENTIFIC POWERS*; (2) the decline of the part of the capital already produced which must be exchanged for immediate labour, i.e. the decline of the quantity of immediate labour necessary for the reproduction of an immense value, which is embodied in a large mass of products, a large mass of low-priced products, because the total sum of prices = the capital reproduced + profit; (3) [great] dimensions of capital in general, and also of the portion of it which is not fixed capital; hence the development of intercourse on a vast scale, a great number of exchange operations, a large market, and the all-round nature of simultaneous labour; means of communication, etc., the existence of the consumption fund necessary to effect this gigantic process (the workers eat, need housing, etc.). This being so, it becomes evident that the material productive power already available, already elaborated, existing in the form of fixed capital, as well as the *SCIENTIFIC POWER*, population, etc., in short, all the prerequisites of wealth, all the conditions for the maximum reproduction of wealth, i.e. for the rich development of the social individual—that the development of the productive forces, brought about by capital itself in its historical development, at a certain point abolishes the self-valorisation of capital, rather than posits it.

Beyond a certain point, the development of the productive forces becomes a barrier to capital, and consequently the relation of capital becomes a barrier to the development of the productive forces of labour. Once this point has been reached, capital, i.e. wage labour, enters into the same relation to the development of social wealth and the productive forces as the guild system, serfdom and slavery did, and is, as a fetter, necessarily cast off. The last form of servility assumed by human activity, that of wage labour on the one hand and of capital on the other, is thereby shed, and this shedding is itself the result of the mode of production corresponding to capital. It is precisely the production process of capital that gives rise to the material and spiritual conditions for the negation of wage labour and capital, which are

themselves the negation of earlier forms of unfree social production.

The growing discordance between the productive development of society and the relations of production hitherto characteristic of it, is expressed in acute contradictions, crises, convulsions. The violent destruction of capital as the condition for its self-preservation, and not because of external circumstances, is the most striking form in which it is ADVISED TO BE GONE AND TO GIVE ROOM TO A HIGHER STATE OF SOCIAL PRODUCTION. It is not merely the growth of SCIENTIFIC POWER but the measure in which it has already been posited as fixed capital; the extent, the breadth, in which it has been realised and has taken possession of the totality of production. It is, also, the development of population, etc., in short, of all the moments of production; for the productive power of labour, just as the employment of machinery, depends on the population number; the growth of population is in and for itself both the presupposition for, and the result of, the growth of the quantity of use values to be reproduced, and therefore also to be consumed.

Since this decline of profit is synonymous with a decline in the ratio of immediate labour to the amount of objectified labour which it reproduces and posits anew, capital will try everything to make up for the smallness of the proportion of living labour to the size of capital in general, and hence for the smallness of the proportion which surplus value, if expressed as profit, bears to the preposited capital. It will seek to do so BY REDUCING THE ALLOTMENT MADE TO NECESSARY LABOUR AND BY STILL MORE EXPANDING THE QUANTITY OF SURPLUS LABOUR WITH REGARD TO THE WHOLE LABOUR EMPLOYED. HENCE THE HIGHEST DEVELOPMENT OF PRODUCTIVE POWER TOGETHER WITH THE GREATEST EXPANSION OF EXISTING WEALTH WILL COINCIDE WITH DEPRECIATION OF CAPITAL, DEGRADATION OF THE LABOURER, AND A MOST STRAIGHTENED EXHAUSTION OF HIS VITAL POWERS.

THESE CONTRADICTIONS LEAD TO EXPLOSIONS, CATAclysms, CRISES, IN WHICH BY MOMENTANEOUS SUSPENSION OF LABOUR AND ANNIHILATION OF A GREAT PORTION OF CAPITAL THE LATTER IS VIOLENTLY REDUCED TO THE POINT WHERE IT CAN GO ON [VII-17] FULLY EMPLOYING ITS PRODUCTIVE POWERS WITHOUT COMMITTING SUICIDE. YET, THESE REGULARLY RECURRING CATASTROPHES LEAD TO THEIR REPETITION ON A HIGHER SCALE, AND FINALLY TO ITS VIOLENT OVERTHROW.

In the developed movement of capital, this process is slowed down by moments other than crises; e.g. the continuous depreciation of a part of the existing capital; the conversion of a large part of capital into fixed capital which does not serve as an agent of direct production; the unproductive dissipation of a large part of capital, etc.

(Capital, productively employed, is always replaced in a double way; as we have seen, the positing of value by productive capital presupposes a counter-value. The unproductive consumption of capital replaces it on the one hand, and annihilates it on the other.) //The same law is expressed simply—but this form of expression is to be considered later, in the population theory—as the relation of the growth of population, notably of the working part of it, to the capital already deposited.//

(The fact, further, that the fall in the rate of profit can be checked by the elimination of existing deductions from profit, e.g. a fall in taxes, a reduction in rent, etc., does not, for all its practical significance, really belong here, since these are themselves portions of profit under another name and appropriated by persons other than the capitalists themselves.) //That the same law manifests itself differently in the relation of the multitude of capitals to one another, i.e. in competition, also belongs in another section. It may also be postulated as the law of accumulation of capitals, as e.g. by Fullarton. We shall take this up in the next section.//

//It is important to draw attention to the fact that this law is not simply concerned with the development of productive POWER *δυνάμει*, but at the same time with the extent to which this PRODUCTIVE POWER operates as capital, i.e. the extent to which it is realised above all as fixed capital, on the one hand, and as population, on the other.//

(The fall [in the rate of profit] may also be checked by the creation of new branches of production in which more immediate labour is needed in proportion to capital, or in which the productive power of labour, i.e. the productive power of capital, is not yet developed.) (Similarly, monopolies.)

“PROFIT IS A TERM SIGNIFYING THE INCREASE OF CAPITAL OR WEALTH; SO FAILING TO FIND THE LAWS WHICH GOVERN THE RATE OF PROFIT, IS FAILING TO FIND THE LAWS OF THE FORMATION OF CAPITAL” (W. Atkinson, *Principles of Political Economy etc.*, Lond., 1840, p. 55).

But he has FAILED IN UNDERSTANDING EVEN WHAT THE RATE OF PROFIT IS.

A. Smith attributed the fall in the rate of profit as capital grows to the competition of capitals among themselves.^a Ricardo objected to this^b that while competition may certainly reduce the profits in the different branches of business to an average level, even up the

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book 1, Ch. 9.—Ed.

^b D. Ricardo, *On the Principles of Political Economy, and Taxation*, Ch. 21.—Ed.

rate of profit, it cannot depress this average rate itself. A. Smith's proposition is correct to the extent that it is only in competition—the action of capital on capital—that the immanent laws of capital, its TENDENCIES, are realised. But it is incorrect in the sense in which he understands it—namely that competition imposes on capital laws external to capital, laws brought in from outside, which are not capital's own laws. Competition can permanently depress the rate of profit in all branches of industry, i.e. the average rate of profit, only if, and only to the extent that, a general and permanent fall in the rate of profit operating as a law is conceivable also *prior to* and regardless of competition. Competition executes the inner laws of capital; it turns them into coercive laws in relation to the individual capital, but it does not invent them. It realises them. To wish to explain them simply by competition means to admit that one does not understand them.

Ricardo for his part says:

“No accumulation of capitals can *permanently* depress profits, unless some equally permanent cause rises wages” ([*Des principes de l'économie politique et de l'impôt*] p. 92, t. II, Paris, 1835, *traduit de* Constancio).

He finds this cause in the growing, relatively growing unproductiveness of agriculture, “the growing difficulty of increasing the quantity of means of subsistence”, i.e. in the growth of the share of the wages of labour. Not that he sees labour as really receiving more, but as receiving the product of more labour; in a word, necessary labour makes up a greater share of the labour required for the production of agricultural products. The fall in the rate of profit is therefore accompanied, in Ricardo, by a nominal growth of wages and a real growth of rent. His is a one-sided analysis because it only conceives of one single CASE—the rate of profit may just as much fall in consequence of a momentary rise in wages, etc.—and because it elevates to a universal law an historical relationship characteristic of a period of 50 years but inverted during the next 50 years, and because, in general, it is based upon the historical disproportion between the development of industry and agriculture. In and for itself, it was odd of Ricardo, Malthus, etc., to postulate universal, eternal laws for physiological chemistry at a time when as yet it scarcely existed. This analysis of Ricardo's has therefore been attacked from all sides, mainly because of an instinctive feeling that it was wrong and unsatisfactory, but mostly on account of its true rather than its false aspect.

“A. SMITH THOUGHT THAT ACCUMULATION OR INCREASE OF STOCK IN GENERAL LOWERED THE RATE OF PROFITS IN GENERAL, ON THE SAME PRINCIPLE WHICH MAKES THE

INCREASE OF STOCK IN ANY PARTICULAR TRADE LOWER THE PROFITS OF THAT TRADE. BUT SUCH INCREASE OF STOCK IN A PARTICULAR TRADE MEANS AN INCREASE MORE IN PROPORTION THAN STOCK IS AT THE SAME TIME INCREASED IN OTHER TRADES: IT IS RELATIVE" (p. 9, *An Inquiry into those Principles respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus*, London, 1821).

"COMPETITION AMONG THE INDUSTRIAL CAPITALISTS CAN LEVEL the profits rising especially high above the level, but it cannot LOWER THIS ORDINARY LEVEL" (Ramsay [*An Essay on the Distribution of Wealth*, pp. 179-80], IX, 88¹¹).

(Ramsay and other economists justly distinguish between the growth of productivity in the branches of industry supplying the constituents of fixed capital, and naturally of WAGES, and growth in other industries, e.g. the luxury-goods industries. The latter industries cannot diminish necessary labour time. However, this can be achieved by exchanging their products for agricultural products of foreign nations, the effect then being the same as if productivity had been raised in agriculture. Hence the importance of free trade in corn for the industrial capitalists.)

Ricardo says (*On the Principles of Political Economy, and Taxation*, 3rd English edition, London, 1821):

"THE FARMER AND MANUFACTURER CAN NO MORE LIVE WITHOUT PROFITS, THAN THE LABOURER WITHOUT WAGES" (l.c., p. 123). "The natural tendency of profits is to fall; for, in the progress of society and wealth, the ADDITIONAL [quantity of] FOOD requires more and more labour. This tendency, this gravitation of profit, is checked at repeated intervals by the improvements in machinery, connected with the production of NECESSARIES, as well as by discoveries in the science of agriculture which diminish the production costs" (l.c., pp. 120-21).

Ricardo immediately lumps together profit and surplus value; he never made this distinction at all. *But while [the rate of] surplus value is determined by the ratio of the surplus labour employed by capital to necessary labour, the rate of profit is merely the ratio of the surplus value to the total value of the capital preposited to production.* Hence its proportion falls and rises with the ratio of the part of capital exchanged for living labour to that existing as material and fixed capital. *Under all circumstances, surplus value considered as profit must express a proportion of the gain that is smaller than the actual proportion of surplus value.* For under all circumstances it [profit] is measured in terms of the total capital, and this is always greater than the capital employed in WAGES and exchanged for living labour.

Since Ricardo thus simply lumps together surplus value and [VII-18] profit, and since surplus value can only diminish constantly, diminish *tendentally*, if there is a decline in the ratio of surplus labour to necessary labour, i.e. to the labour required for the reproduction of the labour capacity, and this is only possible

given a decline in the productive power of labour, Ricardo assumes that the productive power of labour, while increasing in industry with the accumulation of capital, does decline in agriculture. From the sphere of political economy he flees into organic chemistry. We have proved that this is a necessary tendency without referring to rent at all, just as we had no need to refer, e.g., to rising demand for labour, etc.

How rent is connected with profit is to be discussed when we come to consider rent itself; does not belong here. But modern chemistry has shown that Ricardo's physiological postulate, presented as a universal law, is false. Now Ricardo's pupils, to the extent that they do not merely echo him, have, like modern political economy in general, quietly dropped what they found disagreeable in their master's doctrine. TO DROP THE PROBLEM IS THEIR GENERAL METHOD OF SOLVING IT.

Other economists, e.g. Wakefield, take refuge in discussing the *FIELD OF EMPLOYMENT* for the growing capital.^a This belongs in the analysis of competition and is evidence, rather, of a preoccupation with the difficulty for capital to realise a growing volume of profit, which amounts to a denial of the immanent tendency of the rate of profit to fall. And the necessity for capital to seek a constantly expanding *FIELD OF EMPLOYMENT* is itself a consequence. One cannot list Wakefield and suchlike with those who first raised the question. (To some extent, they merely reproduce A. Smith's view.)

Finally, there are the harmonists among the most recent economists, headed by the American Carey, whose most obtrusive companion was the Frenchman Bastiat. (In passing, it may be noted as a fine irony of history that the Continental *FREE-TRADERS* parrot Mr. Bastiat, who for his part draws his wisdom from Carey the protectionist.) They admit the *FACT* that the rate of profit tends to fall in the degree in which productive capital increases. But they explain it *simplement* and *bonnement*^b by an increase in the value of the share of labour, i.e. in the proportion the worker receives of the total product; capital, for its part, benefits by the growth of the *GROSS PROFITS*. In this way, the unpleasant oppositions and antagonisms within which classical political economy moves, and which Ricardo emphasises with scientific remorselessness, are presented as *WELL-TO-DO HARMONIES*. Carey's analysis at least has a semblance of being one, and in general he does his own thinking. His analysis concerns a law which we need not discuss until we get

^a E. G. Wakefield, *A View of the Art of Colonization*, London, 1849, pp. 76, 79 and 91.—*Ed.*

^b Simply and plainly.—*Ed.*

to the theory of competition, and it is only then that we shall deal with him.

But Bastiat's insipidity, which expresses platitudes as paradoxes, polishes them *en facettes*, and conceals the most complete poverty of thought under a façade of formal logic, can be disposed of at once. //At this point we can insert something about the antithesis between Carey and Bastiat from Notebook III.^a// In *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, Paris, 1850 (it may be noted in passing that Proudhon cuts a highly ridiculous figure in this polemic, in which he conceals his incapacity for dialectical reasoning under a cloak of rhetorical pretension) Bastiat says in Letter VIII (in which, incidentally, the noble gentleman *tout bonnement* and *tout simplement* transforms, with his reconciling dialectic, the gain accruing from the simple division of labour to the road-maker just as much as to the road-user, into a gain accruing to the "road" itself, i.e. to capital):

"In the degree in which capitals (and with them their products) are augmented, the absolute part which returns to capital is augmented, and its proportional part diminished. In the degree in which capitals (and with them their products) are augmented, both the proportional part and the absolute part accruing to labour are augmented. Since the absolute part accruing to capital rises, even though it only draws successively $\frac{1}{2}$, $\frac{1}{3}$, $\frac{1}{4}$, $\frac{1}{5}$ of the total product, labour, which successively gets $\frac{1}{2}$, $\frac{2}{3}$, $\frac{3}{4}$, $\frac{4}{5}$, obviously draws from the distribution an ever greater part, both proportionately and absolutely."^b

As an *illustration* he gives this:

	Total product	Part accruing to capital	Part accruing to labour
1st period	1,000	$\frac{1}{2}$ or 500	$\frac{1}{2}$ or 500
2nd "	1,800	$\frac{1}{3}$ or 600	$\frac{2}{3}$ or 1,200
3rd "	2,800	$\frac{1}{4}$ or 700	$\frac{3}{4}$ or 2,100
4th "	4,000	$\frac{1}{5}$ or 800	$\frac{4}{5}$ or 3,200

(Pp. 130, 131)

The same trick is repeated on p. 288 in the form of an increasing GROSS PROFIT accompanied by a falling rate of profit but an increasing mass of products sold at lower prices, and on that occasion he speaks with great importance of

"the law of an infinitely decreasing series which never reaches zero, a law well known to mathematicians" (p. 288). "One sees here" (charlatan) "that the

^a See present edition, Vol. 28, pp. 5-16.—*Ed.*

^b Marx quotes this and the following passage, and also the table, in French.—*Ed.*

multiplier decreases continually, because the multiplicand constantly increases" (l.c., p. 288).

Ricardo had a presentiment of his Bastiat. While stressing that, despite the decline in the rate of profit, profit grows as a sum with the growth of capital—here he anticipates all of Bastiat's wisdom—he does not fail to observe that this progression "is only true for a certain time". He says, literally:

"However the rate of the PROFITS OF STOCK may diminish in consequence of the accumulation of capital on the land, and the rise of wages" (and by this, *notabene*, Ricardo understands a rise in the production costs of the agricultural products indispensable for the maintenance of the labour capacity) "the aggregate amount of PROFITS still must increase. Thus supposing that, with repeated accumulations of £100,000, the rate of profit should fall from 20 to 19, to 18, to 17%, we should expect that the whole AMOUNT OF PROFITS RECEIVED BY THE SUCCESSIVE OWNERS OF CAPITAL WOULD BE ALWAYS PROGRESSIVE; that it would be greater when the capital was £200,000, than when 100,000; still greater when 300,000; and so on, increasing, though at a diminishing rate, WITH EVERY INCREASE OF CAPITAL. *This progression however is only true for a certain time*: thus 19% on £200,000 is more than 20 on 100,000; 18% on 300,000 is more than 19% on 200,000; but after capital has accumulated TO A LARGE AMOUNT, and PROFITS have fallen, the further accumulation diminishes the sum of profits. Thus suppose the accumulation should be 1,000,000, and the PROFITS 7%. The whole amount of profits will be £70,000; now if an addition of £100,000 be made to the million, and profits should fall to 6%, [VII-19] £66,000 or a diminution of £4,000 will be received by the owners of STOCK, although the AMOUNT OF CAPITAL will be increased from 1,000,000 to 1,100,000" (l.c., pp. 124, 125).

Of course, this does not prevent Mr. Bastiat from carrying out the schoolboyish operation of making an increasing multiplicand to increase in such a way that, when combined with a declining multiplier, it should yield an increasing product, as little as the laws of production prevented Dr. Price from framing his compound interest calculation.²⁹ Since the rate of profit declines, it does so relatively to wages, which consequently must grow both proportionally and absolutely. That is Bastiat's conclusion.

(Ricardo was aware of the tendency of the rate of profit to fall with the increase of capital; and since he confused profit with surplus value, he could account for the fall in profit only by making wages rise. Yet since he also realised that wages actually declined rather than increased, he caused their value, i.e. the quantity of necessary labour, to increase, but did not cause their use value to do the same. In fact, with him, it is rent alone that increases. The harmonising Bastiat, however, discovers that, as capitals accumulate, wages increase both proportionally and absolutely.)

He assumes what he has to prove, i.e. that the decline in the rate of profit is identical with the increase in the rate of wages,

and then "illustrates" his assumption with a numerical example which seems to have greatly tickled him.³ If the decline in the rate of profit expresses nothing but a decline in the proportion in which the total capital requires living labour for its reproduction, that is another story. Mr. Bastiat overlooks the little circumstance that, in his presupposition, even though the rate of profit on capital declines, capital itself, the capital preposited to production, increases. Even Mr. Bastiat could have surmised that the value of capital cannot increase, unless capital appropriates surplus labour. The lamentations, constant in French history, about excessive harvests could have shown to him that the mere augmentation of the quantity of products does not increase value. Then it would merely be a matter of finding out whether the fall in the rate of profit was synonymous with the growth of the rate of necessary labour in relation to surplus labour; or, rather, whether it was not synonymous with the fall in the overall rate of the living labour employed in relation to the capital reproduced.

Mr. Bastiat therefore distributes the product simply between capitalist and worker, instead of allocating it between raw material, instrument of production, and labour, and asking himself in what proportional parts its value is exchanged for these different elements. Obviously, the part of the product exchanged for raw material and instrument of production does not concern the workers. What they share with capital, as wages and profit, is nothing but the newly added living labour itself. Yet what particularly worries Bastiat is the question of who shall consume the increased product. Since the capitalist only consumes a relatively small part, must not the worker consume a relatively large one? Particularly in France, whose total production yields too much to consume only in Mr. Bastiat's imagination, he could see that capital is sponged on by a host of parasites, who under one title or another draw so much of the total production to themselves as to rule out the possibility of any undue affluence for the worker. It is clear, by the way, that with large-scale production the total amount of labour employed may increase even though the ratio of the labour employed to capital declines, and that, therefore, there is nothing to prevent a situation in which, with the growth of capital, a growing population of workers requires a larger mass of products. Moreover, since in Bastiat's harmonising brain all cats are grey (see above what he says about

³ Crossed out in the manuscript: "In any case, if the rate of profit declines, it must decline in relation to something, and this something is capital itself."—*Ed.*

wages^a), he confuses the decline of interest with the increase of wages. The former implies, rather, an increase in industrial profit; and has no bearing at all on the workers, but only affects the proportion in which the various species of capitalists share in the total profit.

Retourmons à nos moutons.^b The product of capital is therefore profit. By relating itself to itself as profit, it relates itself to itself as *the source of production of value, and the rate of profit expresses the proportion in which it has increased its own value.* But the capitalist is not merely capital. He must live, and since he does not live by labour, he must live on profit, i.e. on the alien labour which he appropriates. As a source of wealth, capital is posited thus. Since it has incorporated productivity as one of its immanent properties, capital treats profit as *revenue.* It can consume part of that revenue (apparently all of it, but this will be seen to be wrong), without ceasing to be capital. After consuming this fruit, it can yield fruit afresh. It can represent consuming wealth, without ceasing to represent the general form of wealth, an impossibility for money in simple circulation. *Money had to refrain from enjoyment* in order to remain *the general form of wealth*; or, if it consumed itself through exchange for real wealth, enjoyments, it ceases to be the general form of wealth.

Thus profit, like wages, appears as *a form pertaining to distribution.* But since capital can only grow by reconvertng profit into capital—into surplus capital—profit is equally *a form pertaining to the production of capital.* In just the same way, the wage is a mere *relation of production* from the standpoint of capital, but a relation of distribution from that of the worker.

It is seen here that the relations of distribution are themselves produced by the relations of production, and represent them *d'un autre point de vue.*^c It is further seen that the relation of production to consumption is posited by production itself. The absurd view taken by all bourgeois economists, e.g. J. St. Mill, who regards the bourgeois relations of production as eternal, but their forms of distribution as historical^d; it is evident that he understands neither the former nor the latter.

^a See present edition, Vol. 28, pp. 11-15, 180-82 and 248.—*Ed.*

^b Let us return to our subject.—*Ed.*

^c From another point of view.—*Ed.*

^d J. St. Mill, *Principles of Political Economy*, Vol. 1, London, 1848, pp. 25, 26, 239, 240.—*Ed.*

With respect to simple exchange, *Sismondi* correctly remarks:

“An *échange* always presupposes 2 values; their fates may be different; yet the *quality of capital and revenue* does not go with the object exchanged, but is attached to the person who owns it” (*Sismondi*, [*Nouveaux principes d'économie politique*, Vol. I, p. 90] VI¹³).

Therefore, revenue cannot be explained in terms of simple exchange relations. Whether a value acquired through exchange possesses the quality of representing capital or revenue is determined by relations which lie beyond simple exchange. Hence it is stupid to wish to reduce these more complicated forms to those simple exchange relations, as the harmonising *FREETRADERS* do. Considered from the standpoint of simple *échange*, and taking accumulation to be merely the accumulation of money (exchange value), the profit and revenue of capital are impossible.

“If the rich spent their accumulated wealth on luxury goods—and they can only obtain commodities through *échange*—their funds would soon be exhausted... But in the *ordre social*, wealth has acquired the ability to reproduce itself by means of *alien labour*. Wealth, like labour, and *by means of labour*, yields an annual fruit, which can annually be *destroyed* without the rich thereby becoming poorer. This fruit is the revenue which springs from capital” (*Sismondi*, IV) [*ibid.*, pp. 81-82].

If profit therefore appears as the result of capital, it also appears, on the other hand, as the *presupposition for the formation of capital*. And so the circular movement is posited anew, in which the result appears as the presupposition.

“Thus part of the revenue was converted into capital, into a permanent self-multiplying value which no longer perished. This value detached itself from the commodity which had produced it; like a metaphysical, insubstantial quality it always remained in the possession of the same *cultivateur*” (capitalist) “for whom it took on different forms” (*Sismondi*, VI) [*ibid.*, p. 89].

[VII-20] *When capital is posited as positing profit, as a source of wealth independent of labour, each part of the capital is supposed to be equally productive.* Just as surplus value in profit is measured by reference to the total value of capital, it appears to have been produced to an equal extent by its different components. Hence, the circulating part of capital (the part consisting of raw materials and *approvisionnement*) does not yield a higher profit than the component which constitutes fixed capital; indeed profit refers evenly to these components according to their size.

Since the profit of capital is realised only in the price which is paid for it, for the use value it produces, profit is therefore determined by *the excess of the price obtained over the price covering the outlays*. Moreover, since this realisation only takes place in *the act of*

exchange, the *profit* accruing to the individual capital is *not necessarily limited by its surplus value*, by the surplus labour contained in it, but depends on the excess of the price it obtains in the act of exchange. It may be *exchanged* for more than its *equivalent*, and then the *profit it yields is greater than its surplus value*. This can only be the case if the other party to the exchange does not obtain an equivalent. The total surplus value, and similarly the *total profit*, which is merely the *surplus value itself calculated in a different way*, can neither grow nor diminish as a result of this operation; what *is modified here* is not the total surplus value itself, but only *its allocation among the different capitals*. However, this does not belong here, but in the analysis of the multitude of capitals.

The value of the capital preposited in production appears over against profit as *advances—production costs*, which must be replaced in the product. What is left after the part of the price which replaces them has been deducted, constitutes profit. Since surplus labour—which comprises profit and interest, these being merely portions of it—does not cost capital anything, and hence is not part of the value advanced by it—not part of the value which it possessed before the production process and the valorisation of the product—this surplus labour, which is included in the production costs³⁰ of the product and constitutes the source of surplus value, and hence also of profit, does not figure under the production costs of capital. These are only equal to the values actually advanced by it, not to the surplus value appropriated in production and realised in circulation. Consequently, the production costs from the standpoint of capital are not the actual production costs, precisely because surplus labour does not cost *it* anything. The excess of the price of the product over the price of the production costs constitutes the profit of capital.

Hence, capital can make a profit even if its actual production costs—i.e. the whole of the surplus labour it sets to work—have not been realised. Profit, the excess over the advances made by capital, may be smaller than surplus value, the excess of living labour obtained by capital through exchange over the objectified labour which it has exchanged for the labour capacity. However, through the separation of interest from profit—something which we shall discuss presently—a part of the surplus value is posited as a production cost even for productive capital.

The confusion of the *production costs* from the standpoint of capital with the quantity of labour objectified in the product of capital, including surplus labour, has given rise to the assertion that

“profit is not included in the NATURAL PRICE”, and that it is “absurd to call the excess or profit A PART OF THE EXPENDITURE” (Torrens, [*An Essay on the Production of Wealth*, London, 1821, pp. 51-52,] IX, 30¹¹).

This leads then to a great deal of confusion. Either profit is seen not as merely being realised in the act of exchange but as originating from it (which, under all circumstances, can only be the case relatively, when one party to the exchange does not obtain his equivalent) or else the magic power is ascribed to capital of creating something out of nothing. As the value posited in the production process realises its price by means of exchange, the price of the product appears as determined IN FACT by the sum of money which expresses an equivalent for the total quantity of labour contained in the raw material, the machinery, the wages and the unpaid surplus labour. Here price therefore still appears merely as an altered form of value; value expressed in money; but the magnitude of this price is presupposed in the production process of capital. Capital thereby appears as price-determining; so that price is determined by the advances made by capital+the surplus labour it has realised in the product. We shall see later how, on the contrary, price appears as profit-determining. And if at this point the total *actual* production costs appear as price-determining, price will later appear as determining the production costs. To impose the immanent laws of capital upon it as an external necessity, competition apparently completely inverts all of them, *distorts them*.

Just to repeat: The profit of capital does not depend upon its size; but rather, given the same size, upon the relative magnitude of its components (the constant and the variable part); then upon the productivity of labour (which, however, expresses itself in that first proportion, since if productivity were lower, the same capital could not work up the same quantity of material in the same time with the same amount of living labour); upon the turnover time, which is determined by the different proportions between fixed and circulating capital, the different durability of the fixed capital, etc., etc. (see above^a). The inequality of profit in different branches of industry for capitals of the same size, i.e. the inequality of the rate of profit, is a condition and presupposition for the equalisations brought about by competition.

In so far as capital obtains, purchases, raw material, instrument and labour by means of exchange, its elements themselves are

^a See this volume, pp. 102-12.—*Ed.*

already there in the form of prices, already posited as prices, preposited to capital. The way the market price of its product compares with the prices of its elements then becomes decisive for it. But this belongs in the chapter on competition.

So the surplus value posited by capital in a given turnover time assumes the form of *profit*, in so far as it is measured by reference to the total value of the capital preposited to production; whereas surplus value is measured directly by the surplus labour time which capital gains in its exchange with living labour. Profit is merely another, more developed—in the sense of capital—form of surplus value. Surplus value here is regarded rather as exchanged in the production process for capital itself, not for labour. Capital therefore appears as capital, as preposited value which, through the mediation of its own process, is related to itself as posited, produced value, and the value posited by it is called *profit*.

The 2 immediate laws manifested to us by this conversion of surplus value into the form of profit are:

(1) *Surplus value expressed as profit always appears as a smaller proportion than that actually constituted by surplus value in its immediate reality.* For instead of being measured in relation to a part of the capital, that exchanged for living labour (a ratio which is manifested as that of surplus to necessary labour), it is measured in relation to the total. Whatever the surplus value posited by a capital a , and whatever the proportion in a of c and v , the constant and the variable part of capital, the surplus value s must appear smaller if measured in terms of $c+v$ than if measured in terms of its real measure, v . Profit, or the rate of profit—if profit is not considered as an absolute sum but, as is usually the case, as a *proportion* (the rate of profit is profit expressed as the *proportion* in which capital has posited surplus value)—[VII-21] never expresses the actual rate of exploitation of labour by capital but always a much smaller proportion, and that proportion is the more misleading the larger the capital is. The rate of profit could express the actual rate of surplus value only if the whole capital were converted into wages; if the whole capital were exchanged for living labour, i.e. only existed as *approvisionnement*. Then not only would it not exist in the form of already produced raw material (as is the case in the extractive industries), so that the raw material would=0; but the means of production, whether in the form of instruments or developed fixed capital, would also=0. The latter CASE cannot possibly occur on the basis of the mode of production corresponding to capital. If $a=c+v$, whatever the

magnitude of s it follows that

$$\left[\frac{s}{c+v} < \frac{s}{v} \right].$$

(2) The 2nd great law is that in the degree in which capital has already appropriated living labour in the form of objectified labour; in the degree, therefore, in which labour has already been capitalised and thus increasingly operates in the production process in the form of fixed capital; or in the degree in which the productive power of labour increases; the rate of profit declines. The growth of the productive power of labour is synonymous with (a) the growth of relative surplus value or the relative surplus labour time which the worker gives to capital; (b) the diminution of the labour time necessary for the reproduction of the labour capacity; (c) the decrease of the part of capital exchanged in general for living labour relative to those parts of it which participate in the production process as objectified labour and preposited value. The rate of profit is thus inversely related to the growth of relative surplus value or relative surplus labour, to the development of the productive forces, and to the size of the capital employed in production as [constant] capital. In other words, the second law is the *tendency of the rate of profit to fall* with the development of capital, both of its productive power and of the extent to which it has already posited itself as objectified value; the extent to which labour as well as productive power have been capitalised.

Other factors which can affect the rate of profit, which can depress it for longer or shorter periods, do not yet come into consideration. It is quite correct to say that, if the production process is considered as a whole, the capital acting as material and as fixed capital is not merely objectified labour but also must be newly reproduced by labour, and reproduced constantly. Therefore, its existence, on any particular scale, presupposes a certain magnitude of the working population, a large population, which in and for itself is a prerequisite for any productive power; but this reproduction everywhere presupposes the operation of fixed capital and raw material and SCIENTIFIC POWER, both as such and as appropriated by production and already realised in it. This point is only to be developed in more detail when we come to discuss accumulation.

It is further clear that, although the part of capital exchanged for living labour declines relative to total capital, the total quantity of living labour employed may increase or remain the same if capital grows in the same or in a greater proportion. Hence the

population may continuously grow in the proportion in which necessary labour declines. If capital a expends $\frac{1}{2}$ in c and $\frac{1}{2}$ in v , and capital a' expends $\frac{3}{4}$ in c and $\frac{1}{4}$ in v , then capital a' could employ $\frac{2}{4}$ v on $\frac{6}{4}$ c . But if it was originally $=\frac{3}{4} c + \frac{1}{4} v$, it is now $=\frac{6}{4} c + \frac{2}{4} v$, or it has increased by $\frac{4}{4}$, i.e. it has doubled. However, this relationship too is only to be investigated more closely in the theory of accumulation and population. In general, at this stage we must not be diverted from our subject by the conclusions following from the laws stated above or by any speculations on that matter.

Hence, the rate of profit is determined not only by the ratio of surplus labour to necessary labour, or by the ratio in which objectified labour is exchanged for living labour, but in general by the ratio of living labour employed to objectified labour; the ratio of the portion of capital exchanged in general for living labour to the part which participates in the production process as objectified labour. And that portion declines in the same proportion as surplus labour increases relative to necessary labour.

(Since the worker must reproduce the part of capital exchanged for his labour capacity just as much as he must reproduce the other parts of capital, the proportion in which the capitalist gains in his exchange with the labour capacity appears as determined by the ratio of surplus labour to necessary labour. Originally, necessary labour appears merely to replace the capitalist's outlays for him. But since—as is shown in reproduction—he lays out nothing but labour itself, the relation of surplus value can be simply expressed as the relation of surplus labour to necessary labour.)

//With respect to fixed capital, and durability as a condition of it which does not enter from without, the following should also be noted: To the extent that the instrument of production is itself value, objectified labour, *it contributes nothing as a productive force*. If a machine whose production costs 100 working days only replaced 100 working days, it would in no way increase the productive power of labour and in no way diminish the cost of the product. The more durable the machine, the greater is the number of times the same quantity of product can be produced with its aid; or the greater the number of times circulating capital can be renewed, or its reproduction repeated; and the smaller is the proportion of value necessary to replace the *déchet*, the WEAR and TEAR of the machine; i.e. the greater is the reduction in the price of the product and its previous [j'emalig] production cost.

However, we cannot as yet bring the price relation into our analysis. The reduction of price as a condition for conquering the market can only be discussed in connection with competition.

Hence the question must be posed differently. Suppose that the instrument of production could be obtained by capital without cost, for nothing. What would be the consequence? The same as if the circulation costs were zero. I.e. the labour necessary to maintain the labour capacity would be reduced, and so surplus labour, i.e. surplus value, [would be increased] without its costing capital the slightest amount. Such an increase in productive power, a kind of machinery which does not cost capital anything, is the division of labour and the combination of labour within the production process. But it presupposes labours on a large scale, i.e. the development of capital and wage labour.

Another productive force which costs it nothing is SCIENTIFIC POWER. (It is self-evident that capital must always pay a certain duty for the support of parsons, schoolmasters, and men of learning, whether the SCIENTIFIC POWER they develop is great or small.) However, capital can only appropriate it by the employment of machinery (partly also in chemical processes). The growth of population is also a productive force which costs capital nothing.

In short, all the social forces which develop with the growth of population and the historical development of society cost it nothing. But to the extent that they themselves require a substratum produced by labour, i.e. existing in the form of objectified labour, in order to be employed in the immediate production process, and hence are themselves values, capital can appropriate them only by giving an equivalent in exchange for them.

WELL. Fixed capital whose employment is more costly than that of living labour, [VII-22] i.e. which requires more living labour for its production or maintenance than the amount of labour it replaces, would be a NUISANCE. Such as costs nothing at all and merely needs to be appropriated by the capitalist, would possess maximum value for capital. The simple proposition that machinery possesses maximum value for capital if its value=0, implies that every reduction in its cost is a gain for the capitalist. *While, on the one hand, it is the tendency of capital to increase the total value of fixed capital, it is, at the same time, [its tendency] to diminish the value of every fractional part of it.*

Once fixed capital enters into circulation as value, it ceases to operate as use value in the production process. Its use value consists precisely in that it increases the productive power of

labour, reduces necessary labour, augments relative surplus labour and thus surplus value. Once it enters into circulation, its value is merely replaced, not increased. On the other hand, the product, circulating capital, is the bearer of surplus value, which is only realised when the product emerges from the production process into circulation.

If the machine were of infinite durability, if it were not itself composed of perishable material that has to be reproduced (quite apart from the invention of more efficient machines, which rob it of its character as a machine), if it were a *perpetuum mobile*, it would most completely correspond to its concept. Its value would not need to be replaced, since it would subsist in an indestructible materiality. Since fixed capital is employed only in so far as its value is smaller than that which it posits, the surplus value realised in circulating capital would—even though fixed capital itself never entered [in a single act] as value into circulation—nevertheless soon replace the advances and once the cost of the fixed capital to the capitalist, and that of the surplus labour which he appropriates, were=0, the fixed capital would operate as positing value. It would continue to operate as a productive force of labour, and at the same time be money in the third sense, constant value-for-itself.

Assume a capital of £1,000. Let $\frac{1}{5}$ be machinery, and let the sum of surplus value be 50. The value of the machinery therefore equals 200. After 4 turnovers, the machinery would be paid for. Then, apart from continuing to possess £200 worth of objectified labour in the machinery, the capitalist would, from the fifth turnover onwards, be in the same position as if he was gaining 50 with a capital which cost him only 800, i.e. his gain would be $6\frac{1}{4}\%$ instead of 5%.

As soon as fixed capital enters into circulation as value, it ceases to be use value for the valorisation process of capital; or it enters into circulation only when that process ceases. Therefore, the more durable fixed capital is, [i.e.] the less it needs to be repaired, to be entirely or partly reproduced, [i.e.] the longer its circulation time—the more does it operate as a productive force of labour, as capital, i.e. as objectified labour which posits living surplus labour. The durability of fixed capital, identical with the duration of the circulation time of its value or of the time required for its reproduction, emerges as its value-moment from its very concept. (That this durability in and for itself, in merely *material* terms, is implicit in the concept of the means of production, needs no explanation.)//

The rate of surplus value is simply determined by the ratio of surplus labour to necessary labour; the rate of profit is determined by the ratio, not merely of surplus labour to necessary labour, but of the part of capital exchanged for living labour to the total capital that enters into production.

Concretely expressed, profit, in the form in which we are still considering it, i.e. as the profit of capital *as such*, not that gained by an individual capital at the expense of another, but as *the profit of the capitalist class*, can *never be greater than the sum of surplus value*. As a sum, it is the sum of surplus value, but this very sum of value as a proportion of the total value of capital, not of the part of it whose value actually increases, i.e. is exchanged for living labour. *In its immediate form, profit is merely the sum of surplus value expressed as a proportion of the total value of capital.*

The transformation of surplus value into the form of profit, this method of calculation of surplus value by capital, much as it is based on an illusion as to the nature of surplus value, or rather disguises it, is necessary from the standpoint of capital.

//It is easy to imagine that the machine as such posits value, since it operates as a productive force of labour. However, if the machine needed no labour, it could of course increase use value, but the exchange value which it produced would never be greater than its own production costs, its own value, the labour objectified in it. It produces value not because it replaces labour, but only in so far as it is a means of increasing surplus labour, and it is only surplus labour itself—and hence labour in general—that is both the measure and the substance of the surplus value posited with the help of the machine.//

The reduction of necessary labour relative to surplus labour is expressed, if we consider the day of an individual worker, in the appropriation of a larger part of the working day by capital. Here the living labour which is employed remains the same. Assume that, because of an increase in productive power, resulting, e.g., from the employment of machinery, 3 of 6 workers who each worked 6 days a week are made superfluous. If the 6 workers themselves possessed the machinery, they would now work for only half a day each. Now 3 continue to work for the whole day each day of the week. If capital continued to employ the 6, they would each work for only half a day, but perform no surplus labour. Assume that necessary labour previously amounted to 10 hours and surplus labour to 2 hours daily; in this case, the total surplus labour performed by the 6 workers was previously equal to 2×6 hours daily, i.e. to one whole day, and hence over the

whole week to 6 days, or 72 hours. Each worked one day a week gratis. It would be the same as if the 6th worker had worked for the whole week gratis. The 5 workers represent necessary labour; and if their number could be reduced to 4, and the one worker work for nothing, as before, relative surplus value would have grown. Previously, its ratio was 1 : 6; now it would be 1 : 5. Hence, the former law, stipulating an increase in the number of surplus working hours, now assumes the form of a stipulation to reduce the number of necessary workers. If it were possible for the same capital to employ the 6 workers at this new rate, surplus value would increase not merely relatively but absolutely as well. The surplus labour time would amount to $14\frac{2}{5}$ hours. $2\frac{2}{5}$ hours each worked by 6 workers is of course more than $2\frac{2}{5}$ hours each worked by 5.

As far as absolute surplus value is concerned, it appears to be determined by the absolute extension of the working day beyond the necessary labour time. Necessary labour time works merely for use value, for subsistence. The surplus working day is labour for exchange value, for wealth. It is the first moment of industrial labour. The natural limit is set—assuming that the conditions for labour are available, i.e. raw material and instrument of labour; or one of the two, according to whether labour is merely extractive or form-giving, i.e. whether it merely isolates the use value from the body of the Earth or forms it—the natural limit is set by the number of simultaneous working days or of living labour capacities, i.e. by the magnitude of the working population. At this stage, the difference between production based on capital and earlier stages of production is still a merely formal one. Kidnapping, slavery, trading in slaves and compelling them to labour, [VII-23] increase in the number of these labouring machines, machines producing SURPLUS PRODUCE, is here directly posited by force. In the case of capital, it is mediated by exchange.

Here use values increase in the same simple proportion as exchange values, and therefore this form of surplus labour appears in the modes of production of slavery, serfdom, etc., which are mainly and predominantly concerned with use value, and also in that of capital, which is directly orientated towards exchange value and only indirectly towards use value. This use value may be purely fantastic, as, e.g., in the construction of Egyptian pyramids, in short the religious luxury-works which the bulk of the nation were compelled to perform in Egypt, India, etc., or it may take the form of immediately useful objects, as, e.g., among the ancient Etruscans.

The second form of surplus value, as relative surplus value,

appears as a development of the productive power of the workers, *in relation to the working day*—as a reduction of necessary labour time, and in relation to population—as a reduction of the necessary working population (this is the antithetical form). In this form [of surplus value], the industrial and distinctively historical character of the mode of production based upon capital is, by contrast, immediately apparent.

To the first form corresponds the forcible transformation of the greater part of the population into wage labourers, and the discipline which transforms their existence into that of mere labourers. E.g., over a period of 150 years, from the time of Henry VII onwards, written in blood in the annals of English legislation is a series of coercive measures which were applied to transform into free wage labourers the mass of the population who had become propertyless and free. The abolition of the institution of retainers, the confiscation of the Church estates, the abolition of the guilds and the confiscation of their property, the forcible eviction of the population from the land by the conversion of arable into pastures, ENCLOSURES OF COMMONS, etc., had posited the labourers as mere labour capacity. But, OF COURSE, at this stage they preferred vagabondage, beggary, etc., to wage labour, and had first to be forcibly broken in to it. A similar process took place with the introduction of large-scale industry, of factories in which production was carried on with machinery. Cf. *Owen*.^a

Only at a certain stage of the development of capital does *the exchange between capital and labour IN FACT become a formally free one*. It can be said that, in England, wage labour was fully realised in a formal sense only at the end of the 18th century, with the abolition of the LAW OF APPRENTICESHIP.³¹

The tendency of capital is, OF COURSE, to link absolute surplus value with relative; hence *the greatest possible extension of the working day and the maximum number of simultaneous working days, accompanied by the reduction to the minimum, on the one hand, of necessary labour time and, on the other, of the necessary number of workers*. This contradictory demand, whose development will be seen to manifest itself in different forms as overproduction, overpopulation, etc., asserts itself in the form of a process in which the contradictory determinations alternate in time. A necessary consequence of this is *the greatest possible diversification of the use value of labour—or of the branches of production*. Thus the production of capital, while on the one hand constantly and necessarily *developing the intensity* [of

^a See this volume, pp. 98-99.—*Ed.*

the] productive power of labour, on the other hand produces a limitless variety of branches of labour, i.e., therefore, the greatest possible wealth of forms and content of production, subjecting to it all aspects of Nature.

Since the increase in productive power is, in large-scale production, the spontaneous product of the division and combination of labour, savings on certain outlays—conditions for the labour process—which *remain the same or are reduced in case of communal operation, such as heating, etc., factory buildings, etc.*, it does not cost capital anything; it acquires this increased productive power of labour gratis.

If productive power increased simultaneously in the production of the various conditions of production—raw material, means of production and means of subsistence—and in [the branches of production] determined [by them], its increase would not bring about any change in the relation between the different components of capital. If the productive power of labour increased simultaneously in, e.g., the production of flax, weaving-looms and weaving itself (through division of labour), the greater quantity woven in a day would be matched by the greater quantity of raw material, etc. When labour becomes more productive in the extractive industries, e.g. mining, there is no need for an increased supply of raw material, since no raw material is worked up [in these industries]. To increase the productivity of agriculture, it is not even necessary that the number of INSTRUMENTS should be raised, but merely that they should be *concentrated* and that *labour, which was previously performed by hundreds of people working individually, should be carried on communally*. But what is needed for all forms of surplus labour is *growth of population*: of the working population for the first form; of the population in general for the second, since it requires the development of science, etc. Population therefore appears here as the basic source of wealth.

But in the form in which we consider capital initially, the raw material and instrument appear to originate from circulation, not as produced by capital itself; and in reality the individual capital does obtain the conditions for its production from circulation, although these are themselves produced by capital, but by another capital. The consequence of this is, on the one hand, the necessary tendency of capital to seek to dominate the whole range of production; its tendency to posit the production of the materials of labour or of the raw materials and also of the instruments as

likewise produced by capital, even if by another capital—the propagandistic tendency of capital.

Secondly, however, it is clear that if *the objective conditions of production obtained by capital from circulation remain the same in value*, i.e. the same quantity of labour is objectified in the same quantity of use value, a smaller part of capital may be expended on living labour, i.e. the *proportion of the component parts of capital changes*. Suppose that $\frac{2}{5}$ of a capital of 100 is raw material, $\frac{1}{5}$ is instrument, and $\frac{2}{5}$ is labour. Suppose, too, that in consequence of a doubling of the productive power (resulting from division of labour), the same quantity of labour employing the same instrument could work up double the amount of raw material. The capital would then have to increase by 40, i.e. a capital of 140 would have to work, of which 80 would be raw material, 20 instrument, and 40 labour.

The proportion of labour would now be 40:140 (previously 40:100); previously it was 4:10, now only 4:14.

Or, if the capital remained the same, 100, $\frac{3}{5}$ would now be raw material, $\frac{1}{5}$ instrument and $\frac{1}{5}$ labour. The gain would be 20, as before. But surplus labour would now be 100%, whereas previously it was 50%. The capitalist now needs only 20 labour for 60 raw material and 20 instrument. 80. | 20. | 100. |

A capital of 80 yields him a profit of 20. Hence, if the capital employed the total amount of labour at this stage of production, it would have to grow to 160, composed of 80 raw material, 40 instrument and 40 labour. This would yield a surplus value of 40. At the stage initially assumed, where a capital of 100 yields a surplus value of only 20, a capital of 160 would yield a surplus value of only 32, i.e. 8 less, and the capital would have to grow to 200 in order to produce the same surplus value of 40.

The following cases are to be distinguished between:

(1) Labour (*the intensity, speed of labour*) increases, but this does not necessitate greater advances in material or instrument of labour. E.g., owing to an increase in skills, better combination and division of labour, etc., the same 100 workers with instruments of the same value catch more fish, or till the soil better, or extract more ore or coal from the mines, or beat out more foil from the same quantity of gold, or waste less raw material, i.e. produce more with the same value-quantity of raw material. If, in this case, their products themselves enter into their consumption, their necessary labour time will diminish; they will do more work at the same [VII-24] maintenance costs. Or a smaller part of their labour is necessary to reproduce their labour capacity. The necessary part

of labour time is reduced relatively to the surplus labour time; and although the value of the product remains the same, 100 working days, the portion accruing to capital, surplus value, is increased. If total surplus labour was previously $\frac{1}{10}$, i.e. 10 working days, and if now it is $\frac{1}{5}$, surplus labour time has increased by 10 days. The workers now work 80 days for themselves and 20 for the capitalist, while in the first case they worked 90 for themselves and only 10 for the capitalist. (This method of calculation, in terms of working days, and with labour time as the sole substance of value, is so openly manifest where relations of bondage exist. In the case of capital, it is concealed by the veil of money.) A greater portion of the newly produced value accrues to capital. But the relations between the different components of the invariable capital remain, by assumption, the same. I.e., although the capitalist employs a larger volume of surplus labour, because he pays less in wages, he does not employ more capital in raw materials and instruments. He exchanges a smaller part of objectified labour for the same quantity of living labour, or the same quantity of objectified labour for a greater quantity of living labour. This is only possible in the extractive industries; in the manufacturing industries, in so far as the raw material is used more economically; further, in agriculture, in which the material is increased by chemical processes; and in the transport industries.

(2) Productivity increases not merely within a particular branch of production but, at the same time, in [the industries which produce] its prerequisites; in this case an intensification of labour or a rise in the quantity of products it turns out in a given time necessitates an increase in the quantity of raw material or instrument or both. (The raw material need not cost anything, e.g. rushes for wickerwork; wood which costs nothing, etc.) In this case, the proportion [between the parts] of capital would remain the same. I.e., the increased productivity of labour does not make capital expend any greater value in raw material or instrument.

(3) The increased productivity of labour necessitates the expenditure of a larger part of capital on raw material and instrument. If it is merely due to the division of labour, etc., that a given number of workers have become more productive, the instrument remains the same; only the raw material must increase, since in the same period of time the same number of men work up a greater quantity of raw material, and, by assumption, the greater productivity derives only from an increase in the workers' skill, division and combination of labour, etc. In this case, the part of capital exchanged for living labour falls (it remains the same if

absolute labour time alone increases, and it diminishes if relative labour time increases) relative to the other components of capital, which remain the same, and it does so not only by the amount of its own fall, but just as much by the amount of the increase in relative labour time.

Let us consider this:

	Raw material	Instrument	Labour	s
Working days	180	90	80	10
	$411\frac{3}{7}$	90	70	20

In the first case, 10 of the 90 working days are surplus working days; surplus labour is $12\frac{1}{2}\%$. In the second case, the proportion of raw material has risen to the same extent as has the proportion of surplus labour, compared with the first case [$180:411\frac{3}{7}=1/8:2/7$].

If an increase in surplus value presupposes, in all cases, an increase in population, the present case also presupposes accumulation or the entry of a larger capital into production. (In the final analysis this also implies a larger working population employed in the production of raw materials.) In the first case, the total part of capital expended on labour constitutes $\frac{1}{4}$ of the total capital, and its ratio to the constant part of capital is 1 : 3. In the second case, the total part expended on labour is less than $\frac{1}{6}$ of the total capital, and its ratio to the constant part of capital is not even 1 : 5. *Although an increase in productive power resulting from the division and combination of labour is therefore based upon an absolute increase of the labour power employed, it is necessarily linked with a reduction in it relative to the capital which sets it in motion. And if in the first form, that of absolute surplus labour, the quantity of labour employed must increase in the same proportion as the capital employed, in the second case it increases in a lesser proportion, its growth being inversely related to that of productive power.*

If the productivity of the soil were doubled by applying the latter method in agricultural labour, so that the same quantity of labour yielded 1 QUARTER of wheat instead of $\frac{1}{2}$, necessary labour would decline by $\frac{1}{2}$, and capital could employ twice as many labourers with the same wages. (This expressed only in terms of corn.) But suppose he [the farmer] would not need any additional labourers for the cultivation of his land. In that case, he will employ the same amount of labour with half the previous wages. A part of his capital, that previously expended in money, is set free. The labour time employed has remained the same in proportion to the capital employed, but the surplus part of labour

time has risen relative to the necessary part. If necessary labour was previously $\frac{3}{4}$ of the total working day, or 9 hours, it is now $\frac{3}{8}$ of it, or $4\frac{1}{2}$ hours. The surplus value was 3 hours in the first case; in the second, it= $7\frac{1}{2}$.

The process is as follows: With a given working population and duration of the working day, i.e. the duration of the working day multiplied by the number of simultaneous working days, surplus labour can only be increased relatively, by raising the productive power of labour, the possibility of which is already posited by the presupposed growth of the population and TRAINING TO LABOUR (this also posits a certain amount of free time for non-working population, population which does not work directly; hence development of mental capacities, etc.; mental appropriation of nature). Given a certain level of development of the productive forces, surplus labour can only be increased absolutely, by turning a larger part of the population into workers, with a consequent increase in the number of simultaneous working days. The first process *relatively reduces the relative working population, although it remains the same in absolute terms*; the second *increases it*. Both tendencies are necessary tendencies of capital. The unity of these contradictory tendencies, hence the living contradiction, is only given with machinery, which we shall discuss presently. The second form obviously permits of only a *small proportion of non-working to working population*. The first form, since the quantity of living labour required under it increases more slowly than the quantity of capital employed, permits of a *larger proportion of non-working to working population*.

In the process by which capital becomes capital, its different component parts appear in a particular relationship to one another, with capital obtaining the raw material and instrument, the prerequisites of the product, from circulation and relating to them as to its given presuppositions. On closer inspection, it is true, this relationship disappears, for all the moments appear as equally produced by capital, since otherwise it would not have subjected to itself the totality of the conditions of its production. Yet for the individual capital, its components always remain in the same relationship. A part of it may therefore always be considered as constant value, and it is only the part laid out in labour that varies. These components do not develop evenly, but, as will be seen in the analysis of competition, it is the tendency of capital to distribute productive power evenly.

[VII-25] Since the increasing productivity of labour would cause capital to come up against a barrier in the form of the

non-increasing volume of raw material and machinery, it is the normal course of industrial development that, the more production is production of raw materials for industry, raw material both for the material of labour and [for] the instrument, and the more the material of labour approximates to mere raw material, the more likely it is that the large-scale introduction of [wage] labour and the employment of machinery will begin precisely in these branches. E.g., in spinning earlier than in weaving, in weaving earlier than in printing, etc. Earliest of all in the production of metals, which are the main raw material for the instruments of labour themselves. If the raw product proper which supplies the raw material of industry at the nethermost stage cannot be rapidly increased itself, recourse is had to a substitute whose output can be increased more rapidly. (*Cotton* for linen, wool and silk.) The same thing happens as regards means of subsistence, when the potato is substituted for grain. In the latter case, productivity is raised by producing an inferior article, one with a lower content of blood-forming substances and hence requiring cheaper organic conditions for its reproduction. This, the latter, belongs in the analysis of wages. We must not forget Rumford³² when discussing the minimum of wages.

We now come to the third CASE of relative surplus labour, as it is manifested in the employment of machinery.

//In the course of our presentation, it has become evident that value, which appeared as an abstraction, is possible only as such an abstraction as soon as money is posited. On the other hand, money circulation leads to capital, and hence can only be completely developed on the basis of capital; and in general, it is only on the basis of capital that circulation can draw within its sphere all the moments of production. Hence, in the course of analysis, not only does the historical character of forms which belong to a definite historical epoch, e.g. capital, become evident, but determinations like value, which appear to be purely abstract, show the historical basis from which they have been abstracted, and on which alone they therefore can appear in this abstraction. And such determinations as *plus ou moins*^a belong to all epochs, e.g. money, show the historical modification which they undergo. The economic concept of value does not occur among the ancients. Value as distinct from *pretium*^b was a purely legal category, invoked against fraud, etc. The concept of value wholly belongs to the latest political

^a More or less.—*Ed.*

^b Price.—*Ed.*

economy, because that concept is the most abstract expression of capital itself and of the production based upon it. In the concept of value, the secret of capital is betrayed.//

What distinguishes surplus labour based on machinery is the diminution of necessary labour time, which is used in such a way that fewer simultaneous working days, fewer workers are employed. The second moment is that the increase in productive power itself must be paid for by capital, that it is not obtained gratis. The means by which this increase in productive power is brought about is itself objectified immediate labour time, value; and to get hold of it, capital must exchange a part of its value for it. It is easy to derive the advent of machinery from competition and the law of the reduction of the production costs which it imposes. But here it is a matter of deriving it from the relation of capital to living labour, without bringing in other capital.

Suppose a capitalist previously employed 100 workers in cotton spinning at an annual cost of £2,400. Now he replaces 50 workers by a machine worth £1,200. If the machine were likewise completely used up in a year and had to be replaced at the beginning of the second year, he would obviously gain nothing; nor would he be able to sell his products more cheaply. The remaining 50 workers would perform the same amount of work as the 100 did previously; the surplus labour time of each individual worker would increase in the same proportion as the number of workers declined, and hence [total surplus labour time] would remain the same. If it was previously=200 hours a day, i.e. 2 hours on each of the 100 working days, it would now be likewise=200 hours, i.e. 4 hours on each of the 50 working days. The amount of surplus time per worker would increase; for capital things would remain unchanged, since it would now have to exchange 50 working days (necessary and surplus time together) for the machine. The 50 objectified working days which it exchanged for the machinery would merely give it an equivalent, and hence no surplus time, as though it had merely exchanged 50 objectified working days for 50 living. However, this would be made up for by the surplus labour time of the remaining 50 workers. Divested of the form of exchange, it would be the same as if the capitalist set 50 workers to work whose entire day's labour constituted necessary labour, while at the same time employing another 50 workers whose working day compensated him for this "loss".

But suppose the machine only cost £960, i.e. only 40 days' labour, and each of the remaining workers continued to perform

4 hours surplus labour time, hence 200 hours or 16 days 8 hours ($16\frac{2}{3}$ days). The capitalist would then have saved £240 in outlays. But whereas previously he gained 16 days 8 hours on an outlay of 2,400, he would now gain the same 200 working hours on an outlay of only 960. 200 to $2,400=1:12$; in comparison, $200:2,160=20:216=1:10\frac{4}{5}$. His gain, expressed in working days, would in the first case be 16 days 8 hours per 100 working days; in the second, the same amount per 90; in the first, 200 on the 1,200 hours of labour worked daily; in the second, 200 on 1,080. $200:1,200=1:6$; $200:1,080=1:5\frac{2}{5}$. In the first case, the surplus time of the individual worker= $\frac{1}{6}$ working day=2 hours. In the second, it is $\frac{2^6}{27}$ hours per 1 working day. One should add that, if machinery is employed, the part of capital which was previously employed in instruments must be deducted from the extra cost occasioned by the machinery.

[ADDENDA TO THE CHAPTERS ON MONEY
AND ON CAPITAL]

//“THE MONEY CIRCULATING IN A COUNTRY IS A CERTAIN PORTION OF THE CAPITAL OF THE COUNTRY, ABSOLUTELY WITHDRAWN FROM PRODUCTIVE PURPOSES, IN ORDER TO FACILITATE OR INCREASE THE PRODUCTIVENESS OF THE REMAINDER. A CERTAIN AMOUNT OF WEALTH IS, THEREFORE, AS NECESSARY, IN ORDER TO ADOPT GOLD AS A CIRCULATING MEDIUM, AS IT IS TO MAKE A MACHINE, IN ORDER TO FACILITATE ANY OTHER PRODUCTION” (*The Economist*, Vol. V, [No. 193, 8 May 1847,] p. 520).//

//“What is the practice? A manufacturer receives from his BANKER £500 in notes on Saturday for WAGES; these he distributes among his workers. On the same day, the majority of the notes are carried to the SHOPKEEPERS, and by them returned to their various BANKERS” (l.c., [No. 195, 22 May 1847,] p. 575).//

//“A COTTON SPINNER, who with a capital of £100,000 laid out £95,000 for HIS MILL AND MACHINERY, WOULD SOON FIND HE WANTED MEANS TO BUY COTTON AND PAY WAGES. HIS TRADE WOULD BE HAMPERED AND HIS FINANCES DERANGED. AND YET MEN EXPECT THAT A NATION WHICH HAS RECKLESSLY SUNK THE BULK OF ITS AVAILABLE MEANS IN RAILWAYS, shall nevertheless be able TO CONDUCT THE INFINITE OPERATIONS OF MANUFACTURE AND COMMERCE” (l.c., [No. 219, 6 November 1847] p. 1271).//

“MONEY ... AN ADEQUATE EQUIVALENT FOR ANY THING ALIENABLE” (J. Steuart, [*An Inquiry into the Principles of Political Oeconomy*,] (p. 13),³³ Vol. I, Dublin, 1770, p. 32).

//“In old times ... TO MAKE MANKIND LABOUR BEYOND THEIR WANTS, TO MAKE ONE PART OF A STATE WORK, TO MAINTAIN THE OTHER GRATUITOUSLY, could only be brought about by slavery... IF MANKIND BE NOT FORCED TO LABOUR, THEY WILL ONLY LABOUR FOR THEMSELVES; AND IF THEY HAVE FEW WANTS, THERE WILL BE LITTLE LABOUR. BUT WHEN STATES COME TO BE FORMED AND HAVE OCCASION FOR IDLE HANDS TO DEFEND THEM AGAINST THE VIOLENCE OF THEIR ENEMIES, FOOD AT ANY RATE MUST BE PROCURED [VII-26] FOR THOSE WHO DO NOT LABOUR; AND AS, BY THE SUPPOSITION, THE WANTS OF THE LABOURERS ARE SMALL, A METHOD MUST BE FOUND TO INCREASE THEIR LABOUR ABOVE THE PROPORTION OF THEIR WANTS. FOR THIS PURPOSE SLAVERY WAS CALCULATED... HERE THEN WAS A VIOLENT METHOD OF MAKING MEN LABORIOUS IN RAISING FOOD; ... MEN WERE THEN FORCED TO LABOUR BECAUSE THEY WERE SLAVES TO OTHERS; MEN ARE NOW FORCED TO LABOUR BECAUSE THEY ARE SLAVES TO THEIR OWN WANTS” (Steuart, Vol. I, pp. 38-40).

"IT IS THE INFINITE VARIETY OF WANTS, AND OF THE KINDS OF COMMODITIES NECESSARY TO THEIR GRATIFICATION, WHICH ALONE RENDERS THE PASSION FOR WEALTH INDEFINITE AND INSATIABLE" (Wakefield in a commentary to Ad. Smith[*'s An Inquiry into the Nature and Causes of the Wealth of Nations*], p. 64 note).//

"MACHINES I CONSIDER AS A METHOD OF AUGMENTING (VIRTUALLY) THE NUMBER OF THE INDUSTRIOUS, WITHOUT THE EXPENSE OF FEEDING AN ADDITIONAL NUMBER" (Steuart, Vol. I, p. 123).

("WHEN MANUFACTURERS GET TOGETHER IN BODIES, THEY DEPEND NOT DIRECTLY UPON CONSUMERS, BUT UPON MERCHANTS") (Steuart, vol. I, p. 153).

("THE ABUSIVE AGRICULTURE IS NO TRADE, BECAUSE IT APPLIES NO ALIENATION, BUT IS PURELY A METHOD OF SUBSISTING") (l.c., p. 156).

("TRADE IS AN OPERATION, BY WHICH THE WEALTH, OR WORK, EITHER OF INDIVIDUALS, OR OF SOCIETIES, MAY BE EXCHANGED, BY A SET OF MEN CALLED MERCHANTS, FOR AN EQUIVALENT, PROPER FOR SUPPLYING EVERY WANT, WITHOUT ANY INTERRUPTION TO INDUSTRY, OR ANY CHECK UPON CONSUMPTION" (Steuart, I, p. 166).)

("WHILE WANTS CONTINUE SIMPLE AND FEW, A WORKMAN FINDS TIME ENOUGH TO DISTRIBUTE ALL HIS WORK; WHEN WANTS BECOME MORE MULTIPLIED, MEN MUST WORK HARDER; TIME BECOMES PRECIOUS; HENCE TRADE IS INTRODUCED. THE MERCHANT AS MEDIATOR BETWEEN THE WORKMAN AND THE CONSUMER") (l.c., p. 171).

("MONEY THE COMMON PRICE OF ALL THINGS") (l.c., p. 177).

"Money is represented by the merchant. To the CONSUMERS, he represents the whole body of MANUFACTURERS; to the latter, the whole body of CONSUMERS; and to both CLASSES HIS CREDIT SUPPLIES THE USE OF MONEY. He represents WANTS, MANUFACTURERS and MONEY BY TURNS" (l.c., pp. 177, 178).

(In Vol. I, pp. 181-83, q.v., Steuart considers profit as *PROFIT UPON ALIENATION*, fluctuating with DEMAND, and contrasts it with *REAL VALUE*, which he defines in a very confused fashion (in doing so he thinks of the production costs) as the quantity of objectified labour (WHAT A WORKMAN CAN PERFORM IN A DAY, etc.), NECESSARY EXPENSE of the WORKMEN, and price of the raw material.)

(With Steuart, the categories are still very changeable, not yet fixed as with A. Smith. We have just seen *REAL VALUE* presented as identical with the production costs, for alongside the labour of the WORKMEN and the VALUE of the material, WAGES still figure confusedly as a particular component. Elsewhere he understands by the *INTRINSIC VALUE* of a commodity the value of its raw material or the raw material itself, while by *USEFUL VALUE* he understands the labour time expended on the commodity.)

"The former is SOMETHING REAL IN ITSELF, e.g. the silver in wrought silver plate. The *INTRINSIC WORTH* OF A SILK, WOOLLEN OR LINEN MANUFACTURE IS LESS THAN THE PRIMITIVE VALUE EMPLOYED, BECAUSE IT IS RENDERED ALMOST UNSERVICEABLE FOR ANY OTHER USE BUT THAT FOR WHICH THE MANUFACTURE IS INTENDED; the *USEFUL VALUE*, on the other hand, MUST BE ESTIMATED ACCORDING TO THE LABOUR IT HAS COST TO PRODUCE IT. THE LABOUR EMPLOYED IN THE MODIFICATION REPRESENTS A PORTION OF A MAN'S TIME, WHICH HAVING BEEN USEFULLY EMPLOYED, HAS GIVEN A FORM TO SOME SUBSTANCE WHICH HAS RENDERED IT USEFUL, ORNAMENTAL, OR IN SHORT, FIT FOR MAN, MEDIATELY OR IMMEDIATELY" (l.c., Vol. I, pp. 361, 362).)

//The real use value is the form which is given to the substance.
But this form is itself merely labour in repose.//

“WHEN WE SUPPOSE A COMMON STANDARD IN THE PRICE OF ANY THING, WE MUST SUPPOSE THE ALIENATION OF IT TO BE FREQUENT OR FAMILIAR. IN COUNTRIES WHERE SIMPLICITY REIGNS, IT IS SCARCELY POSSIBLE TO DETERMINE ANY STANDARD FOR THE PRICE OF ARTICLES OF FIRST NECESSITY ... in such a state of society, the ARTICLES OF FOOD AND NECESSARIES ARE HARDLY FOUND IN COMMERCE: NO PERSON PURCHASES THEM; BECAUSE THE PRINCIPAL OCCUPATION OF EVERYBODY IS TO PROCURE THEM FOR HIMSELF... SALE ALONE CAN DETERMINE PRICES, AND FREQUENT SALE CAN ONLY FIX A STANDARD. NOW THE FREQUENT SALE OF ARTICLES OF THE FIRST NECESSITY MARKS A DISTRIBUTION OF INHABITANTS IN LABOURERS and FREE HANDS” etc. (l.c., Vol. I, pp. 395, 396.)

(The theory of the determination of price by the volume of the circulating medium was first postulated by Locke; repeated in *The Spectator* of 19 October, 1711; developed and elegantly formulated by Hume and Montesquieu³⁴; in its basic premisses formally carried to an extreme by Ricardo; and, with all its absurdities, applied in practice to banking, etc., by Loyd, Colonel Torrens, etc.) *Steuart* polemises against it, and his analysis essentially anticipates pretty well all that was later asserted by Bosanquet, Tooke and Wilson. (Notebook, p. 26.³³) [*Steuart*, op. cit., Vol. I, pp. 399-404.]

(By way of historical illustration he says, among other things:

“It is a FACT that at the time when Greece and Rome ABOUNDED IN WEALTH, WHEN EVERY RARITY AND THE WORK OF CHOICEST ARTISTS WAS CARRIED TO AN EXCESSIVE PRICE, AN OX WAS BOUGHT FOR A MERE TRIFLE, AND GRAIN WAS CHEAPER PERHAPS THAN EVER IT WAS IN SCOTLAND... DEMAND IS PROPORTIONED, NOT TO THE NUMBER OF THOSE WHO CONSUME, BUT OF THOSE WHO BUY: NOW THOSE WHO CONSUME, ARE ALL THE INHABITANTS, BUT THOSE WHO BUY, ARE ONLY THE FEW INDUSTRIOUS WHO ARE FREE ... Slavery in Greece and Rome: THOSE WHO WERE FED by the labour of their own SLAVES, [by that of] the slaves of the State, or by GRAIN gratuitously distributed to the people, HAD NO OCCASION TO GO TO THE MARKET; THEY DID NOT ENTER INTO COMPETITION WITH THE BUYERS... THE FEW MANUFACTURERS THEN KNOWN, MADE WANTS IN GENERAL LESS EXTENSIVE; CONSEQUENTLY, THE NUMBER OF THE INDUSTRIOUS FREE WAS SMALL, AND THEY WERE THE ONLY PERSONS WHO COULD HAVE OCCASION TO PURCHASE FOOD AND NECESSARIES; CONSEQUENTLY, THE COMPETITION OF THE BUYERS MUST HAVE BEEN SMALL IN PROPORTION, AND PRICES LOW; further, the MARKETS WERE SUPPLIED partly from the SURPLUS PRODUCED on the LANDS of the GREAT MEN, LABOURED BY SLAVES; WHO BEING FED FROM THE LANDS, THE SURPLUS COST IN A MANNER NOTHING TO THE PROPRIETORS; and as the number of those who had OCCASION to buy was very small, THIS SURPLUS WAS SOLD CHEAP. Besides, the GRAIN DISTRIBUTED TO THE PEOPLE gratis must necessarily have kept the market DOWN, etc. By contrast, A FINE MULLET of an ARTIST, etc., were the object of great competition, with prices consequently rising extraordinarily high. THE LUXURY OF THOSE TIMES, THOUGH EXCESSIVE, WAS CONFINED TO A FEW, AND AS MONEY, IN GENERAL, CIRCULATED BUT SLOWLY THROUGH THE HANDS OF THE MULTITUDE, IT WAS CONSTANTLY STAGNATING IN THOSE OF THE RICH, WHO FOUND NO MEASURE, BUT THEIR OWN CAPRICE, IN REGULATING THE PRICES OF WHAT THEY WISHED TO POSSESS.” ([Pp.] 26, 27, Notebook [on] *Steuart* [op. cit., Vol. I, pp. 403-05].)

"*MONEY OF ACCOUNT* is no more than an *ARBITRARY SCALE OF EQUAL PARTS*, INVENTED FOR MEASURING THE RESPECTIVE VALUE OF THINGS VENDIBLE. *MONEY OF ACCOUNT* is something quite different from *MONEY-COIN*, WHICH IS PRICE, and could exist even if there were no substance in the world which could be a *PROPORTIONAL EQUIVALENT* for every commodity" (Vol. II, p. 102). "*MONEY OF ACCOUNT* performs the same office with regard to the value of things that [degrees,] minutes, seconds, etc., do with regard to angles or as *SCALES* do to *GEOGRAPHICAL MAPS*, etc. In all these *INVENTIONS*, there is always *SOME DENOMINATION TAKEN FOR THE UNIT*" (I.C.). "*THE USEFULNESS OF ALL THOSE INSTITUTIONS BEING SOLELY CONFINED TO THE MARKING OF PROPORTION*. JUST SO THE UNIT IN *MONEY* CAN HAVE NO INVARIABLE DETERMINATE PROPORTION TO ANY PART OF VALUE, I.E. IT CANNOT BE FIXED TO ANY PARTICULAR QUANTITY OF GOLD, SILVER OR ANY OTHER COMMODITY WHATSOEVER. THE UNIT ONCE FIXED, WE CAN, BY [VII-27] MULTIPLYING IT, ASCEND TO THE GREATEST VALUE", etc. (p. 103). "*SO MONEY A SCALE FOR MEASURING VALUE*" (p. 102).

"*THE VALUE OF COMMODITIES, THEREFORE, DEPENDING UPON A GENERAL COMBINATION OF CIRCUMSTANCES RELATIVE TO THEMSELVES AND [TO] THE FANCIES OF MEN, THEIR VALUE OUGHT TO BE CONSIDERED AS CHANGING ONLY WITH RESPECT TO ONE ANOTHER; CONSEQUENTLY, ANY THING WHICH TROUBLES OR PERPLEXES THE ASCERTAINING THOSE CHANGES OF PROPORTION BY THE MEANS OF A GENERAL, DETERMINATE AND INVARIABLE SCALE, MUST BE HURTFUL TO TRADE AND A CLOG UPON ALIENATION*" (p. 104). "It is absolutely essential to distinguish between *PRICE* (i.e. *COIN*) CONSIDERED AS A MEASURE AND *price* CONSIDERED AS AN EQUIVALENT FOR VALUE. The METALS do not discharge both functions equally well... *MONEY IS AN IDEAL SCALE OF EQUAL PARTS*. If IT BE DEMANDED, WHAT OUGHT TO BE THE STANDARD OF VALUE OF ONE PART? I ANSWER, BY PUTTING ANOTHER QUESTION: WHAT IS THE STANDARD LENGTH OF A DEGREE, A MINUTE, A SECOND? IT HAS NONE—BUT SO SOON AS ONE PART BECOMES DETERMINED, BY THE NATURE OF A SCALE, ALL THE REST MUST FOLLOW IN PROPORTION" (p. 105). "Examples of this ideal money are the bank money of Amsterdam, and the *MONEY* in Angola, on the African coast. The *BANK MONEY STANDS INVARIABLE LIKE A ROCK IN THE SEA*. ACCORDING TO THIS IDEAL STANDARD ARE THE PRICES OF ALL THINGS REGULATED" (pp. 106, 107).

In Custodi's collection of Italian economists, *Parte Antica, Tomo III*, (Geminiano) Montanari's *Della Moneta*, written ABOUT 1683, says the following about the "invention" of money:

"Intercourse between nations has spread across the whole globe to such an extent that one could say all the world has virtually become a single city in which a permanent fair of all commodities is taking place, so that everyone, without leaving his home, can, by means of money, obtain and enjoy everything produced by the earth, the animals and human industry. A marvellous invention!" (P. 40.) "It is also a feature of measures to enter into such a relation with the thing measured that in a certain way the latter becomes the measure of the former, so that, just as motion is the measure of time, time becomes the measure of motion itself; and so it comes about that not only is money the measure of our desires, but, conversely, the desires are the measure of money itself and of value" (pp. 41, 42). "Obviously, the larger the quantity of money circulating in commerce within the confines of a province in proportion to the quantity of saleable things there, the more expensive those things will become—if one can call a thing expensive because it is worth a great deal of gold in a country in which gold is abundant, rather than considering the gold itself to be cheap in this case, since so much gold is equated to another thing which is elsewhere considered to be cheaper" (p. 48).^a

^a Marx quotes in Italian.—Ed.

"A hundred years ago, the AMASSING OF GOLD AND SILVER, AS A KIND OF WEALTH par excellence, was the CHIEF FEATURE IN THE COMMERCIAL POLICY OF NATIONS (Wm. Gouge, *A Short History of Paper Money and Banking in the United States*, Philadelphia, 1833, [Part I,] p. 67).

(*Barter in the United States* (see Gouge, Notebook VIII,³³ pp. 81 et sqq.):

"In Pennsylvania, as well as in the other colonies, a considerable TRAFFIC WAS CARRIED ON BY BARTER ... in Maryland, as late as 1732, an act was PASSED MAKING TOBACCO A LEGAL TENDER AT ONE PENNY A POUND, AND INDIAN CORN AT 20 D. A BUSHEL" (p. 5) (PART II). But soon "THEIR TRADE WITH THE WEST INDIES, AND A CLANDESTINE COMMERCE WITH THE SPANISH MADE SILVER SO PLENTIFUL THAT, IN 1652 A MINT WAS ESTABLISHED IN NEW ENGLAND FOR COINING SHILLINGS, SIXPENCES AND THREE-PENNY PIECES (p. 5) (l.c.). "Virginia, in 1645, prohibited DEALINGS BY BARTER, and established the SPANISH PIECE OF 8 TO 6 SH. AS THE STANDARD CURRENCY OF THE COLONY" (the Spanish dollar). "The other colonies AFFIXED different DENOMINATIONS to the dollar... The MONEY IN ACCOUNT was everywhere the same nominally as in England. The country's COIN was chiefly Spanish and Portuguese", etc. [pp. 5-6] Cf. p. 81, Notebook VIII. (P. 6. By an Act of QUEEN ANNE an attempt was made to put an end to this confusion.)

Tuckett: *A History of the Past and Present State of the Labouring Population etc.*, 2 vols, London, 1846.

"*Woollen manufacture*: At the time of Elizabeth, the CLOTHIER OCCUPIED THE PLACE OF THE MILLOWNER OR MANUFACTURER; HE WAS THE CAPITALIST WHO BOUGHT THE WOOL, AND DELIVERED IT TO THE WEAVER, IN PORTIONS OF ABOUT 12 POUNDS, TO BE MADE INTO CLOTH. In the beginning, the MANUFACTURE [was] CONFINED TO CITIES and CORPORATE and MARKET-TOWNS, THE INHABITANTS OF THE VILLAGES MAKING LITTLE MORE THAN [sufficed] FOR THE USE OF THEIR FAMILIES. Later IN NON-CORPORATE TOWNS FAVOURED BY LOCAL ADVANTAGES and also IN COUNTRY PLACES BY FARMERS, GRAZIERS and HUSBANDMEN, WHO COMMENCED MAKING CLOTH FOR SALE, AS WELL AS FOR DOMESTIC USE. (The coarser types.) In 1551 a statute was passed that limited the number of LOOMS and APPRENTICES that could be kept by CLOTHIERS and WEAVERS RESIDING OUT OF CITIES; and that no COUNTRY WEAVER SHOULD HAVE A TUCKING MILL, NOR ANY TUCKER A LOOM. Under a law of the same year, all WEAVERS OF BROAD CLOTH had to undergo an APPRENTICESHIP OF 7 years. Nevertheless, VILLAGE MANUFACTURE, AS AN OBJECT OF MERCANTILE PROFIT, TOOK FIRM ROOT. 5 and 6 Edward VI (22) A STATUTE which prohibited the USE OF MACHINERY. THE FLEMINGS and DUTCH therefore retained superiority in this manufacture until the end of the 17th century. In 1668, the DUTCH LOOM introduced from Holland" ([Vol. I,] pp. 136-41). "As a result of the introduction of machinery, one person in 1800 could do as much WORK as 46 in 1785. In 1800, the CAPITAL INVESTED IN MILLS, MACHINERY, etc., APPROPRIATED FOR THE WOOLLEN TRADE was not LESS than 6 MILLIONS POUNDS STERLING, and the total number of PERSONS OF ALL AGES employed in this branch of industry in England was 1,500,000" (pp. 142-43).

The productive power of labour had therefore increased by 4,600%. But, firstly, in relation to the fixed capital alone this

figure was only about $\frac{1}{6}$; in relation to the total capital (raw material, etc.) perhaps only $\frac{1}{20}$.

“There is scarcely a manufacture [which has gained] such advantage from the IMPROVEMENTS IN SCIENCE as the art of dyeing cloth, by the application of the *LAWS OF CHEMISTRY*” (l.c., pp. 143-44).

SILK MANUFACTURE. Till the beginning of the 18th century, “the ART OF SILK-THROWING at its most proficient in Italy, where MACHINERY OF A PARTICULAR DESCRIPTION [was] ADOPTED for this purpose. In 1715, John Lombe, one of 3 brothers who were in business as THROWSTERS and SILK-MERCHANTS, travelled to Italy, and managed to obtain a model in one of the MILLS. A SILK MILL, with the IMPROVED MACHINERY, [was] set up by Lombe and his brothers in Derby in 1719. This MILL CONTAINED 26,586 WHEELS, ALL TURNED BY ONE WATER WHEEL. PARLIAMENT granted £14,000 to him FOR THROWING OPEN THE SECRET TO THE TRADE. This MILL came nearer TO THE IDEA OF A MODERN FACTORY THAN ANY PREVIOUS ESTABLISHMENT of the kind. The machine had 97,746 WHEELS, MOVEMENTS, AND INDIVIDUAL PARTS [V11-28] WORKING DAY AND NIGHT, which all obtained their MOTION FROM ONE LARGE WATER WHEEL AND WERE GOVERNED BY ONE REGULATOR: and IT EMPLOYED 300 PERSONS TO ATTEND AND SUPPLY IT WITH WORK” ([pp.] 133-34).

(No SPIRIT OF INVENTION was ever manifested in the English SILK TRADE; first introduced by the weavers of Antwerp, who had fled after the SACKING OF THE TOWN by the Duke of Parma; then different branches were introduced by FRENCH REFUGEES in 1685-92 [pp. 132, 135, 136].)

In 1740, 1,700 TONS of iron was produced by 59 blast furnaces; in 1827, 690,000 tons by 284 furnaces. Hence the number of blast furnaces increased $1:4\frac{48}{59}$, not even five-fold; the TONS increased $1:405\frac{15}{17}$. (For the relationship over a number of years see l.c. [p. 157,] Notebook,¹¹ p. 12.)

Glass manufacturing provides the best illustration of how the progress of science depends upon manufacturing. On the other hand, e.g. the invention of the quadrant originated in the needs of navigation; Parliament offered a premium to stimulate inventions [ibid., pp. 171-79].

8 COTTON machines, which in 1825 cost £5,000 WERE SOLD in 1833 for £300. (On COTTON spinning, see l.c., [p. 204,] p. 13, Notebook.)

“A FIRST-RATE COTTON SPINNING FACTORY CANNOT BE BUILT, FILLED WITH MACHINERY, AND FITTED WITH GAS-WORKS AND STEAM-ENGINE, UNDER £100,000. A STEAM-ENGINE OF ONE HUNDRED HORSE POWER WILL TURN 50,000 SPINDLES, WHICH WILL PRODUCE 62,500 MILES OF FINE COTTON-THREAD PER DAY. IN SUCH A FACTORY 1,000 PERSONS WILL SPIN AS MUCH THREAD AS 250,000 PERSONS COULD WITHOUT MACHINERY. McCulloch ESTIMATES THE NUMBER IN BRITAIN AT 130,000” (l.c., p. 218).

“WHERE THERE ARE NO REGULAR ROADS, THERE CAN HARDLY BE SAID TO BE A COMMUNITY; THE PEOPLE COULD HAVE NOTHING IN COMMON” (Tuckett, l.c., [Vol. I,] p. 270).

“Of the PRODUCE of the EARTH, USEFUL TO MEN, $\frac{99}{100}$ are the PRODUCE OF MEN” (l.c., [Vol. II,] p. 348).

"WHEN SLAVERY OR LIFE-APPRENTICESHIP WAS ABOLISHED, THE LABOURER BECAME HIS OWN MASTER and was left to his own RESOURCES. But, if unprovided with sufficient work, etc., MEN WILL NOT STARVE WHILST THEY CAN BEG OR STEAL; CONSEQUENTLY THE FIRST CHARACTER THE POOR ASSUMED WAS THAT OF THIEVES AND MENDICANTS" (l.c., Vol. II, p. 637, NOTE).

"ONE REMARKABLE DISTINCTION OF THE PRESENT STATE OF SOCIETY, SINCE Elizabeth, is that her Poor Act was expressly an Act FOR THE ENFORCEMENT OF INDUSTRY, INTENDED TO MEET THE MASS OF VAGRANCY THAT GREW OUT OF THE SUPPRESSION OF THE MONASTERIES AND THE TRANSITION FROM SLAVERY TO FREE LABOUR. As an example of that, the Act of 5 Elizabeth, DIRECTING HOUSEHOLDERS USING HALF A PLOUGH OF LAND IN TILLAGE, TO REQUIRE ANY PERSON THEY MIGHT FIND UNEMPLOYED, TO BECOME THEIR APPRENTICE IN HUSBANDRY, OR IN ANY ART OR MYSTERY; and if unwilling, TO BRING him BEFORE A JUSTICE, WHO WAS ALMOST COMPELLED TO COMMIT HIM TO WARD UNTIL HE CONSENTED TO BE BOUND. At the time of Elizabeth, of every 100 men it was necessary to employ 85 for the production of FOOD. AT PRESENT, not a LACK OF INDUSTRY, BUT OF PROFITABLE EMPLOYMENT... *THE GREAT DIFFICULTY THEN WAS TO OVERCOME THE PROPENSITY OF IDLENESS AND VAGABONDAGE, NOT TO PROCURE THEM REMUNERATIVE OCCUPATION. DURING THIS REIGN THERE WERE SEVERAL ACTS OF THE LEGISLATURE TO ENFORCE THE IDLE TO LABOUR*" (l.c., Vol. II, pp. 643, 644).

"*FIXED CAPITAL, WHEN ONCE FORMED, CEASES TO AFFECT THE DEMAND FOR LABOUR, BUT DURING ITS FORMATION IT GIVES EMPLOYMENT TO JUST AS MANY HANDS AS AN EQUAL AMOUNT WOULD EMPLOY, EITHER OF CIRCULATING CAPITAL OR OF REVENUE*" (John Barton, *Observations on the Circumstances which influence the condition of the labouring classes of society*, London, 1817, p. 56).

"The COMMUNITY consists of 2 classes of persons, the one which CONSUMES and REPRODUCES; the other, which CONSUMES WITHOUT REPRODUCTION. If the whole of society consisted of PRODUCERS, it would be of little consequence at what price they exchanged their commodities amongst each other; BUT THOSE WHO ARE ONLY CONSUMERS FORM TOO NUMEROUS A CLASS TO BE OVERLOOKED. THEIR POWERS OF DEMANDING ARISE FROM RENTS, MORTGAGES, ANNUITIES, PROFESSIONS and SERVICES OF VARIOUS DESCRIPTIONS RENDERED TO THE COMMUNITY. THE HIGHER THE PRICE AT WHICH THE CLASS OF CONSUMERS CAN BE MADE TO BUY, THE GREATER WILL BE THE PROFIT OF THE PRODUCERS UPON THE MASS OF COMMODITIES WHICH THEY SELL TO THEM. Among these purely consuming classes, the government holds the MOST PROMINENT STATION" (W. Blake, *Observations on the Effects produced by the expenditure of government during the restriction of cash payments*, London, 1823, pp. 42, 43).

In order to show that capital loaned to the State is not necessarily capital which was previously EMPLOYED productively, Blake argues that—and here we are concerned only with his admission that a part of capital is always DORMANT—

"the error lies in supposing, (1) that the WHOLE CAPITAL of the COUNTRY [is] FULLY EMPLOYED; (2) THAT THERE IS IMMEDIATE EMPLOYMENT FOR SUCCESSIVE ACCUMULATIONS OF CAPITAL AS IT ACCRUES FROM SAVING. I BELIEVE THERE ARE AT ALL TIMES SOME PORTIONS OF CAPITAL DEVOTED TO UNDERTAKINGS THAT YIELD VERY SLOW RETURNS AND SLENDER PROFITS, AND SOME PORTIONS LYING WHOLLY DORMANT IN THE FORM OF GOODS, FOR WHICH THERE IS NO SUFFICIENT DEMAND... NOW, IF THESE DORMANT PORTIONS AND SAVINGS COULD BE TRANSFERRED INTO THE HANDS OF GOVERNMENT IN

EXCHANGE FOR ITS ANNUITIES, THEY WOULD BECOME SOURCES OF NEW DEMAND, WITHOUT ENCROACHING UPON EXISTING CAPITAL" (l.c., pp. 54, 55).

"*WHATEVER AMOUNT OF PRODUCE IS WITHDRAWN FROM MARKET BY THE DEMAND OF THE SAVING CAPITALIST, IS Poured BACK AGAIN, WITH ADDITION, IN THE GOODS THAT HE REPRODUCES.* The government, on the contrary, takes it away for consumption without reproduction. Whenever SAVINGS are made from REVENUE, it is clear that the person ENTITLED TO ENJOY THE PORTION SAVED IS SATISFIED WITHOUT CONSUMING IT. IT PROVES THAT THE INDUSTRY OF THE COUNTRY IS CAPABLE OF RAISING MORE PRODUCE THAN THE WANTS OF THE COMMUNITY REQUIRE. IF THE QUANTITY SAVED IS EMPLOYED AS CAPITAL IN REPRODUCING A VALUE EQUIVALENT TO ITSELF, TOGETHER WITH A PROFIT, THIS NEW CREATION, WHEN ADDED TO THE GENERAL FUND, CAN BE DRAWN OUT BY THAT PERSON ALONE WHO MADE THE SAVINGS, I.E. BY THE VERY PERSON WHO HAS ALREADY SHOWN HIS DISINCLINATION TO CONSUME... IF EVERYONE CONSUMES WHAT HE HAS A RIGHT TO CONSUME, THERE MUST OF NECESSITY BE A MARKET. WHOEVER SAVES FROM HIS REVENUE, FOREGOES THIS RIGHT, AND HIS SHARE REMAINS UNDISPOSED OF. SHOULD THIS SPIRIT OF ECONOMY BE GENERAL, THE MARKET IS NECESSARILY OVERSTOCKED, AND IT MUST DEPEND UPON THE DEGREE in which this SURPLUS ACCUMULATES, WHETHER IT CAN FIND NEW EMPLOYMENTS AS CAPITAL" ([pp.] 56, 57).

(Cf. this work in general in the section on *accumulation*.)

(Cf. Notebook, p. 68 and p. 70,¹¹ where it is shown that the rate OF PROFITS and WAGES rose because of the *prices*, in consequence of wartime demand, WITHOUT ANY RESPECT "TO THE QUALITY OF LAND TAKEN LAST INTO CULTIVATION".)

"During the Revolutionary War, the market rate of [VII-29] interest rose to 7, 8, 9 and even 10%, although during the whole time LANDS OF THE LOWEST QUALITY WERE CULTIVATED" (l.c., pp. 64-66). "The rise of interest to 6, 8, 10 and even 12% proves the rise of profit. The depreciation of money, SUPPOSING IT TO EXIST, could not alter anything in the relation of capital and interest. If £200 were now only worth £100, £10 interest would now only be worth £5. What AFFECTED THE VALUE OF THE PRINCIPAL, WOULD EQUALLY AFFECT THE VALUE OF PROFITS. IT COULD NOT ALTER THE RELATION BETWEEN THE TWO" (p. 73).

"Ricardo's argument that the price of WAGES cannot occasion a rise in the price of commodities, does not apply to a society in which A LARGE CLASS ARE NOT PRODUCERS" (l.c.). "MORE THAN THE JUST SHARE IS OBTAINED BY THE PRODUCERS AT THE EXPENSE OF THAT PORTION, WHICH OF RIGHT BELONGS TO THE CLASS WHO ARE ONLY CONSUMERS" ([p.] 74).

This is, of course, important, since capital is not exchanged for capital alone, but for revenue as well, and every capital can itself be consumed as revenue. Nevertheless, it has no bearing on the determination of profit in general. Profit, under the different forms of PROFIT, INTEREST, RENT, PENSIONS, taxes, etc. (just as EVEN part of the wages), may be distributed under different names and to different classes of the population. They can never distribute more among themselves than the total surplus value or the total surplus produce. The ratio in which they distribute it is, of course, important economically, but it has no bearing on the matter in hand.

"If the circulation of commodities of 400 MILLIONS required a CURRENCY of 40 MILLIONS, and this proportion of $\frac{1}{10}$ was the DUE LEVEL, then, if the value of the commodities to be circulated increased to 450 millions, FROM NATURAL CAUSES, THE CURRENCY, IN ORDER TO CONTINUE AT ITS LEVEL, would have to increase to 45 millions, or the 40 MILLIONS MUST BE MADE TO CIRCULATE with such INCREASED RAPIDITY, BY BANKING OR OTHER IMPROVEMENTS, AS TO PERFORM THE FUNCTIONS of 45 MILLIONS... SUCH AN AUGMENTATION, OR SUCH RAPIDITY, is the CONSEQUENCE and not the CAUSE of the INCREASE OF PRICES" (W. Blake, l.c., p. 80 et sqq. Cf. Notebook, p. 70).

"The UPPER and MIDDLE CLASS in Rome obtained great wealth by ASIATIC CONQUEST, BUT NOT BEING CREATED BY COMMERCE OR MANUFACTURES, IT RESEMBLED THAT OBTAINED BY SPAIN FROM HER AMERICAN COLONIES" (Mackinnon, *History of Civilisation*, London, 1846, Vol. I, p. 66).

"In the 15th century, *Harrison* ASSERTS" (see also Eden^a), "the FARMERS were scarcely ABLE TO PAY THEIR RENTS without SELLING a COW, OR a HORSE, OR SOME OF THEIR PRODUCE, although they paid at most £4 for a FARM... THE FARMER IN THESE TIMES CONSUMED THE CHIEF PART OF THE PRODUCE TO BE RAISED, HIS SERVANTS TAKING THEIR SEATS WITH HIM AT HIS TABLE... THE PRINCIPAL MATERIALS FOR CLOTHING WERE NOT BOUGHT, BUT WERE OBTAINED BY THE INDUSTRY OF EACH FAMILY. THE INSTRUMENTS OF HUSBANDRY WERE SO SIMPLE THAT MANY OF THEM WERE MADE, OR AT LEAST KEPT IN REPAIR BY THE FARMER HIMSELF. EVERY YEOMAN WAS EXPECTED TO KNOW HOW TO MAKE YOKES OR BOWS, AND PLOUGH GEAR; SUCH WORK EMPLOYED THEIR WINTER EVENINGS" (Tuckett, l.c., Vol. II, pp. 324, 325).

Interest and profit:

"Where an individual employs his own SAVINGS productively, [he obtains] the remuneration for HIS TIME AND SKILL—AGENCY FOR SUPERINTENDENCE (the *profit* further includes [an allowance for] the risk to WHICH HIS CAPITAL MAY HAVE BEEN EXPOSED IN HIS PARTICULAR BUSINESS); and the remuneration for the PRODUCTIVE EMPLOYMENT OF HIS SAVINGS, INTEREST. The whole of this remuneration is the *gross profit*. Where an individual employs the SAVINGS of another, he obtains the AGENCY ONLY. Where an individual lends his SAVINGS to another, [he obtains] only the INTEREST or the NET PROFIT" (*Westminster Review*, JANUARY 1826, pp. 107, 108).

Therefore, here INTEREST=NET PROFIT=REMUNERATION FOR THE PRODUCTIVE EMPLOYMENTS OF SAVINGS; profit proper is the remuneration for the AGENCY FOR SUPERINTENDENCE DURING HIS PRODUCTIVE EMPLOYMENT.

The same philistine says:

"EVERY IMPROVEMENT IN THE ARTS OF PRODUCTION that DOES not DISTURB THE PROPORTIONS between the PORTIONS of CAPITAL dedicated and not dedicated to the PAYMENT FOR WAGES, IS ATTENDED WITH AN INCREASE OF EMPLOYMENT TO THE LABOURING CLASSES; every FRESH APPLICATION OF MACHINERY and HORSE-LABOUR IS ATTENDED WITH AN INCREASE OF PRODUCE and consequently of capital; TO WHATEVER EXTENT IT MAY DIMINISH THE RATIO WHICH THAT PART OF THE NATIONAL CAPITAL FORMING THE FUND FOR THE PAYMENT OF WAGES BEARS TO THAT WHICH IS OTHERWISE EMPLOYED, its tendency is, NOT TO DIMINISH BUT TO INCREASE THE ABSOLUTE

^a F. M. Eden, *The State of the Poor; or, an history of the labouring classes in England etc.*, Vol. I, London, 1797, pp. 119-20.—Ed.

AMOUNT OF THAT FUND and HENCE TO INCREASE THE QUANTITY OF EMPLOYMENT” (l.c., p. 123).

[MONEY AS MEASURE OF VALUES]

From the determination of money as *measure*, as well as, secondly, from the fundamental law that the quantity of the circulating medium, assuming a certain velocity of circulation, is determined by the prices of the commodities and by the quantity of the commodities, which circulate at certain prices, or by the total price, the aggregate volume of commodities—which is itself, in turn, determined by 2 factors: (1) the level of commodity prices, and (2) the quantity of commodities circulating at certain prices—and, thirdly, from the law that money as means of circulation becomes *coin*, a merely evanescent moment, a mere *token* of the values which it exchanges, there follow more detailed determinations, which we shall only develop where and in so far as they coincide with more complicated economic relations, credit circulation, rate of exchange, etc. It is necessary to avoid all detail and, when it must be introduced, to do so only where it loses its elementary character.

D'abord,^a money circulation, as the most superficial (in the sense that it is driven out onto the surface) and most abstract form of the whole production process, is, in itself, utterly devoid of content, except in so far as its own formal distinctions, notably the simple determinations discussed in Section II,^b constitute its content. It is clear that simple money circulation, considered in itself, does not lead back into itself, but consists of a multitude of indifferent and fortuitously juxtaposed movements. E.g. the mint may be regarded as the point from which money circulation sets out, but there is no law of REFLEX to the mint, except for depreciation by WEAR and TEAR, which makes necessary the melting-down and NEW ISSUE OF COINS. This only concerns the physical aspect, and by no means constitutes a moment of circulation itself.

Within circulation itself, the point of return may be different from the point of departure; to the extent that they do coincide, money circulation appears merely as a manifestation of a circulation which lies behind it and determines it, e.g. if we examine the money circulation between the factory-owner, the worker, the SHOPKEEPER and the banker. Furthermore, all of the

^a To begin with.—*Ed.*

^b See present edition, Vol. 28, pp. 51-170.—*Ed.*

factors which concern the quantity of commodities thrown into circulation, the rise and fall of prices, the velocity of circulation, the volume of simultaneous payments, etc., lie *outside* simple money circulation. They are relationships which are expressed in it; it gives, so to speak, the names to them; but they cannot be explained by its own differentiation. Different metals serve as money, which have different, varying value relations to one another. Thus the problem of the DOUBLE STANDARD, etc., comes in, a problem that assumes world-historical forms. But it assumes these forms, and the DOUBLE STANDARD itself comes in, only owing to foreign trade. Hence, if its analysis is to yield any useful results, far more highly developed relations must be examined than the simple monetary relation.

Money as the *measure* of value is not expressed in quantities of bullion but in coins of account, arbitrary names for fractional parts of a definite quantity of the money substance. These names can be changed, relation of the coin to its metallic substance can be changed, while the name remains the same. Hence debasement, which plays a great role in the history of states. Further, the currencies of different countries. But this question is only of interest in connection with the rate of exchange.

[VII-30] Money is *measure* only because it materialises labour time in a definite substance, hence is itself *value*, and, specifically, because this definite material is regarded as the generally objective material of value, as the material of labour time as such in distinction from its merely particular incarnations. Hence, because it is an *equivalent*. Yet, since in its function as *measure*, money is a merely notional point of comparison, and only needs to exist ideally—for the commodities are translated into their general mode of existence as value only notionally; since, further, in this quality as measure, it figures only as coin of account, and I say that a commodity is worth so many shillings, francs, etc., when I translate it into money; this has given rise to the confusing notion of an *ideal measure*, a notion developed by Stuart^a and freshed up in England at different periods, quite recently too, as a discovery of deep significance. That notion implies that the names pound, shilling, guinea, dollar, etc., which are current as units of account, are not definite denominations of definite quantities of gold, silver, etc., but merely arbitrary points of comparison which themselves express no value, no definite quantity of objectified labour time.

^a See this volume, pp. 164-65.

Hence the whole claptrap about fixing the price of gold and silver—understanding by price the name given to [their] fractional parts. An ounce of gold is at present divided into £3 17s. 10d. This is called fixing the price; it is, as Locke correctly remarks,^a merely a fixing of the names of fractional parts of gold, silver, etc. Expressed in terms of itself, gold or silver is, of course, equal to itself. An ounce is an ounce, whether I call it £3 or £20.

In short, this *ideal measure*, in Steuart's sense, means this: If I say that commodity *a* is worth £12, commodity *b* £6 and commodity *c* £3, their proportion to one another=12:6:3. Their prices merely express the ratios in which they are exchanged for one another. $2b$ exchanges for $1a$, and $1\frac{1}{2}b$ for $3c$. But instead of expressing the relation of *a*, *b* and *c* in real money, which itself possesses value, is value, could I not just as well replace the £, which expresses a definite quantity of gold, with any arbitrarily chosen name devoid of content (this is called *ideal* here), e.g. mackerel. $A=12$ mackerels, $b=6M$, $c=3M$. The word M is here merely a name, without any relation at all to its specific content.

Steuart's example of the degree, the minute and the second proves nothing; for although the degree, the minute and the second have a varying magnitude, they are not mere names, but always express the fractional part of a definite spatial magnitude or period of time. So they do have a specific substance. The fact that money in its determination as measure functions merely as *notional* money, is here converted into the proposition that money is any arbitrary notion, a mere *name*, the name for the numerical value relation, the name for a mere relation of numbers. Yet then the correct thing to do would be to use *no* names at all and only express the relation of numbers. For it all boils down to this: I get $6a$ for $12b$, and $3b$ for $6c$; these relations may also be expressed thus: $a=12x$, $b=6x$, $c=3x$, where *x* itself is merely a name for the relation of *a* to *b* and of *b* to *c*. But the simple, undenominated relation of numbers WOULD NOT DO. For $a:b=12:6=2:1$, and $b:c=6:3=2:1$. Therefore, $c=1/2$. Therefore, $b=1/2$, therefore $b=c$. Therefore, $a=2$ and $b=2$; therefore, $a=b$.

Suppose I take any list of prices current, e.g. potash, per cwt., 35s.; COCOA, per lb., 60s.; IRON BARS, per ton, 145s.; etc.^b To have the relation of these commodities to one another, I may not merely forget the silver in the shilling: the mere numbers 35, 60, 145, etc., are sufficient to determine the mutual value relations of

^a *Ibid.*, pp. 184-85.—*Ed.*

^b Marx quotes the prices from different issues of *The Economist* for the period 6 February to 6 March 1858.—*Ed.*

potash, COCOA, iron bars. Numbers without any name at all are now sufficient; and not merely may I give their unit, the 1, any name I like, without reference to any value; I need not give it any name whatsoever. Steuart insists that I must give it some name, but that this name, as a merely arbitrary one, as itself merely a *MARKING OF PROPORTION, CANNOT BE FIXED TO ANY PARTICULAR QUANTITY OF GOLD, SILVER OR ANY OTHER COMMODITY.*

Whatever the measure in question, as soon as it serves as the point of comparison, i.e. as soon as the different things to be compared are posited in a numerical relation to the measure as unit, and are now related to one another, the nature of the measure becomes irrelevant and disappears in the act of comparison itself. The measuring unit has become merely a numerical unit; the quality of that unit, e.g. that it itself represents a definite length, or a definite period of time, or an angle of a certain degree, etc., has disappeared. But it is only when the different things are presupposed as already measured that the measuring unit *MARKS ONLY [THE] PROPORTION BETWEEN THEM*, e.g., in our case, the proportion of their values. The unit of account not merely has different names in different countries; it is the nomen for different fractional parts of, e.g., an ounce of gold. Yet they are all reduced to the same weight unit of gold or silver by means of the rate of exchange.

Hence, if I assume the different commodity magnitudes to equal, e.g., as above, 35s., 60s., and 145s., then, since the unit in which all of them are represented is now assumed to be the same, i.e. since they have been made commensurable, it is quite irrelevant to their comparison that the shilling is a definite quantity of silver, the name for a definite amount of silver. But they only become comparable with one another as mere numerical magnitudes, as numbers of any unit with the same name, and only begin to express proportions in relation to one another, when each individual commodity is measured in terms of that which serves as unit, as measure. And I can measure them in terms of each other, can make them commensurable, only in so far as they have a common element. This element is the labour time contained in both.

Consequently, the measuring unit must be a certain quantity of a commodity in which a quantity of labour is objectified. Since the same quantity of labour is not always expressed in e.g., the same quantity of gold, the value of this measuring unit itself is variable. But to the extent that money is considered only as a measure, this variability is no hindrance. Even in barter, as soon as it has

reached a certain stage of development as barter, hence is a normal operation which is repeated, and not merely an isolated act of exchange, some other commodity appears as the measuring unit, e.g. cattle in Homer.^a In the case of the savage Papuan of the coast,

who "to have a FOREIGN ARTICLE BARTERS 1 or 2 of his children, and if they are not at hand, borrows those of his neighbour, promising TO GIVE HIS OWN IN EXCHANGE, WHEN THEY COME TO HAND, HIS REQUEST BEING RARELY REFUSED,"^b

no measure of exchange exists. The sole aspect of exchange that exists for him is that he can appropriate a thing belonging to another only by alienating a thing belonging to himself. This alienation itself is regulated for him only by his FANCY, ON THE ONE SIDE, and the extent of his MOVABLE property, on the other.

In *The Economist*, 13 March 1858 [p. 290], we read the following in a letter to the Editor:

"AS THE SUBSTITUTION IN FRANCE OF GOLD FOR SILVER IN THE COINAGE (WHICH HAS BEEN THE PRINCIPAL MEANS HITHERTO OF ABSORBING THE NEW DISCOVERIES OF GOLD) MUST BE APPROACHING ITS COMPLETION, PARTICULARLY AS LESS COINAGE WILL BE WANTED FOR A STAGNANT TRADE AND REDUCED PRICES, WE MAY EXPECT ERE LONG THAT OUR FIXED PRICE OF £3 17s. 10¹/₂D. AN OUNCE WILL ATTRACT THE GOLD HERE."^b

Now, what does this OUR "FIXED PRICE OF AN OUNCE" OF GOLD mean? NOTHING ELSE BUT THAT A CERTAIN ALIQUOT PART OF AN OUNCE IS CALLED A PENNY, A CERTAIN MULTIPLE OF THIS PENNY-WEIGHT OF GOLD A SHILLING, AND A CERTAIN MULTIPLE OF THIS SHILLING-WEIGHT OF GOLD A POUND? Does the gentleman imagine that [VII-31] in other countries a gold gulden, louis d'or, etc., do not, likewise, denote a certain quantity of gold, i.e. that a certain quantity [of gold] does not have a fixed name? and that this is a privilege of England? or a special feature of it? Does he believe that in England an ounce of gold expressed in money is more than an ounce of gold and that in other countries it is less? We would be curious to know what this worthy fellow imagines the rate of exchange to be.

What misleads Stuart is this: The prices of commodities express nothing but the ratios in which they are exchangeable for one another, the *proportions* in which they exchange for one another. Given these proportions, I can give the unit any name I like, because the undenominated abstract number would suffice for the purpose, and instead of saying that this commodity=6 stivers and that=3, etc., I could say that this=6 units and that=3. I would not need to give the unit any name at all. Since now it is only a matter

^a See present edition, Vol. 28, pp. 110 and 127.—*Ed.*

^b H. Stansfeld, "Will the Low Rate of Interest Last? To the editor of *The Economist*".—*Ed.*

of the numerical relation, [I] can give the unit any name I like.

But here it is already presupposed that these proportions have been *given*, that the commodities have prior to this become commensurable magnitudes. Once magnitudes have been posited as commensurable, the relations between them become simple numerical relations. Money appears precisely as measure, and a definite quantity of the commodity in which it is represented [appears] as the measuring unit employed to determine the *proportions*, to express the commodities as commensurable AND TO HANDLE them accordingly. The real common element is labour time, which is relatively objectified in them. But labour time itself is posited as general. The process by which values within the money system are determined by labour time does not come within the consideration of money itself and falls outside circulation; it stands behind circulation as its motivating basis and presupposition.

The question could only be this: Instead of saying this commodity is=to an ounce of gold, why do we not say directly that it is=to x labour time objectified in the ounce of gold? Why is labour time, the substance and measure of value, not also the measure of prices; or, in other words, why are price and value different things in general? The Proudhonist school believe to be doing something great in demanding that this identity should be posited and that the price of commodities should be expressed in labour time. The coincidence of price and value implies the equality of demand and supply, the simple exchange of equivalents (hence not of capital for labour), etc. In short, formulated in economic terms, it is immediately obvious that this demand is the negation of the entire groundwork of production relations based on exchange value. Yet, if we assume this basis to have been abolished, the problem itself is eliminated, for it only exists on and with this basis. To say that the commodity, in its immediate existence as use value, is not value, not the adequate form of value, is the same as saying that it is value if transposed into a different objective form or if equated to another object; or that value possesses its adequate form in a specific object as distinct from other objects. As values commodities are objectified labour; hence adequate value must itself appear in the form of a definite object, as a definite form of objectified labour.

Steuart supports his drivel about the ideal standard with 2 historical examples. The first of these, the bank money of Amsterdam, shows precisely the opposite, since it means nothing but the reduction of the circulating coinage to its bullion content (metallic content). The second example has been echoed by all of

the more recent writers belonging to the same trend. E.g., Urquhart adduces the example of the Berbers, among whom an ideal BAR, an iron bar, a purely imaginary iron bar, serves as a standard which neither rises nor falls.^a If, e.g., the real iron bar falls [in value] by, say, 50%,^b the [ideal] bar is worth 2 iron bars; if the real bar rises again by 100% [of its value after the fall], [the ideal bar is worth] only one [real bar]. Mr. Urquhart also claims to have observed that neither commercial nor industrial crises, nor still less monetary crises, occur among the Berbers, and attributes this to the magical effects of this IDEAL STANDARD OF VALUE. This "ideal" imaginary standard is merely an imaginary real value, a fancy, which does not attain any objective reality because the monetary system has not developed its further determinations—a development which is dependent upon quite different conditions. It is the same as if one wished, in the mythology, to assign a superior position to those religions whose deities have not been worked out as visual images, but remain confined to the sphere of concepts, i.e. attain at most a verbal but not an artistic existence.

The BAR is based upon a real iron bar, which was later converted into an object of fantasy and fixed as such. An ounce of gold expressed in English coin of account=£3 17s. 10½d. WELL. WELL. Suppose that the price of a pound of silk had been exactly the same, but had later fallen, as e.g. Milanese raw silk stood at £1 8s. per lb. in London on 12 March [18]58.^c

The ideal bar is the mental image of a quantity of iron, an iron bar, whose value is invariable with respect to (1) all other commodities; (2) the labour time contained in it. Of course, this iron bar is purely imaginary, only not quite as fixed and "STANDING LIKE A ROCK IN THE SEA", as Stuart^d and, nearly 100 years later, Urquhart believe. The only thing about the iron bar which is fixed is its name; in one case, the real iron bar comprises 2 ideal ones, in the other, only 1. This is expressed in such a way that the same, invariable, ideal bar at one time=2, and at another=1 real [bar]. If this is granted, only the relation of the real iron bar has changed, the ideal one has not. BUT IN FACT, in one case the ideal iron bar is double its length compared with the other case, and only its name is unchanged. On the one occasion, e.g. 100 lbs of iron is called A BAR, on the other occasion 200 [lbs].

^a [D. Urquhart,] "Currency", *The Free Press*, No. 22, 25 November 1857, pp. 545 and 546.—*Ed.*

^b Marx has "100%".—*Ed.*

^c *The Economist*, No. 759, 13 March 1858, p. 300.—*Ed.*

^d J. Stuart, *An Inquiry into the Principles of Political Oeconomy*, Vol. II, p. 107.

Suppose that money was issued which represented labour time, F.I. hour tickets; some baptismal name could be arbitrarily bestowed upon them in turn, e.g. one pound; $\frac{1}{20}$ of an hour would be 1s., $\frac{1}{240}$ of an hour 1d. Gold and silver, like all other commodities, depending on the production time they cost, would express different MULTIPLES or fractional parts of pounds, shillings, pence; and an ounce of gold might just as well= $\pounds 8$ 6s. 3d. as $\pounds 3$ 17s. 10 $\frac{1}{2}$ d. These numbers would always express the proportion in which a certain quantity of labour is contained in the ounce. Instead of saying that $\pounds 3$ 17s. 10 $\frac{1}{2}$ d., equal to one ounce of gold, now costs only $\frac{1}{2}$ lb. of silk, we can imagine that the ounce now= $\pounds 7$ 15s. 9d., or that $\pounds 3$ 17s. 10 $\frac{1}{2}$ d. is now only equal to half an ounce, because that money is now only half its value.

Comparing prices in England in, e.g., the 15th century with those in the 18th, we might find that two commodities had precisely the same nominal money value, e.g., $\pounds 1$ stg. Here the pound sterling is the standard, but in the first case it expresses 4 or 5 times as much value as in the second, and we could say that if the value of this commodity in the 15th century was= $\frac{1}{4}$ ounce, in the 18th century it was= 1 ounce of gold, because in the 18th century 1 ounce of gold expresses the same labour time as $\frac{1}{4}$ ounce did in the 15th century. It might therefore be said that the measure, the pound, had remained the same, but in one case it was equal to four times as much gold as in the other. This is the *ideal standard*. People of the 15th century, if they had lived until the 18th, could have made the same comparison as we have done, and could have said that 1 ounce of gold, now worth $\pounds 1$ stg., was previously worth only $\frac{1}{4}$. Now 4 pounds of gold is worth no more than 1 was, e.g., in the 15th century. If this pound was previously called the livre, I can imagine that a livre then was= 4 pounds of gold, while now it is only= 1 ; that the value of gold has changed, but the measure of value, the livre, has remained unchanged. IN FACT, a livre originally signified in France and England 1 pound of silver, and now only $\frac{1}{x}$. Hence it can be said that the name livre, the standard, has always remained nominally the same, but silver has, by contrast, changed its [VII-32] value. A Frenchman who had lived from the time of Charlemagne up to the present day could say that the livre of silver had always remained the standard of value, unchanged, but that, while it was once worth 1 pound of silver, it had, because of a diversity of circumstances, eventually come to be worth only $\frac{1}{x}$ of half an ounce. The yard, although the same, is of different length in different countries. It is, IN FACT, the same as if, e.g., the product of a day's labour, the gold that

can be mined in one working day, were given the name *livre*, and this *livre* always remained the same, although expressing very different quantities of gold at different periods.^a

When we compare the pound sterling of the 15th century with that of the 18th century, how in fact do we do it? The two are the same quantity of metal (each=20s.), but of different value; for then the metal was worth 4 times as much as it is now. Hence, we say that then the *livre*=4 times the amount of metal it contains today. And one could imagine that the *livre* had remained unchanged, but was=4 real gold *livres* then as compared with only 1 now. That would be only relatively correct, not in terms of the quantity of metal contained in the *livre*, but in terms of its value; and this value itself is, in turn, expressed quantitatively in the form that $\frac{1}{4}$ *livre* of gold then=1 *livre* of gold now. WELL; the *livre* is identical, but then it was=4 REAL *librae* of gold (by relation to the current value), and is only=1 now. If gold falls in value, and its fall or rise relative to other articles is expressed in their price, instead of saying that an object which previously cost £1 of gold now costs 2, it could be said that it still costs a pound but a pound is now worth 2 real gold *livres*, etc.; hence £1 comprises 2 real gold *livres*, etc. Instead of saying: I sold this commodity yesterday for £1, I am selling it today for £4, I can say that I sell it for £1, but yesterday for a £ of 1 real £, and today for £1 of 4 real pounds.

All other prices are determined automatically, as soon as the relation of the real *BAR* to the imaginary one has been established; and this is simply the comparison between the past value of the *BAR* and its present value. It is the same as if we were to do all our calculations in the £ sterling of the 15th century, FOR INSTANCE. What the historian must do who traces the same kind of coinage, the same name of account for a coin of the same metallic content through the centuries, when he reckons it in present-day money, having to equate it with a greater or smaller quantity of gold depending on the coin's changing value in different centuries—this precisely is done by the Berber or Negro. It is the striving of the semi-civilised to maintain as value, too, the monetary unit, the quantity of metal which serves as measure; to uphold this value as a fixed measure as well. At the same time, however, the shrewdness of knowing that the real value of the *BAR* has changed.

^a Here Marx crossed out the following passage: "In the 18th century the ounce of gold was only $\frac{1}{4}$ of the value it was in the 15th century, i.e. 4 ounces of gold, in terms of value, is 1 ounce 3 centuries earlier. If the name "ounce" were taken as the unit of account, one could say that the ounce in the 15th century was worth 4 real ounces, in the 18th only one."—*Ed.*

Since this Berber has few commodities to measure, and tradition is still fresh among the uncivilised, this complicated method of calculation is not so difficult as it appears to be.

1 ounce is =£3 17s. 10 $\frac{1}{2}$ d., i.e. not quite =£4. For the sake of convenience let us assume it is exactly =£4. Then $\frac{1}{4}$ of an ounce of gold is given the name of pound, and serves under this name as coin of account. But this pound changes its value; partly it does so relatively, in relation to the value of other commodities whose value alters, and partly in so far as it is itself the product of more or less labour time. The one thing constant about it is its name, and the quantity, the fractional part of the ounce, the weight-part of gold whose baptismal name it is; i.e. the weight-part of gold contained in a PIECE OF MONEY CALLED ONE POUND.

The savage seeks to uphold it as unchanging value, and so it is the quantity of metal it contains that changes for him. If the value of gold falls by 50%,^a in his view the pound is still the measure of value, but a £ of $\frac{2}{4}$ ounce of gold, etc. He sees the pound as always equal to an amount of gold (iron) which has the same value. But since this value changes, the pound is equal now to a greater and now to a smaller quantity of real gold or iron, according as more or less of them must be given in exchange for other commodities. He compares the present value with the previous which functions for him as the STANDARD and lives on only in his imagination. Consequently, rather than reckoning in terms of $\frac{1}{4}$ ounce of gold whose value varies, he reckons in terms of the value $\frac{1}{4}$ ounce of gold possessed previously, i.e. by reference to an imaginary, unchanging value of $\frac{1}{4}$ ounce, which, however, is expressed in varying quantities. On the one hand, he seeks to uphold the measure of value as constant in value; on the other, he is shrewd enough not to come to any harm in applying this roundabout method of calculation. In assimilating the measuring of values with money, a procedure imposed on them from without, the semi-savages first displace it and then, out of this displacement, find their bearings again. But it is utterly absurd to regard that fortuitous displacement as an organic historical form or, still worse, to set it up as something superior in opposition to more developed relations. These savages, too, proceed from a quantity, the iron bar; but they uphold as a unit of account the value it traditionally possessed, etc.

The whole problem acquired its significance in modern political economy chiefly because of 2 circumstances:

^a Marx has "100%".— *Ed.*

(1) It has happened at different times—in England, e.g. during the Revolutionary War—that the price of gold bullion rose above that of coined gold. This historical phenomenon appeared to be irrefutable proof that the names possessed by definite fractional weight-parts of gold (of the precious metal)—pound, shilling, pence, etc.—by some inexplicable process conduct themselves independently towards the substance whose names they are. Otherwise, how could an ounce of gold be worth more than the same ounce coined into £3 17s. 10¹/₂d.? Or how could an ounce of gold be worth more than 4 livres of gold, if livre is merely the name for ¹/₄ ounce?

Closer investigation, however, revealed that this was due to one of two causes. Either, the coins which circulated under the name of pound were IN FACT no longer of the normal metallic content; F.I., 5 circulating pounds IN FACT weighed only one ounce of gold (of the same fineness). Since a coin that ostensibly represented ¹/₄ ounce of gold (or thereabouts) in fact only represented ¹/₅, it was quite understandable that the ounce=5 such circulating £'s; hence that the value of the BULLION PRICE rose above the MINT PRICE, as £1 IN FACT no longer represented, no longer denominated, ¹/₄ but only ¹/₅ ounce of gold; was now only the name for ¹/₅ ounce.

Or the same happened when, even though the metallic content of the gold coins in circulation had not fallen below the normal measure, they circulated simultaneously with depreciated paper money, and it was prohibited to melt them down and export them. In this case, the ¹/₄ ounce of gold circulating in the form of a £ shared in the depreciation of the notes, a fate from which gold in bullion was exempt.* It was the same FACT again: [VII-33] the name of account “pound” had ceased to be the name for ¹/₄ ounce, was the name for a smaller quantity. The ounce was therefore equal to, e.g., 5 such pounds. This meant, then, that the BULLION PRICE had risen above the MINT PRICE.

So it was these or analogous historical phenomena, all just as simple to explain and all belonging to the same series, that first gave rise to the discussion of the *ideal measure*, or the view that money as measure should be merely a point of comparison and not a definite quantity. Hundreds of volumes have been written on this CASE in England over the last 150 years.

In itself, there is nothing strange about a rise in the value of a definite kind of coin above that of its bullion content, since the

* Within a given country, seignorage may raise the mint price above the bullion price.

making (shaping) of coin involves the addition of new labour. But the value of a particular kind of coin may rise above its bullion content for other reasons too. Yet this is without any economic interest whatsoever, and has not given rise to any economic investigations. All it means is that for definite purposes gold or silver WAS REQUISITE precisely in this form, SAY OF BRITISH POUNDS OR OF SPANISH DOLLARS. The Bank directors naturally had a particular interest in proving that it was not a fall in the value of the notes, but a rise in that of gold. The latter problem can only be dealt with later.

(2) But the theory of the IDEAL MEASURE OF VALUE WAS first put forward at the beginning of the 18th century, and was raised again in the second decade of the 19th century, in connection with matters in which money figured not as measure, or as means of exchange, but as an invariable equivalent, as value-for-itself (money in its third determination) and hence as the universal material of contracts. On both occasions, the point at issue was whether or not State and other debts contracted in a depreciated money should be paid back and honoured in money of full value. The question was merely one between the creditors of the State and the mass of the nation. This question as such does not concern us here. Those who demanded a readjustment of claims, on the one hand, and of obligations, on the other, strayed into the wrong field by asking whether the STANDARD OF MONEY should be altered or not. In this connection, such CRUDE theories were advanced about the STANDARD OF MONEY, the fixing of the price of gold, etc.

(“ALTERING THE STANDARD [is] LIKE ALTERING THE NATIONAL MEASURES OR WEIGHTS.” Steuart [*An Inquiry into the Principles of Political Oeconomy*, Vol. II, Dublin, 1770, p. 110].

It is immediately obvious that a nation’s stock of grain is not altered by the volume of the bushel being, e.g., doubled or reduced by half. But such a change would be of great importance to, e.g., tenant farmers who had to discharge corn rents in a definite number of bushels, i.e. if the size of the measure had been doubled, and they had to supply the same number of bushels as before.)

In this case, it was the creditors of the State who clung to the name pound, in abstraction from the fractional weight-part of gold which it expressed, and hence to the “ideal STANDARD”—FOR IN FACT this is merely the name of account of the weight-part of the metal which serves as measure. Singularly enough, however, it was

precisely their opponents that put forward this theory of the "ideal STANDARD", and the creditors themselves that opposed it. Instead of simply demanding a READJUSTMENT, or that the creditors of the State should only be paid back the quantity of gold which they had in fact advanced, they demanded that the STANDARD should be lowered in proportion to the depreciation; that is, e.g., if the £ sterling had fallen to $\frac{1}{5}$ ounce of gold, the name pound should in future be borne by this $\frac{1}{5}$ ounce, or the pound should perhaps be coined into 21 shillings instead of into 20. This lowering of the STANDARD was called raising the value of money, since the ounce would now be equal to £5 instead of, as previously, to £4. So they did not argue that those who had advanced, e.g., one ounce of gold in 5 depreciated pounds should now get back only 4 pounds of full value. They said, rather, that the creditors should get back £5, but that in future the pound should express $\frac{1}{20}$ ounce less than it did before.

When they put forward this demand in England after the RESUMPTION OF CASH PAYMENTS, the coin of account had regained its previous metallic value. In this connection other CRUDE theories about money as the measure of value were also advanced, and on the pretext that those theories were false, which was easy to demonstrate, the interests of the creditors of the State were smuggled through.

The first conflict of this kind was that between Locke and Lowndes. From 1688 to 1695, the loans of the State were contracted in depreciated money—depreciated because all the full-weight money had been melted down, leaving only light money in circulation. The guinea had risen to 30 shillings. Lowndes (Master of the Mint?) wanted to have the £ sterling reduced by 20%; Locke insisted on maintaining the OLD STANDARD OF Elizabeth. In 1695,^a the remelting, the GENERAL RECOINAGE. Locke carried the day: debts contracted when the guinea passed current for 10 or 14 shillings were discharged at the RATE OF 20 shillings. This was equally advantageous to the State and the landed proprietors.

"Lowndes put the question upon the wrong footing. First he maintained that his SCHEME implied no DEBASEMENT of the former STANDARD. Then he ascribed the rise of the price of BULLION to the intrinsic value of silver, and not to the LIGHTNESS OF [the] COIN with which it was bought. He always supposed that the STAMP, and not the substance, made the CURRENCY. Locke, for his part, only wondered whether or not Lowndes' scheme implied a DEBASEMENT but he did not analyse the interests of those who are engaged in PERMANENT CONTRACTS. MR.

^a 1696.—*Ed.*

LOWNDES'S GREAT ARGUMENT FOR REDUCING THE STANDARD WAS, THAT SILVER BULLION WAS RISEN TO 6S. 5D. PER OUNCE (I.E. THAT IT MIGHT HAVE BEEN BOUGHT WITH 77 PENCE OF SHILLINGS OF $\frac{1}{77}$ PART OF A POUND TROY), and therefore he was of the opinion that the POUND TROY SHOULD BE COINED INTO 77 shillings, which was a DIMINUTION of the value of the £ sterling by 20% or $\frac{1}{5}$. Locke answered him that the 77d. WERE PAID IN CLIPPED MONEY, and that they were not in weight above 62 PENCE STANDARD COIN. But ought a man who had borrowed £1,000 sterling in THIS CLIPPED MONEY to be obliged to pay back £1,000 IN STANDARD WEIGHT? Both Lowndes and Locke examined only very slightly the influence of changes in the STANDARD upon the relationship between debtors and creditors... In those days, the credit system was still little developed in England... THE LANDED INTEREST AND THE INTEREST OF THE CROWN, WERE ONLY ATTENDED TO. TRADE AT THAT TIME WAS ALMOST AT A STOP, AND HAD BEEN RUINED BY A PIRATICAL WAR... RESTORING THE STANDARD WAS THE MOST FAVOURABLE, BOTH FOR THE LANDED INTEREST AND THE EXCHEQUER; AND SO IT WAS GONE INTO" (Steuart, l.c., Vol. II, pp. 178, 179).

Steuart remarks about the whole TRANSACTION ironically:

"By this RAISING OF THE STANDARD, the government gained considerably upon the score of taxes, and the creditors upon their capital and interest; and the nation, which was the PRINCIPAL LOSER, was quite PLEASED, because its standard" (i.e. the measure of its *own* value) "was not DEBASED; thus ALL THE THREE PARTIES WERE SATISFIED" (l.c., Vol. II, p. 156).

Cf., in John Locke, *Works*, 4 vols, 7th edition, London, 1768, the essay *Some Considerations of the [Consequences of the] Lowering of Interest, and Raising the Value of Money* (1691) and also *Further Considerations concerning raising the value of Money, wherein Mr. Lowndes's arguments for it, in his late Report concerning "An Essay for the amendment of the silver coins" are particularly examined*, both in Vol. II. The first treatise says, among other things:

[VII-34] "THE RAISING OF MONEY, about which so much nonsense is talked now, is EITHER RAISING [the] VALUE OF OUR MONEY, and you cannot do that; or RAISING THE DENOMINATION OF OUR COIN" (p. 53). "Call, e.g., a crown what formerly was called $\frac{1}{2}$ a crown. The value remains determined by the metallic content. IF THE ABATING $\frac{1}{20}$ OF THE QUANTITY OF THE SILVER OF ANY COIN DOES NOT LESSEN ITS VALUE, THE ABATING $\frac{19}{20}$ OF THE QUANTITY OF THE SILVER OF ANY COIN WILL NOT ABATE ITS VALUE. So according to this theory, A SINGLE THREEPENCE, OR A SINGLE FARTHING, BEING CALLED A CROWN, WILL BUY AS MUCH SPICE OR SILK, OR ANY OTHER COMMODITY, AS A CROWNPIECE WHICH CONTAINS 20 OR 60 TIMES AS MUCH SILVER" (p. 54). "THE RAISING OF MONEY is therefore nothing but GIVING A LESS QUANTITY OF SILVER THE STAMP AND DENOMINATION OF A GREATER" (l.c.). "THE STAMP of the mint was a guarantee to the PUBLIC that under SUCH A DENOMINATION so much silver was contained" (p. 57). "IT IS SILVER, AND NOT NAMES, THAT PAYS DEBTS AND PURCHASES COMMODITIES" (p. 58). "The mint stamp suffices as a guarantee of the weight and fineness of the piece of money, but lets the GOLD MONEY SO COINED FIND ITS OWN RATE, like other commodities" (p. 66). In general, by the RAISING OF MONEY you can only make "MORE MONEY IN TALE", but not more "MONEY IN WEIGHT AND WORTH" (p. 73).

[In the second essay:]

"Silver is a standard quite different from all others. The yard, or quart men measure by, may rest in the buyer's or seller's, or a third person's hands, IT MATTERS NOT WHOSE IT IS. But silver is not only the measure of BARGAINS, IT IS THE THING BARGAINED FOR, and in commerce passes from the buyer to the seller, AS BEING IN SUCH A QUANTITY EQUIVALENT TO THE THING SOLD; AND SO IT NOT ONLY MEASURES THE VALUE OF THE COMMODITY IT IS APPLIED TO, BUT IS GIVEN IN EXCHANGE FOR IT, AS OF EQUAL VALUE. BUT THIS IT DOES ONLY BY ITS QUANTITY, AND NOTHING ELSE" (p. 92). "THE RAISING BEING BUT GIVING OF NAMES AT PLEASURE TO ALIQUOT PARTS OF ANY PIECE, VIZ. THAT NOW THE SIXTIETH PART OF AN OUNCE SHALL BE CALLED A PENNY, MAY BE DONE WITH WHAT INCREASE YOU PLEASE" (118). "THE PRIVILEGE THAT BULLION HAS, TO BE EXPORTED FREELY, WILL GIVE IT A LITTLE ADVANCE IN PRICE ABOVE OUR COIN, LET THE DENOMINATION OF THAT BE RAISED, OR FALLEN AS YOU PLEASE, WHILST THERE IS NEED OF ITS EXPORTATION, AND THE EXPORTATION OF OUR COIN IS PROHIBITED BY LAW" (pp. 119, 120).

In his conflict with Locke, Lowndes had argued that the rise in the price of BULLION was due to the fact that there had been a rise in its value and hence a fall in the value of the coin of account (i.e. because the value of BULLION had risen, the value of a fractional part of it, that called £, had fallen). The same position was adopted by the LITTLE-SHILLING-MEN—Attwood and the other members of the Birmingham SCHOOL, from 1819 onwards.⁵⁶ (Cobbett^a had put the question on the right basis: NON-ADJUSTMENT OF NATIONAL DEBTS, RENTS, etc.; but spoiled everything by his incorrect theory altogether rejecting paper money. Oddly enough, he arrived at this conclusion proceeding from the same incorrect premiss—that price was determined by the quantity of the means of circulation—as led Ricardo to draw the opposite conclusion.) Their whole wisdom is comprised in the following phrases:

"In his quarrel with the Birmingham CHAMBER OF COMMERCE Sir R. Peel asks: "WHAT WILL YOUR POUND NOTE REPRESENT?" (*The Currency Question. The Gemini Letters*, London, 1844, pp. 266) (i.e. the pound note if not redeemable in gold). "What is to be understood by the PRESENT STANDARD OF VALUE?... £3 17s. 10¹/₂d., does it denote one ounce of gold or its value? If the ounce itself, why not call things by their names, and say OUNCES, PENNYWEIGHTS, AND GRAINS instead of POUNDS, SHILLINGS and PENCE? This would bring us back TO A DIRECT SYSTEM OF BARTER" (p. 269).

(Not QUITE. But what would Mr. Attwood have gained if people said "ounce" instead of £3 17s. 10¹/₂d., and "so many PENNYWEIGHT" instead of "shilling"? That for the sake of convenience in calculation names are given to the fractional parts—which shows, besides, that the metal is here given a social determination alien to it—in what sense is this evidence either for or against Attwood's theory?)

"Or does it denote the value? If an ounce=£3 17s. 10¹/₂d., why is gold at different periods £5 4s. and then again £3 17s. 9d.? ... the EXPRESSION POUND HAS

^a W. Cobbett, *Paper against Gold*.—Ed.

REFERENCE TO VALUE, BUT NOT A FIXED STANDARD VALUE... LABOUR IS THE PARENT OF COST, AND GIVES THE RELATIVE VALUE TO GOLD OR IRON."

(And this is IN FACT why the value of one ounce and of £3 17s. 10 ¹/₂d. are both variable.)

"WHATEVER DENOMINATION OF WORDS ARE USED TO EXPRESS THE DAILY OR WEEKLY LABOUR OF A MAN, SUCH WORDS EXPRESS THE COST OF THE COMMODITY PRODUCED" (p. 270). "The word ONE POUND IS THE IDEAL UNIT" (p. 272).

This last proposition is significant because it shows how the theory of the "IDEAL UNIT" boils down to the demand for a money which should represent labour directly. "POUND" would then be the expression for, e.g., 12 days' labour. It is demanded that the determination of value should not give rise to that of money as a distinct determination, or that labour's being the measure of values should not lead to the labour objectified in a particular commodity being made the measure of other values. The important thing is that this demand is here made from the standpoint of the bourgeois economy (thus, among others, by Gray, who really carries the matter to the extreme, and of whom we shall speak presently) and not from that of the negation of the bourgeois economy, as was the case with, e.g., Bray. The Proudhonists (see, e.g., Mr. Darimon^a) have in fact managed to postulate the demand, both as one corresponding to the present-day relations of production, and as a great innovation, a demand totally revolutionising these relations. They can afford to do so because, like the *crapauds*^b they are, they of course need know nothing whatsoever of what has been written or thought on the other side of the Channel. AT ALL EVENTS, the simple fact that the demand was first put forward more than 50 years ago by a group of bourgeois economists in England, shows in itself how far the socialists who pretend thereby to be advancing something new and anti-bourgeois have strayed onto the wrong track. On the demand itself, see above.^c (Here we can only bring in a few points from Gray. As for the rest, we can only go into the details of this matter when we come to discuss banking.)

[MONEY AS MEANS OF CIRCULATION AND AS INDEPENDENT VALUE]

As regards money as an equivalent that remains equal to itself, i. e. as *value* as such, and hence as the material of all contracts, it

^a See present edition, Vol. 28, pp. 51-72.—*Ed.*

^b Philistines (literally: toads).—*Ed.*

^c See present edition, Vol. 28, pp. 60-93.—*Ed.*

is obvious that changes in the value of the material in which it is represented (directly, as in gold or silver, or indirectly, as a draft upon a specific quantity of gold, silver, etc., in the form of notes) must give rise to great revolutions between the different classes of a State. This is not to be examined here, since the relations in question can only be discussed given a knowledge of the different economic relations. [VII-35] Only so much by way of illustration.

In the 16th and 17th centuries, as is well known, the depreciation of gold and silver, resulting from the discovery of America, lowered the standing of the working class and of the landed proprietors, and raised that of the capitalists (especially the industrial capitalists). In the Roman Republic, the plebeians became the slaves of the patricians because of the APPRECIATION OF copper.^a

"Since the largest sums had to be paid in copper, one had to accumulate this metal either IN MASSES or as shapeless fragments which could be given and accepted by weight. Copper in this state was called *aes grave*.^b Metal MONEY was weighed." //Initially, the copper circulating among the Romans bore no stamp; later it bore the stamp of foreign mints. *Servius rex ovium boumque effigie primus aes signavit*^c (Pliny, *Historia Naturalis*, Book 18, Ch. 3).//

"After the patricians had accumulated a mass of this dull and rough metal, they sought to get rid of it either by buying from the plebeians all the lands which the latter agreed to sell to them or by lending it out at long term. They were forced to sell cheap a value which was an inconvenience to them, and which they had acquired without cost. The competition between all those who wished to get rid of it was bound to result in a considerable decline in the price of copper in Rome in a short time. At the beginning of the 4th century after the foundation of Rome, the ratio of copper to silver=1:960, as can be seen from the *lex Menenia* (302 A.U.C.^d)....

"At the same time, this metal, so depreciated in Rome, was one of the most sought-after articles in trade (since the Greeks made works of art out of bronze, etc.).... The exchange of the precious metals for copper in Rome yielded enormous profits, and so lucrative a trade daily stimulated fresh imports....

"Gradually, the patricians replaced in their hoards the piles of old copper, so inconvenient to store and so unpleasant to see, with ingots of gold and silver, *aurum infectum* and *argentum infectum*. After the defeat of Pyrrhus and especially after the conquests in Asia ... the *aes grave* completely disappeared and the needs of circulation necessitated the introduction of the Greek drachma, under the name of *victoriatius*, weighing 1 1/2 scruples of silver, like the Attic drachma; in the 7th century after the foundation of Rome the *lex Clodia* made it into Roman coin. Usually, it exchanged for one pound of copper or *the as of 12 ounces*

^a The passages from Garnier's *Histoire de la monnaie* that follow are reproduced by Marx partly in French, and partly in German translation or rendering.—Ed.

^b Heavy copper (measured by weight).—Ed.

^c Servius was the first king who stamped the copper with the images of sheep and oxen.—Ed.

^d From the founding of the city (of Rome).—Ed.

“So, owing to export, the ratio of silver to copper was now 192:1, i. e. the advantage of silver had declined to $\frac{1}{5}$ of what it was at the time of the greatest depreciation of copper. Nevertheless, copper was still cheaper in Rome than in Greece and Asia.

“This great revolution in the exchange value of the material of money, as it proceeded, brought about the cruellest deterioration in the lot of the unfortunate plebeians who, having borrowed the copper when it was depreciated, and spent or used it in accordance with the value it possessed at the time, were now indebted, according to the letter of their contracts, for 5×the sum they had actually borrowed. They had no means of buying themselves free from servitude.... Who had borrowed 3,000 *as* when this sum was=300 oxen or 900 scruples of silver could now obtain that amount only for 4,500 scruples of silver, since by then the *as* was represented by $1\frac{1}{2}$ scruples of this metal.... If the plebeian had returned $\frac{1}{5}$ of the copper which he had obtained, he would in reality have discharged his debt, for $\frac{1}{5}$ now [possessed] the same value as 1 at the time when the contract had been made. The value of copper relative to that of silver had risen five-fold....

“The plebeians demanded a revision of their debts, a new assessment of the sums due, and amendments in the title of their original obligations. True, the creditors did not demand restitution of the capital, but as a result of the excessive appreciation of the money, the very payment of interest originally stipulated at 12%, had become unbearable, as onerous as if it had been set at 60% of the principal. The debtors obtained a law subtracting the accumulated interest from the capital, but gained nothing by it....

“The senators would not relinquish the means by which they held the people in the most abject dependence. The owners of almost all the landed property, armed with legal titles authorising them to throw their debtors into irons and subject them to corporal punishment, they crushed the rebellions and raged against the most unruly ones. The house of every patrician was a prison. Finally, wars were provoked, which provided pay to the debtor, with a suspension of obligations, and opened up new sources of wealth and power to the creditor.

“This was the internal situation of Rome at the time of the defeat of Pyrrhus, the seizure of Taranto, and the important victories over the Samnites, Lucanians and other South Italic peoples, etc. The first Roman silver coin, the *libella*, was issued in 483 or 485 [after the foundation of Rome]; it was called the *libella* because, being of small weight, it was the *libra* of 12 ounces of copper” (Germain Garnier, *Histoire de la monnaie etc.*, 2 vols, Paris, 1819, Vol. II, [21-24] pp. 15 et sqq.).

// *Assignats*.³⁷

“*NATIONAL PROPERTY. Assignat OF 100 FRANCS*” LEGAL TENDER. They differed from all other NOTES in *NOT EVEN PROFESSING TO REPRESENT ANY SPECIFIED THING*. The words “*NATIONAL PROPERTY*” signified that their value could be obtained by purchasing with them the CONFISCATED PROPERTY at the regular auctions of such property. But there was no reason why that value should have been called 100 francs. It depended on the COMPARATIVE QUANTITY of the PROPERTY SO PURCHASABLE, and the number of assignats issued (Nassau W. Senior, *Three Lectures on the Cost of Obtaining Money etc.*, London, 1830, pp. 78, 79).

“The *livre of account*, introduced by Charlemagne, and almost never represented by a real equivalent coin, retained its name, as well as its divisions into sous and deniers, up to the end of the 18th century. By contrast, there was infinite variation in the name, form, weight and value of real money, not only at every change of

government, but under the same government. True, the value of the livre of account was also subjected to enormous reductions, but this was always done forcibly" (Garnier, l.c., Vol. I, p. 76 [77]).

All coins of the ancients were originally weights (*ibid.*).

"MONEY IS IN THE FIRST PLACE THE UNIVERSALLY MARKETABLE COMMODITY, OR THAT IN WHICH EVERY ONE DEALS FOR THE PURPOSE OF PROCURING OTHER COMMODITIES" (Bailey, *Money and Its Vicissitudes etc.*, London, 1837, p. 1). "IT IS THE GREAT MEDIAL COMMODITY" (l.c., p. 2). It is the GENERAL COMMODITY OF CONTRACTS, OR THAT IN WHICH THE MAJORITY OF BARGAINS ABOUT PROPERTY, TO BE COMPLETED AT A FUTURE TIME, ARE MADE (p. 3). Finally, it is the "MEASURE OF VALUE.. NOW, AS ALL ARTICLES ARE EXCHANGED FOR MONEY, THE MUTUAL VALUES OF A AND B ARE AS NECESSARILY SHOWN BY THEIR VALUES IN MONEY OR THEIR PRICES... [VII-36] AS THE COMPARATIVE WEIGHTS OF SUBSTANCES ARE SEEN BY THEIR WEIGHTS IN RELATION TO WATER, OR THEIR SPECIFIC GRAVITIES" (p. 4).

"THE FIRST ESSENTIAL REQUISITE IS THAT MONEY SHOULD BE UNIFORM IN ITS PHYSICAL QUALITIES, SO THAT EQUAL QUANTITIES OF IT SHOULD BE SO FAR IDENTICAL AS TO PRESENT NO GROUND FOR PREFERRING ONE TO THE OTHER. For example, GRAIN and CATTLE are not suitable for this purpose, if only because EQUAL quantities of GRAIN AND EQUAL NUMBERS OF CATTLE ARE NOT ALWAYS ALIKE IN THE QUALITIES FOR WHICH THEY ARE PREFERRED" (pp. 5-6).

"Hence STEADINESS OF VALUE IS DESIRABLE in money as the MEDIAL COMMODITY AND A COMMODITY OF CONTRACT; it is QUITE UNESSENTIAL TO IT IN ITS CAPACITY OF THE MEASURE OF VALUE" (p. 9). "MONEY MAY CONTINUALLY VARY IN VALUE, AND YET BE AS GOOD A MEASURE OF VALUE AS IF IT REMAINED PERFECTLY STATIONARY. SUPPOSE, for example, IT IS REDUCED IN VALUE and the reduction in value implies a REDUCTION OF VALUE IN RELATION TO SOME ONE OR MORE COMMODITIES; SUPPOSE IT IS REDUCED IN VALUE IN RELATION TO CORN AND LABOUR. BEFORE THE REDUCTION, A GUINEA WOULD PURCHASE THREE BUSHELS OF WHEAT, OR SIX DAYS' LABOUR; SUBSEQUENTLY, IT WOULD PURCHASE ONLY TWO BUSHELS OF WHEAT OR 4 DAYS' LABOUR. In both cases, THE RELATIONS OF WHEAT AND LABOUR TO MONEY BEING GIVEN, THEIR MUTUAL RELATIONS CAN BE INFERRED; IN OTHER WORDS, WE CAN ASCERTAIN THAT A BUSHEL OF WHEAT IS WORTH 2 DAYS' LABOUR. THIS, WHICH IS ALL THAT MEASURING VALUE IMPLIES, IS AS READILY DONE AFTER THE REDUCTION AS BEFORE. THE EXCELLENCE OF ANY THING AS A MEASURE OF VALUE IS ALTOGETHER INDEPENDENT OF ITS OWN VARIABLENESS IN VALUE.... One confuses INVARIABLENESS OF VALUE WITH INVARIABLENESS IN FINENESS AND WEIGHT.... THE COMMAND OF QUANTITY BEING THAT WHICH CONSTITUTES VALUE, A DEFINITE QUANTITY OF A SUBSTANCE OF SOME UNIFORM COMMODITY MUST BE USED AS A UNIT TO MEASURE VALUE; AND IT IS THIS DEFINITE QUANTITY OF A SUBSTANCE OF UNIFORM QUALITY WHICH MUST BE INVARIABLE" (p[. 9-]11).

All pecuniary contracts are concerned with the *quantity* of gold and silver to be loaned, not with their value (p. [100-] 103). "If a person insists that it is a contract for a definite *value*, HE IS BOUND TO SHOW IN RELATION TO WHAT COMMODITY: THUS, HE WOULD BE MAINTAINING THAT A PECUNIARY CONTRACT DOES NOT RELATE TO A QUANTITY OF MONEY AS EXPRESSED ON THE FACE OF IT, BUT TO A QUANTITY OF SOME COMMODITY OF WHICH NO MENTION IS MADE" (p. 104).

"It is not necessary to confine this to contracts where actual *money* is lent. It is true FOR ALL STIPULATIONS FOR THE FUTURE PAYMENTS OF MONEY, WHETHER FOR ARTICLES OF ANY KIND SOLD ON CREDIT, OR FOR SERVICES, OR AS RENT OF LAND OR HOUSES; they are PRECISELY IN THE SAME CONDITION AS PURE LOANS OF THE MEDIAL COMMODITY. IF A SELLS A TON OF IRON TO B FOR 10 POUNDS, AT 12 MONTHS' CREDIT, IT IS JUST THE SAME IN EFFECT AS LENDING THE TEN POUNDS FOR A YEAR, and the interests of both parties to the contract will BE AFFECTED IN THE SAME MANNER BY CHANGES IN THE CURRENCY" (pp. 110, 111).

The naming of specific and invariable fractional parts of the money substance which are to serve as the measuring unit is confused with fixing the *price* of money. This confusion is characteristic of, among others, Mr. Adam Müller, the highfalutin Romantic political economist. He says, among other things:

“Everybody realises how important it is to *determine the price of coins* correctly, especially in a country like England, where the government with generous liberality coins money gratuitously” (i. e. at the expense of the country and to the profit of the Bank of England BULLION DEALERS), “where no seigniorage is levied, etc., and consequently if the government were to fix the mint price considerably above the market price, if instead of paying £3 17s. 10 1/2 d. for an ounce of gold as at present, it fixed the mint price of an ounce of gold at £3 19s., all gold would flow into the mint and the silver obtained there would be exchanged for the cheaper gold on the market and, as a result, again brought to the mint, thus throwing the monetary system into disorder” (*Die Elemente der Staatskunst*, Part II, Berlin, 1809, pp. 280, 281).

So Mr. Müller is unaware of the fact that pence and shilling here are merely names for fractional parts of a gold coin. Because pieces of silver and copper—which, *notabene*, are not stamped according to the ratio of silver and copper to gold, but are issued merely as tokens representing portions of gold of the same name, and hence have only to be taken in payments in very small amounts—circulate under the names “shillings” and “pence”, he imagines that an ounce of gold is divided into pieces of gold, silver and copper (hence a triple STANDARD OF VALUE). But a few lines further, he recalls that in England there is not even a double standard, still less a triple one. Mr. Müller’s hazy notions of “common” economic relations is the real foundation of his “higher” conception.

From the general law that the total price of the commodities in circulation determines the volume of the circulating medium, assuming a definite velocity of circulation, it follows that, at a definite stage in the growth of values thrown into circulation, the more precious metal—the metal of greater specific value, i. e., which contains more labour time in a smaller quantity of itself—supersedes the less precious metal as the dominant means of circulation. Hence, copper, silver, gold, one ousts the other as the dominant means of circulation. The same aggregate sum of prices can, e. g., be circulated with 14 times less gold coins than silver coins. The dominance of copper coins, and still more of iron coins, as the means of circulation implies a low level of circulation. In just the same way, the more powerful but more valuable means of transport and communication replace the less valuable, as the

volume of commodities in circulation and of circulation in general increases.

On the other hand, the petty retail trade of everyday life, of course, requires acts of exchange which are on a diminutive scale—the smaller the poorer the country and the lower the level of circulation in general are. It is in this retail trade, in which very small quantities of commodities, and hence very small values, are circulated, that money appears in the strictest sense of the word only as an evanescent means of circulation and is not fixed as realised price. To serve the needs of this trade a subsidiary means of circulation is therefore introduced which is merely the token of the fractional parts of the dominant means of circulation. They are silver and copper chips which are, consequently, not coined according to the proportion of the value of their substance to the value of, e. g., gold. Here money appears merely as a token, even though itself still in a relatively valuable substance. Gold, e. g., would have to be divided into exceedingly small fractions to correspond as an equivalent to the division of commodities which is required by this retail trade.

Therefore, these subsidiary means of circulation need, under law, to be taken in payment only in small amounts; so they can never assert themselves as the realisation of price. [VII-37] E. g., in England, copper to the amount of 6d., and silver to the amount of 20s. The higher the degree of development of circulation in general, and the greater the sum of prices of the commodities entering into circulation, the more is the WHOLESALE exchange of commodities separated from their retail exchange, and the more do they require different kinds of coin for circulation. The velocity of circulation of the chips is inversely related to the magnitude of their value.

“In the EARLY STAGE OF SOCIETY, WHEN NATIONS ARE POOR, AND THEIR PAYMENTS TRIFLING, COPPER HAS FREQUENTLY BEEN KNOWN TO ANSWER ALL THE PURPOSES OF CURRENCY; and IT IS COINED INTO PIECES OF VERY LOW DENOMINATIONS IN ORDER TO FACILITATE THE INCONSIDERABLE EXCHANGES WHICH THEN TAKE PLACE. Thus in the EARLY AGE of the ROMAN REPUBLIC and Scotland” (David Buchanan, *Observations on the Subjects Treated of in Dr. Smith's Inquiry etc.*, Edinburgh, 1814, p. 3).

“THE GENERAL WEALTH OF A COUNTRY IS VERY ACCURATELY MEASURED BY THE NATURE OF ITS PAYMENTS AND THE STATE OF ITS COIN; AND THE DECIDED PREVALENCE OF A COARSE METAL IN ITS CURRENCY, JOINED TO THE USE OF COINS OF VERY LOW DENOMINATIONS, MARKS A RUDE STATE OF SOCIETY” (p. 4). “Later the BUSINESS OF THE CURRENCY divides itself into 2 DISTINCT DEPARTMENTS: THE DUTY OF EFFECTING THE MAIN PAYMENTS being reserved for the MORE PRECIOUS METALS, while the INFERIOR METALS are RETAINED FOR MORE TRIVIAL EXCHANGES, and are thus merely SUBSERVIENT TO THE MAIN CURRENCY. Between the first INTRODUCTION of a precious metal into the CURRENCY of a country, and its exclusive USE in the MAIN PAYMENTS, there is

a wide interval; and the PAYMENTS of the RETAIL TRADE must, in the meantime, have become so CONSIDERABLE, in consequence of the INCREASE OF WEALTH, that they COULD, in part at least, BE CONVENIENTLY MANAGED BY THE NEW and MORE VALUABLE COIN; SINCE NO COIN CAN BE USED FOR THE MAIN PAYMENTS" (this is wrong, as is seen in the case of banknotes) "WHICH IS NOT SUITED, at the same time, TO THE TRANSACTIONS OF THE RETAIL TRADE, because every TRADE ultimately derives THE RETURN OF ITS CAPITAL from the CONSUMER....

On the Continent silver has held its ground everywhere in the MAIN PAYMENTS.... In Britain, the quantity of silver in circulation does not exceed what is necessary for the SMALLER PAYMENTS.... In point of fact, FEW PAYMENTS to the amount of 20s. are made in silver. Before the REIGN of William III, SILVER WAS BROUGHT IN LARGE BAGS TO THE TREASURY IN PAYMENT OF THE NATIONAL REVENUE. At this period the great change took place.... The exclusive INTRODUCTION of gold into the MAIN PAYMENTS OF ENGLAND WAS A CLEAR PROOF that *the RETURNS of the RETAIL TRADE were by this time chiefly made in gold*; this possible without a SINGLE PAYMENT ever EXCEEDING or even EQUALLING ANY OF THE GOLD COINS; BECAUSE, IN THE GENERAL ABUNDANCE OF GOLD, AND SCARCITY OF SILVER, GOLD COINS would naturally be OFFERED FOR SMALL SUMS and A BALANCE OF SILVER DEMANDED IN RETURN; as a result of which gold, BY THUS ASSISTING in the RETAIL TRADE, and ECONOMISING THE USE OF SILVER, even for the SMALL PAYMENTS, WOULD PREVENT ITS ACCUMULATION BY THE RETAIL TRADER.... The substitution of gold for silver in the MAIN PAYMENTS in England" (1695) "coincided with the substitution of silver for copper in Sweden....

"It is clear that the COIN USED FOR THE LARGER PAYMENTS CAN ONLY PASS CURRENT AT ITS INTRINSIC WORTH.... But intrinsic worth is not necessary to a SUBSIDIARY CURRENCY.... In Rome, as long as COPPER was the PREVAILING COIN, it was CURRENT ONLY FOR ITS INTRINSIC VALUE.... Silver was introduced 5 years before the commencement of the First Punic War, and superseded copper in the main payments only gradually.... Gold was introduced 62 years after silver; BUT IT NEVER SEEMS TO HAVE EXCLUDED SILVER FROM THE MAIN PAYMENTS.... In India, copper is not a SUBSIDIARY CURRENCY; therefore, passes current for its INTRINSIC WORTH. The RUPEE, A SILVER COIN of 2s. 3d., is the MONEY OF ACCOUNT; IN RELATION to which, the MOHOUR, A GOLD COIN, and the PICE, A COPPER COIN, ARE ALLOWED TO FIND THEIR VALUE IN THE MARKET; the NUMBER OF PICE CURRENTLY EXCHANGED FOR A RUPEE constantly VARIES with the weight and value of the COIN; while here 24 HALFPENCE always=1s. without regard to their weight. In India, the RETAIL DEALER must still accept CONSIDERABLE QUANTITIES OF COPPER in return for his GOODS; and he CANNOT AFFORD TO TAKE IT, therefore, BUT for its intrinsic worth. In the CURRENCIES of Europe, copper PASSES for whatever value is fixed on it, without examination either of its weight or FINENESS" (pp. 4-18).

"In ENGLAND, an excess of copper coin was issued in 1798, BY PRIVATE TRADERS; and although COPPER is LEGAL PAYMENT for no more than 6d., the surplus found its way to the RETAIL TRADERS, who sought to put it back into circulation; but it ultimately returned to them. When this CURRENCY was stopped, COPPER had accumulated with the RETAIL TRADERS, in sums of £20, £30 and even £50, which they were finally obliged to dispose of for their INTRINSIC worth" (p. 31).

In the SUBSIDIARY CURRENCY the means of circulation as such, as a mere evanescent medium, assumes a special existence, alongside the means of circulation which simultaneously is an equivalent, realises prices, and is accumulated as independent value. Here, therefore, purely a token. Hence it can only be issued in the

quantity that is absolutely necessary for the petty RETAIL TRADE, and consequently it can never be accumulated. That quantity must be determined by the aggregate of the prices it circulates divided by its velocity. Since the amount of the circulating medium, of a certain value, is determined by the prices, it follows that if a greater quantity were artificially thrown into circulation than that required by circulation itself, and could not flow off (which is not the case here, because as a means of circulation it is above its INTRINSIC WORTH), it would be depreciated—not because the quantity determines the prices, but because the prices determine the quantity, so that only a definite quantity of it, to a definite value, can remain in circulation.

Hence, if there are no openings through which circulation can throw out the excessive quantity, if the circulating medium cannot change from its form as means of circulation into that of value-for-itself, the value of the means of circulation must fall. But unless there are artificial hindrances, prohibition of the melting-down of coin, of its export, etc., this can only take place if the circulating medium is merely a token, does not itself possess a real value which corresponds to its nominal value, and hence cannot pass over from the form of circulating medium into that of commodity in general, divesting itself of the stamp it bears; if it is imprisoned in its existence as coin.

On the other hand, it follows that the token, the money chip, can circulate at the nominal value of the money which it represents—without in fact possessing any value of its own—only in so far as it represents the means of circulation in the quantity in which that means would have circulated itself. But the condition then is, simultaneously, that it itself either is available only in so small a quantity that it circulates only in the subsidiary form, i.e. never ceases for a moment to be means of circulation (in which situation it constantly serves partly to effect the exchange of small quantities of commodities, and partly merely for the exchange of the real means of circulation), and hence can never be accumulated; or else it must not possess any value at all, so that its nominal value can never be compared with its intrinsic value. In the latter case it is posited as a mere *token*, which indicates a value as existing outside it. In the former case, the occasion never arises for a comparison to be made between its intrinsic value and its nominal value.

[VII-38] That is why debasements of money become manifest immediately, while a total abolition of its value has no negative effect. Otherwise it would look paradoxical that money could be

replaced with valueless paper, while the least diminution of its metallic content depreciates it.

In general, there is a contradiction in the dual determination of money in circulation, i.e. as mere means of circulation, in which role it is an evanescent mediator; and simultaneously as the realisation of prices, in which form it is accumulated and converted into its third determination as money. As means of circulation, it is worn out, and therefore does not comprise the metallic content which makes it a fixed quantity of objectified labour. Hence its correspondence to its value is always more or less illusory. Here an example should be given.

It is important, already at this point in the chapter on money, to introduce the determination of quantity, but deduced in a way that is the very opposite to that in the usual doctrine. Money can be replaced, because its quantity is determined by the prices which it circulates. To the extent that it itself has value—as in the case of the subsidiary means of circulation—its quantity must be so determined that it can never be accumulated as an equivalent and in fact always figures only as an auxiliary wheel of the actual means of circulation. But if it is to replace the latter itself, it must have no value at all, i.e. its value must exist outside it. The VARIATIONS in circulation are determined by the AMOUNT and NUMBER OF TRANSACTIONS ([*The*] *Econ[omist]*^a). The circulation may increase because of an increase in the AMOUNT of commodities, prices remaining the same; because of a rise in prices, the AMOUNT of commodities remaining the same; because of a combination of the two factors.

The proposition that the prices regulate the QUANTITY OF CURRENCY and not vice versa, or, in other words, THAT TRADE REGULATES CURRENCY (the quantity of the means of circulation), AND CURRENCY DOES NOT REGULATE TRADE, implies, OF COURSE, AS OUR DEDUCTION HAS SHOWN, THAT PRICE IS ONLY VALUE TRANSLATED INTO ANOTHER LANGUAGE. Value, more specifically value determined by labour time, is the presupposition. Hence it is clear that this law is not equally applicable to price FLUCTUATIONS at all epochs; e.g., to those in the ancient world, e.g. in Rome, where the circulating medium does not itself spring from circulation, from EXCHANGE, but originates from looting, plunder, etc.

“No country can consistently have more than one STANDARD; MORE THAN ONE STANDARD FOR THE MEASURE OF VALUE; for this STANDARD must be UNIFORM and UNCHANGING. No article has a uniform and unchanging value in relation to

^a “On the Use and Functions of Bank Notes.—Circulation.—The Bank Act of 1844”, *The Economist*, No. 226, 25 December 1847.—*Ed.*

another; IT ONLY HAS SUCH WITH ITSELF. One piece of gold is always of the same value as another of exactly the same fineness, the same weight and in the same place; BUT THIS CANNOT BE SAID OF GOLD AND ANY OTHER ARTICLE, e.g. silver" ([*The Economist*], Vol. I, [No. 37, 11 May 1844,] p. 771). "The POUND is nothing but A DENOMINATION IN ACCOUNT, WHICH HAS REFERENCE TO A GIVEN and FIXED QUANTITY OF GOLD OF STANDARD QUALITY" (ibid.). "To speak OF MAKING an ounce of gold worth £5 instead of £3 17s. 10 1/2d. is merely to say that it ought henceforth to be minted into 5 SOVEREIGNS instead of into 3 429/480 SOVEREIGNS. We would not thereby alter the *value of gold*, but merely the *weight* and consequently the *value of the pound* or SOVEREIGN. An ounce of gold would continue to have the same value relative to wheat and all other commodities; but since a pound, though bearing the same name as before, would represent a smaller part of an ounce of gold, it would represent a CORRESPONDINGLY less quantity of wheat and other commodities. Just exactly as if we were to say that a *quarter of wheat* should *no longer* be divided into 8, but into 12 BUSHELS; we could not thereby alter the value of wheat but [only] diminish the QUANTITY contained in a BUSHEL and consequently diminish its value" (i.c., p. 772).

"Whatever temporary or permanent CHANGE may take place [in the value of gold], its *price* will always be expressed in the same AMOUNT OF MONEY: one ounce of gold will continue to be £3 17s. 10 1/2d. OF OUR MONEY. The change in its value is indicated by the greater or lesser quantity of other commodities which it can buy" (i.c., [*The Economist*, No. 42, 15 June 1844,] p. 890).

The *ideal bar*^a may be compared, e.g., with the *ideal milrea* in Brazil (similarly with the POUND in England at the time of the depreciation of bank notes, etc.). What is fixed here is the name *milrea*; what fluctuates is the quantity of gold or silver which it expresses.

In Buenos Aires, the CURRENCY is an INCONVERTIBLE paper money (paper dollars); this dollar was originally=4s. 6d., now about 3 1/4d., and HAS BEEN AS LOW AS 1 1/2d. A yard of CLOTH was previously worth 2 dollars, now *nominally* 28 dollars in consequence of the depreciation of the paper [*The Economist*, No. 57, 28 September 1844, p. 1253].

"In Scotland, THE MEDIUM OF EXCHANGE", not to be confused with the STANDARD OF VALUE, "of the AMOUNT OF £1 and UPWARDS, MAY BE SAID TO BE EXCLUSIVELY PAPER, and GOLD DOES NOT CIRCULATE AT ALL; YET GOLD IS AS MUCH THE STANDARD OF VALUE AS IF NOTHING ELSE CIRCULATED, BECAUSE THE PAPER IS CONVERTIBLE INTO THE SAME FIXED QUANTITY OF THAT METAL; AND IT CIRCULATES ONLY ON THE FAITH OF BEING SO CONVERTIBLE" ([*The Economist*, No. 58, 5 October 1844,] p. 1275).

"GUINEAS are HOARDED IN TIMES OF DISTRUST" (Thornton, [*An Enquiry into the Nature and Effects of the Paper Credit of Great Britain*, London, 1802,] p. 48).

The HOARDING PRINCIPLE, in which money functions as independent value, is necessary as a *moment*—leaving aside the striking forms in which it appears—of exchange based on money circulation. For, as A. Smith says,^b besides one's own commodity everyone needs

^a See present edition, Vol. 28, pp. 80 and 128.—Ed.

^b A. Smith, *An Enquiry into the Nature and Causes of the Wealth of Nations*, Vol. I, London, 1835, p. 85.—Ed.

the MEDIAL QUANTITY, a definite proportion, of the "general commodity".

"THE MAN IN TRADE HAS PROPERTY IN TRADE" (l.c. [Thornton], p. 21).//

"EQUAL CAPITALS, or, in other words, EQUAL QUANTITIES OF ACCUMULATED LABOUR, WILL OFTEN PUT IN MOTION DIFFERENT QUANTITIES OF IMMEDIATE LABOUR; but this changes nothing in substance" (Torrens, *An Essay on the Production of Wealth*, London, 1821, pp. 29-30). "In the EARLY PERIOD OF SOCIETY, it is the TOTAL QUANTITY OF LABOUR, ACCUMULATED and IMMEDIATE, EXPENDED ON PRODUCTION, that determines the relative value of commodities. But as soon as STOCK has ACCUMULATED, and there emerges a class of capitalists distinct from that of labourers, WHEN THE PERSON WHO UNDERTAKES ANY BRANCH OF INDUSTRY DOES NOT PERFORM HIS OWN WORK, BUT ADVANCES SUBSISTENCE and MATERIALS TO OTHERS, THEN IT IS THE AMOUNT OF CAPITAL, OR THE QUANTITY OF ACCUMULATED LABOUR EXPENDED IN PRODUCTION, that determines the EXCHANGEABLE POWER OF COMMODITIES" (pp. 33-34). "As long as 2 capitals are equal, their products are of equal value, HOWEVER WE MAY VARY THE QUANTITY OF IMMEDIATE LABOUR WHICH THEY PUT IN MOTION, OR WHICH THEIR PRODUCTS MAY REQUIRE. If they are unequal, their PRODUCTS are OF UNEQUAL VALUE, THOUGH THE TOTAL QUANTITY OF LABOUR EXPENDED UPON EACH SHOULD BE PRECISELY EQUAL" (p. 39). "Therefore after the separation of CAPITALISTS and LABOURERS, it is the AMOUNT OF CAPITAL, the QUANTITY OF ACCUMULATED LABOUR, and not, as before this separation, the SUM OF ACCUMULATED and IMMEDIATE LABOUR, EXPENDED ON PRODUCTION, that determines the exchange value" (l.c., [pp. 39-40]).

Mr. Torrens' confused approach is correct compared to the ABSTRACT WAY of the RICARDIANS. In itself, fundamentally wrong. Firstly, the determination of value by pure labour time takes place only on the basis of production [VII-39] of capital, hence on that of the separation of the 2 classes. The equalisation of *prices* IN CONSEQUENCE OF THE SAME AVERAGE RATE OF PROFIT—(and EVEN this is to be taken *cum grano salis*^a)—has *nothing* to do with the determination of value, but rather *presupposes* value. The passage is important for showing the confusion of the RICARDIANS.

The rate of surplus value as profit is determined (1) by the volume of surplus value itself; (2) by the ratio of living labour to ACCUMULATED labour (the ratio of the CAPITAL EXPENDED in wages to THE CAPITAL EMPLOYED AS SUCH). The two factors which determine (1) and (2) must be examined specially. E.g., the law of rent pertains to (1). For the time being, necessary labour as such is assumed, i.e. that the worker always receives only the necessary minimum of wages. This assumption is, of course, necessary in order to establish the laws of profit, to the extent that they are not determined by the rise and fall of wages or by the influence of landed property. All the *solid* assumptions themselves become

^a With a grain of salt.—Ed.

fluid in the course of the analysis. But it is only by fixing them at the outset that one can undertake the analysis WITHOUT CONFOUNDING EVERYTHING. BESIDES, IT IS PRACTICALLY SURE, THAT, FOR INSTANCE, HOWEVER THE STANDARD OF NECESSARY LABOUR MAY DIFFER AT VARIOUS EPOCHS AND IN VARIOUS COUNTRIES, OR HOW[ever] MUCH, IN CONSEQUENCE OF THE CHANGING PRICES OF RAW PRODUCE, ITS RATIO, OR IN CONSEQUENCE OF THE DEMAND AND SUPPLY OF LABOUR ITS AMOUNT AND RATIO MAY CHANGE, AT ANY GIVEN EPOCH THE STANDARD IS TO BE CONSIDERED AND ACTED UPON AS A FIXED ONE BY CAPITAL. TO CONSIDER THOSE CHANGES THEMSELVES BELONGS ALTOGETHER TO THE CHAPTER TREATING OF WAGES-LABOUR.

“EXCHANGEABLE VALUE IS DETERMINED, NOT BY THE ABSOLUTE, BUT BY THE RELATIVE COST OF PRODUCTION. IF THE COST OF PRODUCING GOLD REMAINED THE SAME, WHILE THE COST OF PRODUCING ALL OTHER THINGS SHOULD BE DOUBLED, THEN WOULD GOLD HAVE A LESS POWER OF PURCHASING ALL OTHER THINGS THAN BEFORE; AND ITS EXCHANGEABLE VALUE WOULD FALL $\frac{1}{2}$; and this DIMINUTION in its exchange value would be precisely the same, IN EFFECT, as if the COST OF PRODUCING ALL OTHER THINGS REMAINED UNALTERED, WHILE THAT OF PRODUCING GOLD HAD BEEN REDUCED $\frac{1}{2}$ ” (Torrens, l.c., pp. 56-57).

This is important for prices, but not at all for the determination of value; a mere tautology. To say that the value of a commodity is determined by the quantity of labour which it contains is to say that it exchanges for the same quantity of labour embodied in any other form of use value. Hence it is clear that, if the labour time necessary for the production of object *a* DOUBLES, only $\frac{1}{2}$ of it is now=to its former equivalent *b*. Since equivalence is determined by the equality of labour time or of the quantity of labour, difference in value is OF COURSE determined by inequality of these, or labour time is the measure of value.

“In 1826 the VARIOUS MACHINERY USED IN MANUFACTURING COTTON enabled 1 man TO PERFORM THE WORK OF 150. Now assuming that only 280,000 men are employed in it, half a century ago 42,000,000 men would have had to be in it” (Hodgskin, [*Popular Political Economy*, London, 1827,] p. 72).

“THE RELATIVE VALUE OF THE PRECIOUS METALS TO OTHER COMMODITIES DETERMINES HOW MUCH OF THEM MUST BE GIVEN FOR OTHER THINGS; AND THE NUMBER OF SALES TO BE MADE, WITHIN A GIVEN PERIOD, DETERMINES, AS FAR AS MONEY IS THE INSTRUMENT FOR EFFECTING SALES, THE QUANTITY OF MONEY REQUIRED” (l.c., p. 188).

“ABUNDANT REASON TO BELIEVE THAT THE PRACTICE OF COINING ORIGINATED WITH INDIVIDUALS and was CARRIED ON BY THEM BEFORE IT WAS SEIZED ON AND MONOPOLISED BY GOVERNMENTS. Such was for a LONG time the practice in RUSSIA” (see Storch^a) (l.c., p. 195, note).

^a H. Storch, *Cours d'économie politique*, Vol. II, p. 128.—Ed.

Hodgskin takes a different view from that of the romantic Müller^a:

"THE MINT STAMPS ONLY WHAT INDIVIDUALS BRING, MOST INJUDICIOUSLY CHARGING THEM NOTHING FOR THE LABOUR OF COINING; AND TAXING THE NATION FOR THE BENEFIT OF THOSE WHO DEAL IN MONEY" (*Popular Political Economy, etc.*, London, 1827, p. 194).

[MACHINERY AND PROFIT]

After all these digressions on money—and we shall have occasionally to take up the subject again before ENDING THIS CHAPTER—we return to the *point de départ* (see. p. 25^b).

Here is an example of how in manufacturing industry, too, the improvement of machinery, and the increase in productive power effected by it, creates (relatively) *raw material*, rather than necessitating an absolute increase in it:

"The *FACTORY SYSTEM* in the LINEN TRADE is very new. Prior to 1828, the great bulk of the linen yarn in Ireland and England was spun BY HAND. About that time, FLAX-SPINNING MACHINERY was so much improved, particularly by the perseverance of Mr. Peter Fairbairn of Leeds, that it came into very GENERAL USE. From that time SPINNING MILLS very extensively erected at Belfast and other parts of the North of Ireland, as well as in DIFFERENT PARTS in Yorkshire, Lancashire, and in Scotland, for the spinning of fine yarns, and in the course of a few years hand spinning was abandoned. FINE TOW YARN is now manufactured from what was 20 years ago thrown away as refuse" ([*The Economist*,] No. 366, 31 August 1850, [p. 954]).

Whenever machinery is employed—let us first consider the *CASE* in its immediate form, i.e. that a capitalist, instead of expending a part of his capital on immediate labour, puts it into machinery—a part of capital is taken away from the variable and self-multiplying portion of capital, i.e. from the portion which exchanges with living labour, in order to be added to the constant part, whose value is merely reproduced or is maintained in the product. Yet this is done TO MAKE THE REMAINING PORTION MORE PRODUCTIVE.

First case: The *value of the machinery is equal to the value of the labour capacity which it replaces*. In this case, the newly produced value would diminish, not increase, if the surplus time worked by the remaining labour capacity did not increase in the same proportion as its amount diminished. If 50 of 100 workers are dismissed and replaced by machinery, the remaining 50 must produce as much surplus labour time as did the 100 previously employed. If the 100 worked a total of 1,200 hours a day, of which 200 hours was surplus labour time, the same amount of

^a See this volume, p. 190.—*Ed.*

^b *Ibid.*, pp. 158-61.—*Ed.*

surplus labour time must now be produced by the 50; i.e. 4 hours daily [by each of them], whereas the former only produced 2. In this case, the surplus labour time remains $50 \times 4 = 200$, the same as before ($100 \times 2 = 200$), although the absolute labour time has diminished. Since capital is concerned only with the production of surplus labour, nothing changes for it in this case. The volume of raw material worked up would remain the same, and hence the outlay on it; the outlay on the instrument of labour would increase, and that on labour decline. The value of the total product would be the same, because it would equal the same sum of objectified and surplus labour time.

Such a case would hold no incentive for capital at all. What it gained in surplus labour time on the one hand, it would lose in that part of capital which would enter into production as objectified labour, i.e. as invariable value. Yet we must bear in mind that the machinery replaces less efficient instruments of production, which possessed a certain value, i.e. had been obtained in exchange for a certain sum of money. In the case of the capitalist who starts a new business, if not in that of the one already established in business, the part of the capital which was employed in instruments of lower productivity does not enter into the cost of the machinery.

[VII-40] Hence if, e.g., with the introduction of machinery to the value of £1,200 (50 labour capacities) an earlier outlay of, say, £240 on instruments of production falls away, the extra outlay of capital would amount to only £960, the price of 40 workers for a year. If in this case the remaining 50 workers produce between them exactly as much surplus labour as the 100 did before, so 200 hours of surplus labour are now produced with a capital of 2,160, as compared with the previous capital of 2,400. The number of workers has been halved; absolute surplus labour has remained the same, 200 hours of labour as before; the capital laid out in the material of labour has also remained the same; but the ratio of surplus labour to the invariable part of capital has increased absolutely.^a

Since the capital laid out in raw material has remained the same, and that laid out in machinery has increased, but not in the same proportion by which the capital laid out in labour has diminished, it means that *the total outlay of capital has decreased*; surplus labour has remained the same, i.e. it has increased relative to capital, and not merely in the proportion by which surplus labour time must

^a Here Marx crossed out an unfinished calculation of the relation between the volume of surplus labour and the constant and variable parts of capital.—Ed.

increase to remain the same with half as many workers, but to a greater extent, i.e., by the extent to which the [outlay] on the former means of production is deducted from the costs of the new ones.

The introduction of machinery—or, more generally, an increase in productive power which makes objectified labour the substratum of this productive power itself, and therefore involves costs; when, therefore, part of the capital previously laid out on labour is laid out as a component of the capital that enters into the production process as lasting value—the introduction of machinery can only take place if the proportion of surplus labour time not merely remains the same, and hence increases in relation to the living labour employed, but increases in a greater proportion than the ratio of the value of the machinery to the value of the workers displaced.

This may occur either because the entire outlay made for the previous instrument of production must be deducted, in which case *the total sum of the capital laid out diminishes*, and although the ratio of the total sum of labour employed to the constant part of capital has declined, the surplus labour time has remained the same, and has, therefore, increased not merely in relation to the capital expended on labour, i.e., in relation to necessary labour time, but in relation to the total capital, the total value of the capital, because this value has diminished.

Or it may be that the value of the machinery is the same as that previously laid out on the living labour which has now become superfluous, but the ratio of surplus labour yielded by the part of capital still employed has increased, so that the 50 workers perform not merely as much surplus labour as the 100 did previously, but more. Suppose, e.g., that each now performs $4\frac{1}{4}$ hours [surplus labour] instead of 4. In this case, however, a larger part of capital is required for raw material, etc., in short, a larger total capital is needed.

Suppose that a capitalist who previously employed 100 workers at an annual cost of £2,400, discharges 50 and substitutes for them a machine costing £1,200. This machine—although it costs him as much as the 50 workers did before—is the product of fewer workers, because he pays to the capitalist from whom he buys it not only the necessary labour but the surplus labour, too. Or, if he had his own men make the machine, he could employ a smaller number of workers and have them perform only the necessary labour.

The introduction of machinery, therefore, leads to an increase

in surplus labour and an absolute decline in necessary labour time. It may be accompanied by either an absolute decrease or an increase in the capital employed.

Surplus value as posited by capital itself, and measured by its numerical ratio to the total value of the capital, is *profit*. Living labour as appropriated and absorbed by capital appears as capital's own life-power, its self-reproducing power, modified, moreover, by the motion of capital itself, circulation, and the time required for that motion, circulation time. Only thus is capital posited as self-perpetuating and self-multiplying value, by its being distinguished as preposited value from itself as posited value.

Since capital enters into production wholly, and as capital its different components are distinct from one another only in form, being sums of value evenly, the positing of value appears to be evenly immanent to them. Moreover, since the part of capital which is exchanged for labour operates productively only *in so far as the other parts of capital are posited too*—and since the ratio of this productivity depends on the value magnitude, etc., and the different determinations of these components relative to each other (as fixed capital,³ etc.), so the positing of surplus value, of profit, appears to be evenly determined by all parts of capital. Since, on the one hand, the conditions of labour are posited as objective components of capital, and, on the other, labour itself is posited as an activity incorporated in it, the entire labour process appears as the process of capital itself, and the positing of surplus value as its product, whose magnitude, therefore, is not measured by the surplus labour which capital forces labour to perform, but appears as [deriving from] the increased productivity which capital imparts to labour.

The real product of capital is profit. To that extent, capital is now posited as the source of wealth. But in so far as it produces use values, these are *determined by value*: “value constitutes the product” (Say^a). Consequently, it produces for consumption. In so far as it is perpetuated by the constant renewal of labour, it appears as the permanent value presupposed for production, which depends upon its being maintained. In so far as it is constantly exchanged for new labour, it appears as the wages fund.

Obviously, the worker cannot produce without the objective

^a *Cours complet d'économie politique pratique*, Vol. I, Brussels, 1836, p. 243. Marx quotes in French.—Ed.

conditions of labour. [VII-41] These are now separated from him in the form of capital and independently confront him. He can relate himself to them as conditions of labour only in so far as his labour itself has previously been appropriated by capital. From the standpoint of capital, the objective conditions of labour do not appear as necessary for the worker. What is essential to it is that they should *exist independently over against him, that he should be separated from them, that they should be owned by the capitalist*, and that this separation could only be abolished by his giving up his productive power to capital, in return for which capital should maintain him as abstract labour capacity, i.e., precisely as a mere capacity to reproduce wealth as a force dominating that capacity and confronting it in the form of capital.

Hence all parts of capital yield profit simultaneously, both the circulating part (laid out in wages and raw material, etc.) and that laid out in fixed capital. Capital can now reproduce itself either in the form of circulating capital or in that of fixed capital. Since, as we saw above, in our analysis of circulation,^a the value of capital returns in different forms, depending upon whether it is preposited in either the one or the other form, and since, from the standpoint of capital which produces profit, it is not merely value which returns but the value of capital and profit, value as value itself and as self-valorising value, capital is obviously posited in either of these forms as, in different ways, profit-bearing.

The circulating capital enters into circulation wholly, with its use value serving as the bearer of its exchange value, and is thus exchanged for money. I.e., therefore, it is sold, sold entirely, although each time only a part of it enters into circulation. But in a single turnover it is entirely passed over into consumption as a product (whether this consumption is individual or productive), and is fully reproduced as value. This value includes the surplus value, which now appears as profit. Circulating capital is alienated as use value in order to be realised as exchange value. So this is *selling at a profit*.

By contrast, we have seen that the fixed capital only returns piecemeal, in the course of a number of years, a number of cycles of the circulating capital, and it does so only in the degree in which it is consumed (we saw this happen in the immediate act of production), enters as exchange value into circulation and returns as such value from it.^b However, both the entry of exchange value into circulation and its return from it are now posited as the entry

^a See this volume, pp. 102-28.—*Ed.*

^b *Ibid.*, pp. 109-10, 117-20.—*Ed.*

and return not merely of the value of capital, but simultaneously of profit as well, so that a fractional part of profit corresponds to the fractional part of capital.

"The capitalist expects an equal profit on all parts of the capital which he advances" (Malthus, *Principles of Political Economy*, 2nd ed., London, 1836, p. 268).

"WHERE WEALTH AND VALUE ARE PERHAPS THE MOST NEARLY CONNECTED, IS IN THE NECESSITY OF THE LATTER TO THE PRODUCTION OF THE FORMER" (*ibid.*, p. 301).

"//The *FIXED CAPITAL* (IN COTTON FACTORIES) usually=4:1 to the circulating; so that if a MANUFACTURER has £50,000, he will expend £40,000 in erecting his MILL, and FILLING IT WITH MACHINERY, and devote only £10,000 TO THE PURCHASE OF RAW MATERIAL (COTTON, COALS, etc.) and the PAYMENT OF WAGES" (Nassau W. Senior, *Letters on the Factory Act etc.*, [London] 1837, pp. 11-12).

"THE FIXED CAPITAL IS SUBJECT TO INCESANT DETERIORATION, not only from WEAR AND TEAR, but also from CONSTANT MECHANICAL IMPROVEMENTS..." (*ibid.*).

"Under the present law, NO MILL in which PERSONS under 18 years of age are employed CAN BE WORKED MORE THAN 11 1/2 HOURS a DAY, i.e. 12 HOURS for 5 days and 9 on Saturday. Now, the following analysis will show THAT IN A MILL SO WORKED, THE WHOLE NET PROFIT IS DERIVED FROM THE LAST HOUR. Suppose a MANUFACTURER to invest £100,000—£80,000 IN HIS MILL AND MACHINERY, and £20,000 IN RAW MATERIAL and WAGES. The ANNUAL RETURN of that MILL, SUPPOSING THE CAPITAL to BE TURNED ONCE A YEAR, AND GROSS PROFITS to BE 15%, ought to be GOODS WORTH £115,000, PRODUCED BY THE CONSTANT CONVERSION AND RECONVERSION OF THE £20,000 CIRCULATING CAPITAL, FROM MONEY INTO GOODS AND FROM GOODS INTO MONEY" (IN FACT, the CONVERSION and RECONVERSION of surplus labour first into commodity and then again into necessary labour, etc.) "IN PERIODS OF RATHER MORE THAN 2 MONTHS. Of these £115,000 EACH OF THE 23 HALF HOURS OF WORK PRODUCES 5/115, or 1/23. Of the 23/23 CONSTITUTING THE WHOLE £115,000, 20/23, i.e., £100,000 out of the 115,000 simply replace the capital; 1/23 (or 5,000 OUT OF THE 115,000), MAKES UP FOR THE DETERIORATION OF THE MILL AND MACHINERY. The remaining 2/23, i.e. the LAST 2 OF THE 23 HALF HOURS OF EVERY DAY, PRODUCE THE NET PROFIT OF 10%. If therefore (PRICES REMAINING THE SAME) the FACTORY could be kept AT WORK 13 hours instead of 11 1/2, BY AN ADDITION OF ABOUT £2,600 TO THE CIRCULATING CAPITAL, THE NET PROFIT WOULD BE MORE THAN DOUBLED."

(I.e., the 2,600 would be employed without using proportionately more fixed capital and without any payment of *labour* AT ALL. The GROSS and NET PROFIT is=to the material which is worked up *gratis* for the capitalist, and then an extra hour is of course=to 100%, if surplus labour, as Mr. Shit wrongly assumes, is only=to 1/12 of the day, or only 2/23, as Senior says.)

"On the other hand, if the hours of working were reduced by 1 hour per DAY (PRICES REMAINING THE SAME), NET PROFIT WOULD BE DESTROYED; if they were reduced by 1 1/2 hours, GROSS PROFIT would be destroyed too. The CIRCULATING CAPITAL WOULD BE REPLACED, BUT THERE WOULD BE NO FUND TO COMPENSATE THE PROGRESSIVE DETERIORATION OF THE FIXED CAPITAL" (*ibid.*, pp. 12-13).

(Incorrect as Mr. Senior's data are, the example he gives is very important for our theory.)

“The ratio of FIXED to CIRCULATING CAPITAL grows constantly owing to 2 causes: (1) the TENDENCY OF MECHANICAL IMPROVEMENT TO THROW ON MACHINERY MORE AND MORE OF THE WORK OF PRODUCTION; (2) the IMPROVEMENT OF THE MEANS OF TRANSPORT, and the CONSEQUENT DIMINUTION OF THE STOCK OF RAW MATERIAL IN THE MANUFACTURER'S HANDS WAITING FOR USE. FORMERLY, WHEN COALS AND COTTON CAME BY WATER, THE UNCERTAINTY AND IRREGULARITY OF SUPPLY FORCED HIM TO KEEP ON HAND 2 OR 3 MONTHS' CONSUMPTION. NOW, A RAILWAY BRINGS IT TO HIM WEEK BY WEEK, OR RATHER DAY BY DAY, FROM THE PORT OR THE MINE. UNDER SUCH CIRCUMSTANCES, I FULLY ANTICIPATE THAT, IN A VERY FEW YEARS, THE FIXED CAPITAL, INSTEAD OF ITS PRESENT PROPORTION, WILL BE AS 6 OR 7 OR EVEN 10 TO 1 TO THE CIRCULATING; AND, CONSEQUENTLY, THAT THE MOTIVES TO LONG HOURS OF WORK WILL BECOME GREATER, AS THE ONLY MEANS BY WHICH A LARGE PROPORTION OF FIXED CAPITAL CAN BE MADE PROFITABLE. ‘WHEN A LABOURER,’ SAID Mr. Ashworth TO ME, ‘LAYS DOWN HIS SPADE, HE RENDERS USELESS, FOR THAT PERIOD, A CAPITAL WORTH 18d. WHEN ONE OF OUR PEOPLE LEAVES THE MILL, HE RENDERS USELESS A CAPITAL THAT HAS COST £100,000’” (*ibid.*,] pp. 13-14).

(This is striking proof that, under the domination of capital, the employment of machinery does not reduce work, but rather lengthens it. What it reduces is necessary labour, not the labour necessary for the capitalist. Since fixed capital is devalued as long as it is not employed in production, its growth is linked with the tendency to make work *perpetual*. With respect to the other point emphasised by Senior, [VII-42] the decline in the ratio of circulating capital to fixed would be as great as he assumes if prices remained constant. But if, e.g., COTTON has fallen below its AVERAGE PRICE, the manufacturer will purchase as large a stock of it as his floating capital permits, and vice versa. On the other hand, in respect of coal, whose output is regular and not subject to any special circumstances which might warrant expectations of an extraordinary increase in demand, Senior's remark is correct.

We have seen^a that transport, and hence means of communication, do not determine circulation, in so far as they are concerned with the bringing of the product to market or its conversion into a commodity. For, seen from this angle, they are themselves included in the production phase. But they do determine circulation in so far as they determine (1) the return [of capital]; (2) the reconversion of capital from the form of money into that of conditions of production. The more rapid and uninterrupted the supply of materials and *matières instrumentales*, the smaller stocks of them the capitalist needs to buy. He can therefore turn the same circulating capital into this form, or reproduce it, the more frequently, instead of having to keep it on hand as dormant capital. On the other hand, as Sismondi remarked, it also has the

^a See present edition, Vol. 28, pp. 447-59.—*Ed.*

effect that the retail trader, the SHOPKEEPER, can renew his stock the more quickly, and hence is less obliged to keep goods in stock, because he can renew his SUPPLY any moment.

All this shows how, with the development of production, accumulation in the sense of HOARDING relatively declines; it only increases in the form of fixed capital, whereas continuous simultaneous labour (production) increases in regularity, in intensity, and in volume, too. To an increasing extent, the velocity of the means of transport, along with their universality, converts (with the exception of AGRICULTURE) the necessity for ANTECEDENT LABOUR, AS FAR AS CIRCULATING CAPITAL IS CONCERNED, into that for the simultaneous operation of interdependent, differentiated branches of production. (This observation is important for the section on accumulation).//

"Our COTTON FACTORIES AT THEIR COMMENCEMENT WERE KEPT GOING THE WHOLE 24 HOURS. THE DIFFICULTY OF CLEANING AND REPAIRING THE MACHINERY, AND THE DIVIDED RESPONSIBILITY, ARISING FROM THE NECESSITY OF EMPLOYING A DOUBLE STAFF OF OVERLOOKERS, BOOK-KEEPERS, ETC., HAVE NEARLY PUT AN END TO THIS PRACTICE; BUT UNTIL HOBHOUSE'S ACT REDUCED THEM TO 69, OUR FACTORIES GENERALLY WORKED FROM 70 TO 80 HOURS PER WEEK" ([Senior,] op. cit., p. 15).

"According to Baines, A FIRST-RATE COTTON-SPINNING FACTORY CANNOT BE BUILT, FILLED WITH MACHINERY, AND FITTED WITH STEAM ENGINES AND GAS WORKS, UNDER £100,000. A STEAM ENGINE OF 100 HORSE-POWER WILL TURN 50,000 SPINDLES, WHICH WILL PRODUCE 62,500 MILES OF FINE COTTON THREAD PER DAY. IN SUCH A FACTORY, 1,000 PERSONS WILL SPIN AS MUCH THREAD AS 250,000 PERSONS COULD WITHOUT MACHINERY" (S. Laing, *National Distress etc.*, London, 1844, p. 75).

"WHEN PROFITS FALL, CIRCULATING CAPITAL IS DISPOSED TO BECOME TO SOME EXTENT FIXED CAPITAL. If interest is 5%, CAPITAL WOULD NOT BE USED IN MAKING NEW ROADS, CANALS OR RAILWAYS, UNTIL THESE WORKS YIELD A CORRESPONDING LARGE PERCENTAGE; BUT WHEN INTEREST IS ONLY 4 OR 3%, CAPITAL WOULD BE ADVANCED FOR SUCH IMPROVEMENTS, IF IT OBTAINED ONLY A PROPORTIONAL LOWER PERCENTAGE. JOINT-STOCK COMPANIES, TO ACCOMPLISH GREAT IMPROVEMENTS, ARE THE NATURAL OFFSPRING OF A FALLING RATE OF PROFIT. IT ALSO INDUCES INDIVIDUALS TO FIX THEIR CAPITALS IN THE FORM OF BUILDINGS AND MACHINERY" (Th. Hopkins, *Great Britain for the Last Forty Years etc.*, London, 1834, p. 232).

"McCulloch computes the NUMBERS and INCOMES of those ENGAGED IN THE COTTON MANUFACTURE AS:

833,000 WEAVERS, SPINNERS, BLEACHERS, etc., AT £24 EACH A YEAR	£20,000,000
111,000 JOINERS, ENGINEERS, MACHINE MAKERS, etc., AT £30 EACH	£3,333,000
PROFIT, SUPERINTENDENCE, COAL AND MATERIALS OF MACHINES	£6,667,000
<hr/>	<hr/>
944,000	£30,000,000

“Of the $6\frac{2}{3}$ MILLIONS, 2 MILLIONS ARE SUPPOSED TO GO FOR COAL, IRON, AND OTHER MATERIALS, FOR MACHINERY AND OTHER OUTGOINGS, WHICH WOULD GIVE EMPLOYMENT, AT £30 A YEAR EACH, TO 66,666, MAKING A TOTAL OF PEOPLE EMPLOYED OF 1,010,666; to these are to be added $\frac{1}{2}$ the number OF CHILDREN, AGED, etc., DEPENDENT ON THOSE WHO WORK, OR AN ADDITIONAL 505,330; SO A TOTAL, SUPPORTED ON WAGES, OF 1,515,996 PERSONS. To these are to be added those who ARE SUPPORTED, DIRECTLY OR INDIRECTLY, BY THE $4\frac{2}{3}$ MILLIONS OF PROFIT”, etc. (Hopkins, *ibid.*, pp. 336-37).

According to this calculation, therefore, 833,000 are directly engaged in production; 177,666 in the production of the MACHINERY and the *matières instrumentales*, which are only required because of the employment of machinery. But the latter are reckoned at £30 per head; hence, to reduce their number into LABOUR OF THE SAME QUALITY as that performed by the 833,000, they are to be reckoned AT £24 per HEAD; according to this, £5,333,000 would employ ABOUT 222,208 workers, which would mean 1 worker employed in the production of machinery and *matières instrumentales* TO ABOUT $3\frac{3}{4}$ employed in the production of COTTON fabric. More than 1 to 4 but let us say 1:4. If now the 4 workers still employed worked only as much as 5 did previously, i.e. if each worked $\frac{1}{4}$ surplus labour time more, there would be no [increase of] profit for capital. The remaining 4 must provide more surplus labour than 5 did previously; or the number of workers employed in the production of the machinery must be less than the number of workers displaced by it. Machinery is only PROFITABLE to capital to the extent that it increases the surplus labour time of the workers working with it (not in so far as it reduces labour time; only in so far as it raises the ratio of surplus labour time to necessary, so that the latter not merely decreases relatively, while the number of simultaneous working days remains the same, but decreases absolutely).

An increase in absolute [surplus] labour time implies the same or an increasing number of simultaneous working days; ditto an increase in productive power due to the division of labour, etc. In both cases, the aggregate labour time remains the same or increases. With the employment of machinery, relative surplus labour time increases not merely in relation to necessary labour time and hence to aggregate labour time; as well, its ratio to necessary labour time increases, while there is a decrease in aggregate labour, i.e. in the number of simultaneous working days (in proportion to surplus labour time).

A Glasgow factory-owner gave J. C. Symons, for his *Arts and Artisans at Home and Abroad* (Edinburgh, 1839), the following data (we reproduce several of his tables here to have examples at hand

illustrating the proportion of FIXED CAPITAL, CIRCULATING capital, the part of capital laid out in WAGES, etc.):

[VII-43] *Glasgow*:

"EXPENSE OF ERECTING A POWER-LOOM FACTORY OF 500 LOOMS, CALCULATED TO WEAVE A GOOD FABRIC OF CALICO, OR SHIRTING, SUCH AS IS GENERALLY MADE IN GLASGOW, WOULD BE ABOUT	£18,000
ANNUAL PRODUCE, SAY 150,000 PIECES OF 24 YARDS, AT 6 SHILLINGS	£45,000
WHICH COST AS UNDER:	
INTEREST ON SUNK CAPITAL, AND FOR DEPRECIATION OF THE VALUE OF THE MACHINERY	1,800
STEAM-POWER, OIL, TALLOW, etc., KEEPING UP MACHINERY, UTENSILS, etc.	2,000
YARNS AND FLAX	32,000
WAGES TO WORKMEN	7,500
SUPPOSE PROFIT	1,700
	<hr/>
	45,000"
	(p. 233).

Hence, if we take 5% INTEREST ON MACHINERY, GROSS PROFIT is $1,700+900=2,600$. But the capital expended in wages amounts to only £7,500. The proportion of profit to wages therefore= $26:75=5\frac{1}{5}:15$, therefore $34\frac{2}{3}\%$.

"PROBABLE EXPENSE OF ERECTING A SPINNING COTTON-MILL with HAND MULES, CALCULATED TO PRODUCE No. 40 OF A FAIR AVERAGE QUALITY	£23,000
IF PATENT SELF-ACTORS, £2,000 ADDITIONAL.	
PRODUCE ANNUALLY TO THE PRESENT PRICES OF COTTONS AND THE RATES AT WHICH YARNS COULD BE SOLD	£25,000
COST OF WHICH AS FOLLOWS:	
INTEREST OF SUNK CAPITAL, ALLOWANCE FOR DEPRECIATION OF VALUE OF MACHINERY 10%	2,300
COTTON	14,000
STEAM-POWER, OIL, TALLOW, GAS, AND GENERAL EXPENSE OF KEEPING UP UTENSILS and MACHINERY IN REPAIR	1,800
WAGES TO WORKERS	5,400
PROFIT	1,500
	<hr/>
	£25,000"
	(p. 234).

(Floating capital of £7,000 is thus assumed, since 1,500 is 5% on 30,000.)

“THE PRODUCE OF THE MILL TAKEN AT 10,000 lb. WEEKLY” (ibid., p. 234).

Hence, profit here = $1,150 + 1,500 = 2,650$; $2,650:5,400$ (wages) = $1:2\frac{2}{53} = 49\frac{8}{108}\%$.

“COST OF A COTTON SPINNING MILL OF 10,000 THROTTLES, CALCULATED TO PRODUCE A FAIR QUALITY OF No. 24		£20,000
TAKING PRESENT VALUE OF PRODUCE, THE AMOUNT WOULD ANNUALLY BE COSTING		£23,000
INTEREST ON SUNK CAPITAL, DEPRECIATION OF VALUE OF MACHINERY at 10%		2,000
COTTON		13,300
STEAM-POWER, TALLOW, OIL, GAS, KEEPING MACHINERY IN REPAIR, ETC.		2,500
WAGES TO WORKERS		3,800
PROFIT		1,400
		<hr/>
		23,000”
		(p. 235).

Hence GROSS PROFIT = 2,400; WAGES 3,800; $2,400:3,800 = 24:38 = 12:19 = 63\frac{3}{19}\%$.

In the first case, $34\frac{2}{3}\%$; in the second, $49\frac{8}{108}\%$; and in the last, $63\frac{3}{19}\%$. In the first case, wages constitute $\frac{1}{6}$ of the total price of the product; in the second, more than $\frac{1}{5}$; in the last, less than $\frac{1}{6}$. But in the first case, the proportion of wages to the value of the capital employed = $1:4\frac{8}{15}$; in the second, $1:5\frac{15}{27}$; and in the third, $1:7\frac{7}{19}$. In the same measure as the ratio of the part of capital laid out in wages to that laid out in machinery and circulating capital (this equals, TOGETHER, in the first case, 34,000; in the second, 30,000; in the third, 28,000) declines, the profit on the part laid out in wages must, of course, increase if the percentage of profit is to remain the same.

The absolute decrease of the aggregate labour employed, i.e. of the working day multiplied by the number of simultaneous working days, relative to surplus labour can appear in either of two ways. Either in the form specified first, i.e., that a part of the workers previously employed are dismissed because of the use of fixed capital (machinery). Or, that the introduction of machinery diminishes the *increase* in the number of working days employed, although productivity grows, and (OF COURSE) does so in a greater proportion, too, than it is decreased in consequence of the “value” of the newly

introduced machinery. To the extent that fixed capital possesses *value*, it does not augment but reduces the productivity of labour.

"THE SURPLUS HANDS would enable the MANUFACTURERS TO LESSEN THE RATE OF WAGES; BUT THE CERTAINTY THAT ANY CONSIDERABLE REDUCTION WOULD BE FOLLOWED BY IMMEDIATE IMMENSE LOSSES FROM TURNOUTS, EXTENDED STOPPAGES, AND VARIOUS OTHER IMPEDIMENTS WHICH WOULD BE THROWN IN THEIR WAY, MAKES THEM PREFER THE SLOWER PROCESS OF MECHANICAL IMPROVEMENT, BY WHICH, THOUGH THEY MAY TRIPLE PRODUCTION, THEY REQUIRE NO NEW MEN" (Gaskell, *Artisans and Machinery*, London, 1836, p. 314).

"WHEN THE IMPROVEMENTS NOT QUITE DISPLACE THE WORKMAN, THEY WILL RENDER ONE MAN CAPABLE OF PRODUCING, OR RATHER SUPERINTENDING, THE PRODUCTION OF [a] QUANTITY NOW REQUIRING 10 OR 20 LABOURERS (ibid., p. 315).

"MACHINES HAVE BEEN INVENTED WHICH ENABLE ONE MAN TO PRODUCE AS MUCH YARN AS 250, OR 300 EVEN, COULD HAVE PRODUCED 70 YEARS AGO, WHICH ENABLE 1 MAN AND 1 BOY TO PRINT AS MANY GOODS AS A HUNDRED MEN AND A HUNDRED BOYS COULD HAVE PRINTED FORMERLY. The 150,000 WORKMEN IN THE SPINNING MILLS produce as much yarn as 40 MILLIONS could have produced with the ONE-THREAD WHEEL" (ibid., p. 316).

[VII-44] "The IMMEDIATE MARKET FOR CAPITAL, OR FIELD FOR CAPITAL, MAY BE SAID TO BE LABOUR. THE AMOUNT OF CAPITAL WHICH CAN BE INVESTED AT A GIVEN MOMENT, IN A GIVEN COUNTRY, OR THE WORLD, SO AS TO RETURN NOT LESS THAN A GIVEN RATE OF PROFITS, SEEMS PRINCIPALLY TO DEPEND ON THE QUANTITY OF LABOUR, WHICH IT IS POSSIBLE, BY LAYING OUT THAT CAPITAL, TO INDUCE THE THEN EXISTING NUMBER OF HUMAN BEINGS TO PERFORM" (*An Inquiry into those Principles respecting the Nature of Demand etc.*, London, 1821, p. 20) (written by a RICARDIAN in opposition to Malthus's *Principles etc.*).

[ALIENATION]

THE FACT that, with the development of the productive forces of labour, there must be an increase in the reified conditions of labour, in reified labour, relative to living labour—strictly speaking, this is a tautology, since the growth of the productive power of labour can mean only that less immediate labour is required to create a larger product, and that, therefore, social wealth is increasingly expressed in the conditions of labour created by labour itself—this fact does not, from the standpoint of capital, appear in the form that the one moment of social activity, reified labour, becomes the ever huger body of the other moment, of subjective, living labour. Rather—and this is important in the context of wage labour—it appears in the form that the objective conditions of labour take on an ever more colossal degree of independence, represented by their VERY EXTENT, OVER AGAINST living labour; and that social wealth in huger portions confronts labour as an alien and dominating force. The emphasis is not laid upon labour's being *objectified*, but upon its being *alienated*, given up, sold; it is laid upon the fact that the enormous objectified power

which social labour has set up over against itself as one of its moments belongs, not to the worker, but to the personified conditions of production, i.e. to capital.

To the extent that, from the standpoint of capital and wage labour, the creation of this objective body of activity takes place in opposition to the immediate labour capacity—to the extent that this process of objectification *IN FACT* appears from the standpoint of labour as a process of giving up, or from the standpoint of capital as one of appropriation of alien labour—this distortion and inversion is a *real*, not a *merely thought* one, not one which exists only in the imagination of the workers and the capitalists. Yet it is obvious that this process of inversion is merely an *historical* necessity, merely a necessity for the development of the productive forces from a definite historical point of departure, or basis. In no way is it an *absolute* necessity of production; it is, rather, a transitory one, and the result and (immanent) aim of this process is to transcend this basis itself and this form of the process.

The bourgeois economists are so wrapped up in the notions of a definite historical stage of social development that the necessity for the *objectification* of the social powers of labour appears to them to be inseparable from the necessity for their *alienation* over against living labour. But as soon as the *immediate* character of living labour is transcended, i.e., its character as merely *individual*, or as only internally or only externally general, with the positing of the activity of individuals as immediately general or *social* activity, this form of alienation is stripped from the reified moments of production. Then they are posited as [social] property, as the organic social body in which the individuals reproduce themselves as individuals, but as social individuals. The conditions enabling them to be such in the reproduction of their life, their productive life-process, are only posited by the historical economic process itself; both the objective and the subjective conditions, which are merely two different forms of the same conditions.

The propertylessness of the worker and the property of objectified labour in living labour, or the appropriation of alien labour by capital—both merely expressing the same relation at two opposite poles—are basic conditions of the bourgeois mode of production, by no means indifferent accidental features of it. These modes of distribution are the production relations themselves, only *sub specie distributionis*.^a Hence nothing could be more absurd than the statement by, e.g., *J. St. Mill* that

^a From the viewpoint of distribution.—*Ed.*

“THE LAWS AND CONDITIONS OF THE PRODUCTION OF WEALTH PARTAKE OF THE CHARACTER OF PHYSICAL TRUTHS.... IT IS NOT SO WITH THE DISTRIBUTION OF WEALTH. THAT IS A MATTER OF HUMAN INSTITUTION SOLELY” (*Principles of Political Economy*, 2nd ed., London, 1848, Vol. I, pp. 239, 240).

The “LAWS AND CONDITIONS” of the production of wealth and the LAWS of the “DISTRIBUTION of wealth” are the same laws under different forms, and both change, undergo the same historical process; they are, in general, merely moments of an historical process.

No extraordinary intellectual powers are needed to comprehend that, if the initial situation assumed is that of free labour arising from the dissolution of serfdom, or wage labour, the only way in which machines can *originate* is in opposition to living labour, as property alien to it and a hostile power opposed to it, i.e., they must confront labour as capital. On the other hand, it is equally simple to understand that machines will not cease to be agents of social production when they become, e.g., the property of the associated workers. But in the first case, their distribution, i.e. the fact that they *do not belong* to the worker, is just as much a condition of the mode of production based upon wage labour. In the second, the changed mode of distribution would set out from a *changed*, new basis of production, one which has arisen solely as a result of the historical process.

[VARIA]

In the figurative language of the Peruvians, gold is “THE TEARS WEPT BY THE SUN” ([W. H.] Prescott [*History of the Conquest of Peru*, 4th ed., Vol. I, London, 1850, p. 92]).

“Without the USE of the TOOLS or the machinery FAMILIAR TO THE EUROPEAN, EACH INDIVIDUAL” (in Peru) “COULD HAVE DONE BUT LITTLE; BUT ACTING IN LARGE MASSES and UNDER A COMMON DIRECTION, they WERE ENABLED BY INDEFATIGABLE PERSEVERANCE TO ACHIEVE RESULTS” etc. (l.c. [p. 127]).

//The money used by the Mexicans (to a greater extent with BARTER and oriental landed property) [was]

“A REGULATED CURRENCY OF DIFFERENT VALUES. THIS CONSISTED OF TRANSPARENT QUILLS OF GOLD DUST; OF BITS OF TIN, CUT IN THE FORM OF A T; and OF BAGS OF CACAO, CONTAINING A SPECIFIED NUMBER OF GRAINS. ‘O blessed money which furnishes mankind with a sweet and nutritious beverage and protects its innocent possessors from the infernal disease of avarice, since it cannot be long hoarded, nor hidden underground.’ SAYS Peter Martyr (*De orbe novo*), (Prescott, [p. 123]).^a

^a Marx quotes in Latin.—*Ed.*

“Eschwege (1823) estimates the total value of the DIAMOND WORKINGS in 80 years AT A SUM HARDLY EXCEEDING 18 MONTHS' PRODUCE OF SUGAR OR COFFEE IN BRAZIL” ([H.] Merivale [*Lectures on Colonization and Colonies*, Vol. I, London, 1841, p. 52]). “THE FIRST” (BRITISH) “SETTLERS” (IN NORTH AMERICA) “CULTIVATED THE CLEARED GROUND ABOUT THEIR VILLAGES IN COMMON.... THIS CUSTOM PREVAILS UNTIL 1619 IN VIRGINIA” etc. (*ibid.*, pp. 91-92). (Notebook, p. 52.³⁸)

(“The Cortes addressed the following petition to Philip II in 1593: ‘The Cortes of Valladolid of the year '48 requested Your Majesty not to permit the further importation into this kingdom of candles, glassware, jewellery, knives and similar articles coming from abroad, which, though they are of no use in human life, have to be exchanged for gold, as though the Spaniards were Indians’ (Sempéré, [*Considérations sur les causes de la grandeur et de la décadence de la monarchie espagnole*, Vol. 1, Paris, 1826, pp. 275-76]).^a)

“IN DENSELY PEOPLED COLONIES THE LABOURER, ALTHOUGH FREE, IS NATURALLY DEPENDENT ON THE CAPITALIST; IN THINLY PEOPLED ONES THE WANT OF THIS NATURAL DEPENDENCE MUST BE SUPPLIED BY ARTIFICIAL RESTRICTIONS” (Merivale, *Lectures on Colonization etc.*, Vol. II, London, 1842, p. 314).//

[VII-45] *Roman Money*: the *aes grave*^b was a pound of copper (*emere per aes et libram*^c). This was the *as*.^{*} In 485 A.U.C.^d *silver denarii*=10 *as* (initially, 40 of these denarii to the pound; in 510 [A.U.C.] 75 denarii to the pound; the denarius was still=10 *as*, but 10 *as* of 4 ounces). In 513 the *as* was reduced to 2 ounces; the denarius still=10 *as*, now represented only $\frac{1}{84}$ of a pound of silver. This figure, $\frac{1}{84}$, applied until the end of the Republic, but in 537 the denarius was rated at 16 *as* of one ounce, and in 665 only at 16 *as* of half an ounce.... In the year 485 of the Republic the silver denarius=1 franc 63 [centimes]; in 510=87 centimes; between 513 and 707=78 centimes. From Galba to the Antonines, 1 franc^e (Dureau de la Malle, [*Economie politique des Romains*] Vol. 1, [pp. 15, 16, 448, 450]).

At the time of the first silver denarius, the ratio between 1 pound of silver and 1 pound of copper=400:1. At the beginning of the Second Punic War³⁹ it was 112:1 (*l.c.*, Vol. 1, pp. 76-77, 81-82).

“The Greek colonies in Southern Italy drew silver from Greece and Asia, direct or via Tyre and Carthage, and minted silver coins from the sixth and fifth centuries B.C. onwards. Despite this proximity, the Romans proscribed the use of gold and silver for political reasons. The people and the Senate felt that *so facile a means of circulation* would be conducive to *concentration*, an increase in the number of slaves, and the decay of the ancient customs and of agriculture” (*l.c.*, pp. 64, 65).

“According to Varro, the slave was an *instrumentum vocale*, the animal an *instrumentum semi-mutum*, and the plough an *instrumentum mutum*” (*l.c.*, pp. 253, 254).

* *as* or *libra*=12 ounces; 1 ounce=24 scrupula; 288 scrupula to the pound.

^a Marx quotes in French.—*Ed.*

^b Heavy copper (measured by weight).—*Ed.*

^c Literally: to buy with the help of copper and scales; figuratively: to buy with due observance of the formalities.—*Ed.*

^d From the founding of the city (of Rome).—*Ed.*

^e This and the following passages are partly in French and partly in German translation in the manuscript.—*Ed.*

(The Roman citizen's daily consumption [of bread] was somewhat more than 2 French pounds; that of a countryman 3 pounds. A Parisian consumes 0.93 pound of bread; a countryman in the 20 departments in which corn is the main source of nourishment, 1.70 pounds (l.c., [p. 277]). In present-day Italy, 1 lb. 8 ounces, where corn is the main source of nourishment. Why did the Romans eat relatively more? Originally they ate the corn raw or only softened in water; afterwards, they got the idea of roasting it. Later they picked up the art of grinding corn into flour, and at first ate the dough made from this flour raw. To grind the grain, they used a pestle or two stones knocked or rotated against each other.... The Roman soldier prepared a supply of this raw dough, *puls*, that would last him for several days. Then the winnowing-fan was invented, which screens the grain; a means was found for separating the bran from the flour; finally, leaven was added, and at first bread was eaten raw, until it was accidentally discovered that by cooking the bread it could be prevented from going sour and that it would keep much longer. It was not until after the war against Perseus, in 580, that bakers appeared in Rome (l.c., p. 279). "Before the Christian era, the Romans had no knowledge of windmills" (l.c., p. 280).)

"Parmentier has shown that in France the art of milling has made great progress since the time of Louis XIV, and that the difference between the yield of the old and the new method of milling amounts to $\frac{1}{2}$ the bread supplied by the same grain. At first 4, then 3, then 2 and finally $1\frac{1}{3}$ *setiers* of wheat were assigned for the annual consumption of an inhabitant of Paris. So the enormous disproportion between the daily consumption of wheat by the Romans and by us is easily explained; it stems from the imperfect methods of milling and bread-making" (l.c., p. 281).

"The agrarian law WAS A LIMITATION OF LANDED PROPERTY AMONG ACTIVE CITIZENS. THIS LIMITATION OF PROPERTY FORMED THE FOUNDATION OF THE EXISTENCE AND PROSPERITY OF THE OLD REPUBLICS" (l.c., [Vol. II,] p. 256).

"The revenues of the State consisted of the returns from Crown land, payment in kind, statute labour, and a number of money taxes paid on the import and export of merchandise, or levied on the sale of certain commodities. This mode exists, almost without change, in the Ottoman Empire. At the time of Sulla's dictatorship and even at the end of the 7th century, anno 697, the annual receipts of the Roman republic totalled only 40 million francs.... In 1780, the revenue of the Turkish sultan was only 35 million piastres or 70 million francs.... The Romans and the Turks collected most of their revenues in kind. In the case of the Romans, the taxes amounted to $\frac{1}{10}$ of the grain crop, $\frac{1}{5}$ of the fruit; among the Turks, they varied from $\frac{1}{2}$ to $\frac{1}{10}$ of the produce.... Since the Roman Empire was merely an immense agglomeration of independent municipalities, the greater part of the charges and expenses remained communal" ([Vol. II,] pp. 402-05).

(The Rome of Augustus and Nero, without the suburbs, had only 266,684 inhabitants. Assumes that in the fourth century of the Christian era the suburbs had 120,000 inhabitants, and that 382,695 people lived within the Aurelian walls; a total of 502,695; plus 30,000 soldiers and 30,000 foreigners; all told roughly 562,000 people. *Madrid*, for $1\frac{1}{2}$ centuries from the time of Charles V the capital of a part of Europe and of half the New World, had many correspondences with Rome. Its population, too, did not grow in proportion to its political importance" (l.c., [Vol. I,] pp. [370, 403,] 405-06).)

"The state of society in Rome at the time resembled that in Russia or in the Ottoman Empire, far more than that in France or in England: little commerce or industry; immense fortunes alongside extreme poverty" (l.c., [Vol. II,] p. 214).

(Luxury only in the capital and at the residences of the Roman satraps.)

"From the destruction of Carthage to the founding of Constantinople, the relation of Roman Italy to Greece and the Orient was the same as that of Spain to Europe in the eighteenth century. In Alberoni's words: 'Spain is to Europe what the mouth is to the body: everything goes into it, nothing stays there'" (l.c., [Vol. II,] pp. 399-400).

Usury was initially free in Rome. The law of the Twelve Tables (303 A.U.C.) fixed interest on money at 1% per annum (Niebuhr says 10%).⁴⁰ These laws were promptly violated. Duilius (398 A.U.C.) once again reduced the interest on money to 1%, *unciarium foenus*^a Reduced to 1/2% in 408; in 413, lending at interest was absolutely forbidden by a referendum held by the tribune Genucius. It is not surprising that in a republic in which industry and wholesale and retail trade were forbidden to citizens, *trading in money* was likewise forbidden (l.c., Vol. II, pp. [259,] 260, 261). This state of affairs lasted for 300 years, till the capture of Carthage. Then [the maximum chargeable] 12%; the usual rate 6% per annum (l.c., p. 261). Justinian fixed the interest rate at 4%. In Trajan's time, the *usura quincunx*^b was the legal interest of 5%. In Egypt in 146 B.C., the commercial rate of interest was 12% (ibid., p[. 261-]263).

[VII-46] The INVOLUNTARY ALIENATION of feudal landed property develops with usury and money:

"THE INTRODUCTION OF MONEY, WHICH BUYS ALL THINGS, and hence the FAVOUR for the CREDITOR who loans MONEY to the landowner, BRINGS IN THE NECESSITY OF LEGAL ALIENATION for the advance" (John Dalrymple, *An Essay towards a General History of Feudal Property in Great Britain*, 4th ed., London, 1759, p. 124).

In medieval Europe: "Payments in gold were customary only in the case of some objects of trade, mainly costly objects. Gold changed hands for the most part outside the merchant circle, in gifts made by the Great, in the payment of certain high duties and heavy money fines, and in purchases of landed estates. *Uncoined* gold was not infrequently weighed, in pounds or marks (half-pounds) ... 8 ounces=1 mark; one ounce was therefore=to 2 Lot or 3 carats. Until the time of the Crusades, the only gold coins known were the Byzantine solidi, the Italic tari, and the Arabian maurabotini" (AFTERWARDS maravedi). (Hüllmann, *Städtewesen des Mittelalters*, Part I, Bonn, 1826, pp. 402-04.)

"In the Frankish laws as well, *the solidus figures merely as coin of account* in which the value of agricultural products levied as fines was expressed. E.g., among the Saxons, the solidus was equivalent to a yearling bullock, in the condition in which it usually is in autumn.... In Ripuarian law,⁴¹ a healthy cow represented one solidus ... twelve denarii=1 gold solidus" (pp. 405, 406). 4 tari=1 Byzantine solidus.... From the thirteenth century onwards, various gold coins were minted in Europe: *augustales* (issued by Emperor Frederick II in Sicily: Brundisium and Messina); *florentini* or *floreni* (1252 in Florence); ... *ducats* or *sequins* (Venice, since 1285) (l.c., pp. 408-11).

"In Hungary, Germany and the Netherlands also, larger gold coins were minted from the fourteenth century onwards; in Germany, such coins were simply called gulden" (l.c., p. 413).

^a An increase of one ounce.—Ed.

^b An interest of 5 ounces.—Ed.

"When *payment was in silver*, weighing, mostly in marks, was the general practice in all larger payments. Coined silver, too, was weighed in such payments, since the coins were still almost totally composed of pure silver, and it was only a matter of weight. Hence the names *pound* (livre, lire)* and 'mark' in part signified imaginary coins or coins of account, and in part were transferred to real silver coins. *Silver coins: denaren or kreuzer*. In Germany, these denaren were called *pfennigs* (pennig, penning, phenning) from as early as the ninth century. Originally *pending, penthing, pfentinc*, derived from *pfündig*,^a in the old form *pfünding*, as much as full-weight: hence *pfündige denaren*, abbreviated into *pfündinge*. Another name for the *denaren*, from the beginning of the twelfth century in France, Germany, the Netherlands, and England, derives from the star [*Stern*, in German] which replaced the crosses stamped on the coin: *sterlinge, sterlinge, starlinge*. Denaren sterling=*pfennigs* sterling. In the fourteenth century, 320 of the Netherlands *sterlinge* composed a pound, 20 pieces to the ounce. Silver *solidi* in German were called *schildlinge, schillinge*. *In the early Middle Ages, silver solidi were not real coins but the content of 12 denaren*. 1 gold *solidus*=12 denaren or *sterlinge*, for this was the average ratio of gold and silver.

"*Obols, half pfennigs, hálblinge* were in circulation as *small change*.... As the small crafts became increasingly widespread, a growing number of trading cities and petty princes obtained the right to strike their local coin, which was therefore mostly small change. They admixed copper, this went further and further.... Thick *pfennigs, gros deniers, grossi, groschen, groats*, were first coined in Tours before the middle of the thirteenth century. These *groschen* were originally double *pfennigs*" (pp. 415-33).

"The fact that the Popes levied ecclesiastical dues upon almost all Catholic countries contributed not a little, first, to the development of the entire monetary system in trade-plying Europe, and then, as a consequence, to various attempts to get round the Church ban (on interest). The Pope made use of Lombards for the collection of the pallium-fees from the Archbishops, and for exacting the other dues. They were the most important usurers and pawnbrokers, under Papal protection. Known ever since the middle of the twelfth century. Particularly from Siena. 'Official *usurarii*'. In England, they were called '*Romish-episcopal money dealers*'. Some bishops, i.a. those of Basel, pawned their episcopal ring, silken vestments and the whole of the Church valuables to the Jews in return for a small sum, and paid interest. On the other hand, bishops, abbots and priests themselves engaged in usury by pawning the Church valuables, with Tuscan money-dealers from Florence, Siena and other cities for a share in the profits", etc. (see l.c. [Part II, pp. 36-45], *Notebook*, p. 39⁴²).

Since money is the universal equivalent, the *GENERAL POWER OF PURCHASING*, everything is purchasable, everything is convertible into money. But it can be converted into money only by being alienated, by its owner giving it up. *EVERYTHING IS THEREFORE ALIENABLE*, or indifferent for the individual, external to him. The so-called *inalienable, eternal* possessions, and the immovable, settled property relations corresponding to them, therefore collapse before money. Furthermore, since money itself only exists in circulation and is

* *Notabene*: In Mexico, there existed money, but no weights; in Peru, weights, but no money.

^a Weighing one pound.—*Ed.*

exchanged for enjoyments, etc.—for values—which are all ultimately reducible to purely individual enjoyments, everything is valuable only in so far as it exists for the individual. The independent value of things—except in so far as it consists in their mere being for other purposes, their relativity, exchangeability—the absolute value of all things and relations is thereby dissolved. Everything is sacrificed to egoistic enjoyment. For, just as everything can be alienated for money, everything can be obtained for money. Everything can be had for “ready money”, which as something existing externally to the individual can be got hold of BY FRAUD, VIOLENCE, ETC. Hence everything is appropriable by everyone, and what the individual can or cannot appropriate is a matter of chance, since it depends upon the money he possesses. In this way, the individual in himself is posited as the lord of everything. There are no absolute values, since value as such is relative to money. There is nothing inalienable, for everything is alienable for money. There is nothing sublime, sacred, etc., since everything can be appropriated with money. The “res sacrae” and “religiosae”, which can be “in nullius bonis”, “nec aestimationem recipere, nec obligari alienarique posse”, which are exempted from “commercio hominum”,^a do not exist before money, just as all are equal before God. Beautiful the way the Roman Church itself acted as the chief propagandist for money in the Middle Ages.

“As the ecclesiastical law against usury had long since become a dead letter, [Pope] Martin in 1425 abolished it in name too” (Hüllmann, l.c., Part II, Bonn, 1827, p. 55). “In the Middle Ages, no country had a general rate of interest. First, the strictness of the clerics. Insecurity of the legal provisions for protecting loans. The interest rate was so much the higher in individual cases. The limited circulation of money, the need to make most payments in cash, [VII-47] the bill business being as yet undeveloped. Therefore wide divergences in interest rates and in the concept of usury. In Charlemagne’s time, it was only considered usurious to charge 100% [or more]. In Lindau on Lake Constance, in 1344, local burghers took 216 $\frac{2}{3}$ %. In Zurich, the City Council fixed the legal interest rate at 43 $\frac{1}{3}$ %. In Italy, 40% had sometimes to be paid, although the usual rate from the 12th to the 14th century did not exceed 20%. Verona decreed that 12 $\frac{1}{2}$ % should be the legal rate. Frederick II fixed the rate at 10%, but only for Jews. He did not wish to speak for Christians. In Rhenish Germany, 10% was the usual rate as early as the 13th century” (l.c., pp. 55-57).

^a The “sacred and religious objects”, which can be “in no one’s possession” and “can neither be put a value upon nor pawned or alienated”, and which are exempted from the “trade of men” (*Corpus iuris civilis*, Digesta I, 5, 8, 9 and Institutiones II, 1, 7, 8).—*Ed.*

"*Productive CONSUMPTION*, where the consumption of a commodity IS A PART OF THE PROCESS OF PRODUCTION ([S. Ph.] Newman, [*Elements of Political Economy*, Andover and New York, 1835, p. 296,] Notebook XVII, 10⁴²). "IT WILL BE NOTICED THAT IN THESE INSTANCES THERE IS NO CONSUMPTION OF VALUE, THE SAME VALUE EXISTING UNDER A NEW FORM" (ibid.). Further "*CONSUMPTION ... the APPROPRIATION OF INDIVIDUAL REVENUE TO ITS DIFFERENT USES*" (l.c., p. 297).

"TO SELL FOR MONEY SHALL AT ALL TIMES BE MADE SO EASY AS IT IS NOW TO BUY WITH MONEY, AND PRODUCTION WOULD BECOME THE UNIFORM AND NEVER FAILING CAUSE OF DEMAND" (John Gray, *The Social System etc.*, Edinburgh, 1831, p. 16). "After land, capital and labour, the fourth necessary condition of production is: the INSTANT POWER OF EXCHANGING" (l.c., p. 18). "TO BE ABLE TO EXCHANGE IS FOR THE MAN IN SOCIETY AS IMPORTANT AS IT WAS TO ROBINSON CRUSOE TO BE ABLE TO PRODUCE" (ibid., p. 21).

"According to *Say*, credit merely transfers capital, but creates none. This is true only in the case of loans made by capitalists to industrialists, but not of credit between producers in their mutual advances. What one producer advances to another is not capital; it is products, commodities. These products, these commodities, can and doubtless will become active capital in the hands of the borrower, i.e. instruments of labour; but in the hands of their owner they are, in fact, merely products for sale, and consequently inactive.... One must distinguish between products, or commodities, and agents of labour, or productive capital. As long as a product remains in the hands of its producer, it is merely a commodity, or, if one wishes to put it this way, inactive, inert capital. Far from offering any advantage to the manufacturer who holds it, that product is a burden to him, a constant source of inconvenience, of overhead costs and losses: the cost of storage, maintenance and safeguarding, interest on the outlay, etc., not counting the deterioration or waste to which nearly every commodity is subject when it is not used for a long time.... If he, therefore, sells his commodity on credit to another industrialist who can apply it to his own kind of labour, the commodity is converted, for the latter, from inert merchandise into active capital. In this way, the productive capital of one party increases without any diminution in that of the other. What is more: if it is admitted that the seller, even though disposing of his commodities on credit, nevertheless receives for them bills of exchange which it is legal for him to have discounted at once, is it not clear that he thereby acquires the means to renew his own raw material and instruments of labour, enabling him to resume work? There is thus a double increase in productive capital; in other words, power acquired by both parties" (Charles Coquelin, *Du crédit et des banques dans l'industrie, Revue des deux mondes*, Vol. 31, 1842, pp. 799-800).^a

"[Suppose] that the whole of the merchandise for sale passes rapidly, without delays or obstacles, from the state of an inert product to that of active capital: what new activity in a country! ... This rapid transformation is precisely the benefit brought about by credit. This is the *activity of circulation*. In this way, credit can multiply the industrialists' business ten-fold. In a given period of time, the merchant or producer renewed his raw materials and products not once but ten times. Credit effects this by increasing everyone's purchasing power. Instead of this power being restricted to those who are able to pay at the given moment, credit confers it upon everyone whose position and morality offer a guarantee of future repayment; it gives it to whoever is capable of using the products by means of labour. Hence the first benefit of credit is that it increases, if not the sum of the

^a Here and below Marx quotes from Coquelin in French, using German words occasionally.—*Ed.*

values possessed by a country, at least the sum of the active values. This is the immediate effect. From it flows an increase in the productive forces, hence also in the sum of values, etc." (l.c. [pp. 801, 802, 805]).

"*LETTING IS A CONDITIONAL SALE, OR SALE OF THE USE OF A THING FOR A LIMITED TIME*" (Th. Corbet, *An Inquiry into the Causes and Modes of the Wealth of Individuals etc.*, London, 1841, p. 81).

"*TRANSFORMATIONS TO WHICH CAPITAL IS SUBJECTED IN THE WORK OF PRODUCTION. CAPITAL, TO BECOME PRODUCTIVE, MUST BE CONSUMED*" (S. P. Newman, *Elements of Political Economy*, Andover and New York, 1835, p. 80).

"*ECONOMIC CYCLE ... THE WHOLE COURSE OF PRODUCTION, FROM THE TIME THAT OUTLAYS ARE MADE, TILL RETURNS ARE RECEIVED. IN AGRICULTURE, SEED TIME IS ITS COMMENCEMENT, AND HARVESTING ITS ENDING*" ([*ibid.*,] p. 81). The *distinction between FIXED and CIRCULATING CAPITAL* is based on the fact THAT DURING EVERY ECONOMIC CYCLE, A PART IS PARTIALLY, AND ANOTHER PART TOTALLY CONSUMED (l.c.).

CAPITAL AS DIRECTED TO DIFFERENT EMPLOYMENTS (l.c. [p. 82]).

This belongs in the theory of competition.

"*A MEDIUM OF EXCHANGE*: In undeveloped nations, WHATEVER COMMODITY CONSTITUTES THE LARGER SHARE OF THE WEALTH OF THE COMMUNITY, OR FROM ANY CAUSE BECOMES MORE FREQUENTLY THAN OTHERS AN OBJECT OF EXCHANGE, IS WONT TO BE USED AS A CIRCULATING MEDIUM. Hence CATTLE are a means of exchange among PASTORAL TRIBES, DRIED FISH IN NEWFOUNDLAND, SUGAR in the West Indies, tobacco in Virginia. *PRECIOUS METALS* [have the] advantage: (a) SAMENESS OF QUALITY IN ALL PARTS OF THE WORLD; (b) ADMIT OF MINUTE DIVISION AND EXACT APPORTIONMENT; (c) RARITY AND DIFFICULTY OF ATTAINMENT; (d) THEY ADMIT OF COINAGE (l.c., [p. 99,] 100 [101]).

The notion of capital as an entity which reproduces itself—as a value which perpetuates and augments itself by VIRTUE OF AN INNATE QUALITY—has led Dr. Price to prodigious fancies, which far outstrip the fantasies of the alchemists. Pitt took them seriously and, in his laws on the SINKING FUND (see Lauderdale), made them into the pillars of his financial wisdom.⁴³ The following are a few striking extracts from Price:

[VII-48] "MONEY BEARING COMPOUND INTEREST INCREASES AT FIRST SLOWLY. BUT, THE RATE OF INCREASE BEING CONTINUALLY ACCELERATED, IT BECOMES IN SOME TIME SO RAPID, AS TO MOCK ALL THE POWERS OF THE IMAGINATION. ONE PENNY, PUT OUT AT OUR SAVIOUR'S BIRTH TO 5% COMPOUND INTEREST, WOULD, BEFORE THIS TIME, HAVE INCREASED TO A GREATER SUM, THAN WOULD BE CONTAINED IN A 150 MILLIONS OF EARTHS. ALL SOLID GOLD. BUT IF PUT OUT TO SIMPLE INTEREST, IT WOULD, IN THE SAME TIME, HAVE AMOUNTED TO NO MORE THAN 7 SHILLINGS 4 1/2 d. OUR GOVERNMENT HAS HITHERTO CHOSEN TO IMPROVE MONEY IN THE LAST, RATHER THAN THE FIRST OF THESE WAYS" (Richard Price, *An Appeal to the Public, on the Subject of the National Debt*, 2nd ed., London, 1772, pp. 18-19).

(His grand idea: The Government should borrow at simple interest, and loan out that money at compound interest.^a)

^a See present edition, Vol. 28, p. 298.—Ed.

In his *Observations on Reversionary Payments etc.* ([2nd ed.,] London, 1772), his fantasy soars even higher:

"A SHILLING PUT OUT TO 6% COMPOUND INTEREST AT OUR SAVIOUR'S BIRTH WOULD ... HAVE INCREASED TO A GREATER SUM THAN THE WHOLE SOLAR SYSTEM COULD HOLD, SUPPOSING IT A SPHERE EQUAL IN DIAMETER TO THE DIAMETER OF SATURN'S ORBIT" (l.c., p. XIII, note). "A State NEEDS NEVER, THEREFORE, BE UNDER ANY DIFFICULTIES; FOR, WITH THE SMALLEST SAVINGS, IT MAY, IN AS LITTLE TIME AS ITS INTEREST CAN REQUIRE, PAY OFF THE LARGEST DEBTS" (pp. XIII-XIV).

The worthy Price WAS SIMPLY DAZZLED BY THE ENORMOUS QUANTITIES RESULTING FROM GEOMETRICAL PROGRESSION OF NUMBERS. Since he considered capital, WITHOUT ANY REGARD TO THE CONDITIONS OF REPRODUCTION OF LABOUR, AS A SELF-ACTING THING, merely as a number which multiplies itself, he was well able to believe that he had discovered the law of its growth in that formula (see above). Pitt, in 1792, in a speech in which he proposed increasing the sum allocated to the SINKING FUND, took Dr. Price's mystification quite seriously. ($S=C(1+i)^n$ ⁴⁴).

In his *Dictionary of commerce*, 1841, McCulloch lists the properties of metal money thus:

"The material must be: (1) divisible INTO THE SMALLEST PORTIONS; (2) capable of being kept for AN INDEFINITE PERIOD without DETERIORATING; (3) easily TRANSPORTABLE from place to place by virtue of possessing GREAT VALUE IN SMALL BULK; (4) such that one piece of money, OF A CERTAIN DENOMINATION, should always be equal, in magnitude and QUALITY, TO EVERY OTHER PIECE OF THE SAME DENOMINATION; (5) ITS VALUE should be COMPARATIVELY STEADY" (p. 836 [MacCulloch, *A Dictionary, practical, theoretical, and historical, of commerce and commercial navigation*, London, 1847.]).

Throughout his polemic with Bastiat, in *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, Paris, 1850, the whole argument of the worthy Proudhon hinges on the fact that lending appears to him to be something quite different from selling.

The lending of money at interest "is the ability of selling the same object over and over again, and receiving the price of it, over and over again, without ever giving up the ownership of what is sold"^a (p. 9, in the first letter of Chev e, one of the editors of *La Voix du Peuple*).

The different forms in which the reproduction of capital appears here prevent him from seeing that this continual reproduction of capital—the price of which constantly returns, and is over and over again exchanged for labour with profit, a profit which is over and over again realised in purchase and sale—constitutes its concept. He is led astray by the fact that the

^a Here and below Marx quotes from Proudhon in French.—Ed.

“object” does not change owners, as in purchase and sale; hence, *au fond*, by the form of reproduction, which capital loaned out at interest shares with fixed capital. In the case of house rent, of which Chev  speaks, the form involved is, directly, that of fixed capital. If circulating capital is considered in its entire process, it is evident that, although it is not *the same object* (e.g., a particular pound of sugar) that is sold over and over again, the same value is reproduced over and over again, and the alienation only concerns the form, not the substance.

Obviously, people who are capable of raising such objections are still confused about the most elementary concepts of political economy. Proudhon does not understand how either profit or, therefore, interest originates from the law of exchange of values. Hence he argues that “house”, money, etc. should not be exchanged as “capital” but as “commodities ... at cost price” ([*Gratuite du cr dit*, pp. 43,] 44).

The worthy young fellow does not understand the crucial point—that value is exchanged for labour, according to the law of values; and consequently that, if he is to abolish interest, he would have to abolish *capital* itself, the mode of production based on exchange value, and therefore abolish wage labour, too.

Mr. Proudhon’s inability to find even one distinction between loan and sale:

“Actually, the hatter who sells his hats ... obtains the value of them, neither more nor less. But the capitalist who loans out his capital ... not merely gets his capital back in full; he gets back more than his capital, more than he brought to the exchange; over and above his capital, he gets an interest” (p. 69).

Consequently, Mr. Proudhon’s hatters do not reckon either profit or interest in their cost price. He does not understand that precisely by obtaining the *value* of their hats they obtain more than the hats have cost them, because a part of this value has been appropriated without equivalent in the exchange with labour. Here is also his great proposition, elucidated above^a:

“It is impossible, with interest on capital being added in commerce to the worker’s wages to make up the price of the commodity, for the worker to be able to buy back what he himself has produced. Living by working is a principle which, under the rule of interest, is implicitly self-contradictory” ([l.c.,] p. 105).

In letter IX (pp. 144-52), the worthy Proudhon confuses money as means of circulation with capital, and on this basis concludes that the “capital” existing in France yields 160% (viz. 1,600 million in annual interest on the national debt, mortgages, etc., for a

^a See present edition, Vol. 28, pp. 352-62.—*Ed.*

capital of 1,000 million ... the sum of money ... circulating in France).

How little he understands about capital in general and its continuous reproduction is evident from the following assertions which he makes specifically about capital-money, i.e. money loaned out as capital:

"As, by the accumulation of interest, capital-money, from exchange to exchange, always returns to its source, it follows that the re-lending, always done by the same hand, always profits the same person" (p. 154).

"All labour must yield a surplus" [p. 200].

(Everything should be *sold*, nothing should be *loaned*. That is the whole trick. Inability to see that the exchange of commodities rests upon the exchange between capital and labour, and the latter form of exchange involves profit and interest. Proudhon wants to cling to the simplest, most abstract form of exchange.)

Mr. Proudhon provides the following elegant demonstration:

"Since value is only a proportion, and all products necessarily bear a certain proportion to one another, it follows that from the social point of view products are always values and realised values; for society, the distinction between capital and product does not exist. The distinction is completely subjective to the individuals" (p. 250).

The antagonistic nature of capital, and the necessity for it of the existence of the propertyless worker, is naively expressed by earlier English economists, e.g. the REVEREND MR. Joseph Townsend, the father of the population theory, by the FRAUDULENT appropriation of which Malthus made himself into a great man. (In general, Malthus is a shameless plagiarist, e.g., his theory of rent is borrowed from the farmer Anderson.) Townsend [VII-49] says:

"IT SEEMS TO BE A LAW OF NATURE THAT THE POOR SHOULD BE TO A CERTAIN DEGREE IMPROVIDENT, THAT THERE MAY BE ALWAYS SOME TO FULFIL THE MOST SERVILE, THE MOST SORDID, AND THE MOST IGNOBLE OFFICES IN THE COMMUNITY. THE STOCK OF HUMAN HAPPINESS IS THEREBY MUCH INCREASED. The more delicate are thereby relieved from DRUDGERY, and are at liberty to pursue higher CALLINGS", etc. (*A Dissertation on the Poor Laws*. EDITION OF 1817, p. 39). "LEGAL CONSTRAINT to labour is ATTENDED WITH TOO MUCH TROUBLE, VIOLENCE, AND NOISE, CREATES ILL WILL, etc., WHEREAS HUNGER IS NOT ONLY A PEACEABLE, SILENT, UNREMITTED PRESSURE, BUT, AS THE MOST NATURAL MOTIVE TO INDUSTRY AND LABOUR, IT CALLS FORTH THE MOST POWERFUL EXERTIONS" (p. 15).

(This, IN FACT, provides the answer to the question: which LABOUR IS MORE PRODUCTIVE, that of slaves or that of free workers? A. Smith did not need to raise this question, since the capitalist mode of production presupposes free labour. On the other hand, it is likewise the developed relationship of capital and labour that vindicates A. Smith in distinguishing between PRODUCTIVE and

UNPRODUCTIVE LABOUR. Lord Brougham's insipid witticisms against that distinction, and the objections to it, intended to be serious, by Say, Storch, McCulloch, and *tutti quanti*,^a rebound upon it. A. Smith went astray only by conceiving of the objectification of labour in somewhat too crude a fashion, as labour which fixes itself in a tangible object. But this is of little consequence in him, clumsiness of expression.)

For Galiani, too, the existence of WORKMEN is due to a law of nature. In his book, published in 1750, Galiani says:

"God ordains that men who carry on trades of primary utility are born in abundance" (*Della Moneta, Scrittori classici Italiani di Economia Politica, Parte Moderna*, Vol. III, Milan, 1803, p. 78).^b

But he also already has the correct conception of value:

"It is toil alone ... that gives value to the thing" ([*ibid.*,] p. 74).

True, there are also qualitatively different kinds of labour, not merely because there are different branches of production, but because labour may be more intensive or less intensive, etc. Of course, the way in which these differences are adjusted, and all labour is reduced TO SIMPLE UNSKILLED LABOUR, cannot be discussed here yet. It is sufficient to state that this reduction is, in fact, *completed* by the positing of the products of all kinds of labour as values. As values, they are equivalent to one another in certain proportions; the higher sorts of labour are themselves estimated in terms of simple labour. This becomes clear immediately when it is considered that, e.g., Californian gold is the product of simple labour, and yet every kind of labour is paid with it. This means that the qualitative distinction is abolished, and the product of a higher kind of labour is, in effect, reduced to a certain quantity of simple labour. Hence, such calculations of the various qualities of labour are completely irrelevant and do not lessen the validity of the [general] principle.

"Metals are used as money because they are valuable; they are not valuable because they are used as money" ([Galiani,] l.c., [p.] 95). "It is the velocity of the circulation of money, and not the quantity of the metals, that causes the amount of money to be large or small" ([p.] 99). "Money is of two kinds: *ideal* and *real*. And it is used for two different purposes: to *value* things and to *buy* them. For valuation, ideal money is just as good as real money, and probably even better.... The other use of money is to buy the very things for the pricing of which it serves.... Prices and contracts are estimated in ideal money and realised in real"

^a All the rest.—*Ed.*

^b Marx quotes this and the following passages from Galiani's book in Italian.—*Ed.*

(pp. 112 *et seq.*). “A peculiar feature of metals is that in them alone all relations are reduced to a single one, namely, their quantity, for they have not been endowed by nature with any difference of quality either in their internal composition or in their external form and structure” ([pp.] 126-27).

This is a very important observation. Value implies a common substance, and that all distinctions, proportions, are reduced to purely quantitative ones. This is the case with the precious metals, which therefore appear as the natural substance of value.

“Money ... as a standard measuring all things by reference to the needs of life—is that which is generally called the *price* of things” (152). “Ideal money itself is usually the *money of account*, that is to say, the medium used to stipulate, contract and value everything. This is due to the same reason why the coins which today are ideal are the oldest coins of every nation, and all of them were once real, and precisely because they were real they were used for calculation” (153).

(This is also the formal explanation of the ideal money of Urquhart, etc. The BAR of iron was originally real money to the NIGGERS,^a etc., and was then converted into an ideal money; but they still tried to maintain its previous value. Since, as they see from trade, iron varies in value against gold, etc., the ideal BAR, to maintain its value, expresses varying proportions of actual quantities of iron. A complicated method of calculation, which does honour to these gentlemen’s power of abstraction.) (*Cast-lereagh*, in the debates set off by the Bullion Committee in 1810, put forward similar CONFUSED NOTIONS.^b)

Galiani elegantly states:

“That infinity which (things) do not possess when progressing, they possess in circulation” (156).

About use value, Galiani says beautifully:

“Price is a relation.... The price of things is their proportion to our need ... it does not yet have a fixed measure. Perhaps it will be found. I, for my part, think it is *man himself*” ([159.] 162).

“Spain, at the time when it was both the greatest and the richest power, calculated with reals and with the very small maravedis” (172-73).

“In fact, he” (man) “is the sole and true wealth” (188). “*Wealth is a relation between two persons*” (221). “When the price of a thing, or its proportion with other things, changes in the same proportion relative to all things, it is an obvious indication that the value of this thing alone has changed, and not that of all the others” (154).

(The COSTS of PRESERVING capital, repairing it, must also be included in the calculation.)

^a See p. XXIV of the Preface.—*Ed.*

^b See this volume, p. 319.—*Ed.*

"THE POSITIVE LIMITATION OF QUANTITY IN PAPER MONEY WOULD ACCOMPLISH THE ONLY USEFUL PURPOSE THAT COST OF PRODUCTION DOES IN THE OTHER" ([G.] Opdyke, [A *Treatise on Political Economy*, New York, 1851, p.] 300).

The merely quantitative distinction in the material of money:

"MONEY IS RETURNED IN KIND ONLY" (in the case of LOANS); "WHICH FACT DISTINGUISHES THIS AGENT FROM ALL OTHER MACHINERY ... INDICATES THE NATURE OF ITS SERVICE ... CLEARLY PROVES THE SINGLENES OF ITS OFFICE" ([*ibid.*, p.] 267).

"WITH MONEY IN POSSESSION, WE HAVE BUT ONE EXCHANGE TO MAKE IN ORDER TO SECURE THE OBJECT OF DESIRE, WHILE WITH OTHER SURPLUS PRODUCTS WE HAVE TWO, THE FIRST OF WHICH (SECURING THE MONEY) IS INFINITELY MORE DIFFICULT THAN THE SECOND" (287-88).

"The BANKER DIFFERS FROM THE OLD USURER ... THAT HE LENDS TO THE RICH AND SELDOM OR NEVER TO THE POOR. HENCE HE LENDS WITH LESS RISK, AND CAN AFFORD TO DO IT ON CHEAPER TERMS; AND FOR BOTH REASONS, HE AVOIDS THE POPULAR ODIUM WHICH ATTENDED THE USURER" (F. W. Newman, *Lectures on Political Economy*, London, 1851, p. 44).

[VII-50] All hide and secretly bury their money deep in the ground, especially the *gentiles*, who are almost the sole masters of trade and money, being held in thrall to the belief that gold and silver they hide during their lifetime will serve them after their death (François Bernier, *Voyages contenant la description des états du Grand Mogol etc.*, Vol. I, Paris, 1830, p. 314).^a

In its natural state, matter is *always destitute of value*. Only by means of labour does it obtain exchange value, become an element of wealth (McCulloch, *Discours sur l'origine, [les progrès, les objets particuliers, et l'importance] de l'économie politique etc.*, translated by Prévost. Geneva and Paris, 1825, p. 57).

Commodities in exchange act as each other's *measure* (Storch, *Cours d'économie politique*. Avec des notes, etc., par J. B. Say, Vol. I, Paris, 1823, p. 81). "In the trade between Russia and China, silver is used to evaluate all commodities, yet this commerce is carried on by *trocs*^b" (p. 88). "Just as labour is not the *source* of the value of wealth, is it not its *measure* either" (l.c., p. 123). "Smith allowed himself to be persuaded that the same cause which makes material objects *exist* was also the source and measure of their value" (p. 124).

"Interest is the price which one pays for the use of a capital" (p. 336). Money must have a direct value, but one based on a *besoin factice*.^c Its material must not be indispensable for man's existence, since the entire quantity of it which is used as money can never be individually employed; it must always circulate (Vol. II, pp. 113, 114). "Money takes the place of all things" (p. 133).

Vol. V., *Considérations sur la nature du revenu national*, Paris, 1824:

"Acts of reproductive consumption are not, strictly speaking, expenses, but merely *advances*, since they are paid back to those who make them" (p. 54). "Is there not a manifest contradiction in this proposition that nations enrich themselves

^a The passages from Bernier and, below, from the French translation of McCulloch's book are quoted in the manuscript in French; those from Storch are partly in German translation and partly in the original French.—*Ed.*

^b Barter.—*Ed.*

^c Factitious need.—*Ed.*

by their abstinence or their *privations*, that is to say by voluntarily condemning themselves to poverty?" (p. 176).

"At the time when hides and furs served as money in Russia, the inconvenience attached to the circulation of so bulky and so perishable a currency gave rise to the idea of replacing them with small stamped pieces of leather, which thus became tokens payable in hides and furs.... They preserved this role until 1700" (namely, later, that of representing the fractional parts of the silver kopecks), "at least in the town of Kaluga and its environs, until Peter I" (in 1700) "decreed that they should be surrendered in exchange for small brass coins" ([Storch, Vol. IV.] p. 79).

A suggestion of the miracles worked by compound interest is already to be found in *Jos. Child*, the great opponent of usury in the 17th century (*Traité sur le commerce etc.*, translated from the English (published in English in 1669), Amsterdam and Berlin, 1754, pp. 115-17).

"IN POINT OF FACT A COMMODITY WILL ALWAYS EXCHANGE FOR MORE LABOUR THAN that which has produced it; AND IT IS THIS EXCESS THAT CONSTITUTES PROFITS" (McCulloch, *The Principles of Political Economy*, London, 1825, p. 221).

This remark shows how well Mr. McCulloch has understood Ricardo's principle. He distinguishes between the *real value* and the *exchange value* [of a commodity]; the former, (1), is the QUANTITY OF LABOUR EXPENDED IN ITS APPROPRIATION OR PRODUCTION; the latter, (2), is [this commodity's] *power of purchasing* CERTAIN QUANTITIES OF LABOUR OF OTHER COMMODITIES (p. 211).

MAN IS AS MUCH THE *PRODUCE OF LABOUR* AS ANY OF THE MACHINES CONSTRUCTED BY HIS AGENCY; AND IT APPEARS TO US THAT IN ALL ECONOMICAL INVESTIGATIONS HE OUGHT TO BE CONSIDERED IN PRECISELY THE SAME POINT OF VIEW (i.e., p. 115). WAGES REALLY CONSIST OF A PART OF THE PRODUCE OF THE INDUSTRY OF THE LABOURER (p. 295). THE PROFITS OF CAPITAL ARE ONLY ANOTHER NAME FOR THE WAGES OF ACCUMULATED LABOUR (p. 291).

"A PERIODICAL DESTRUCTION OF CAPITAL HAS BECOME A NECESSARY CONDITION OF THE EXISTENCE OF ANY MARKET RATE OF INTEREST AT ALL. AND, CONSIDERED IN THAT POINT OF VIEW, THESE AWFUL VISITATIONS, TO WHICH WE ARE ACCUSTOMED TO LOOK FORWARD WITH SO MUCH DISQUIET AND APPREHENSION, AND WHICH WE ARE SO ANXIOUS TO AVERT, MAY BE NOTHING MORE THAN THE NATURAL AND NECESSARY CORRECTIVE OF AN OVERGROWN AND BLOATED OPULENCE, THE *vis medicatrix* BY WHICH OUR SOCIAL SYSTEM, AS AT PRESENT CONSTITUTED, IS ENABLED TO RELIEVE ITSELF FROM TIME TO TIME OF AN EVER-RECURRING PLETHORA WHICH MENACES ITS EXISTENCE, AND TO REGAIN A SOUND AND WHOLESOME STATE" (John Fullarton, *On the Regulation of Currencies, etc.*, London, 1844, p. 165).

MONEY—GENERAL POWER OF PURCHASING (Chalmers, [*On Political Economy in Connexion with the Moral State and Moral Prospects of Society*, 2nd ed., Glasgow, 1832, p. 164]).^a

CAPITAL ... SERVICES AND COMMODITIES USED IN PRODUCTION. MONEY: THE MEASURE OF VALUE, THE MEDIUM OF EXCHANGE, AND THE UNIVERSAL EQUIVALENT; MORE PRACTICALLY: THE MEANS OF OBTAINING CAPITAL; THE ONLY MEANS OF PAYING FOR CAPITAL PREVIOUSLY OBTAINED FOR CREDIT; VIRTUALLY A SECURITY FOR OBTAINING ITS

^a See present edition, Vol. 28, p. 520.—Ed.

EQUIVALENT VALUE IN CAPITAL. *COMMERCE* IS THE EXCHANGE OF CAPITAL FOR CAPITAL THROUGH THE MEDIUM OF MONEY, AND THE CONTRACT BEING FOR THE MEDIUM, MONEY ALONE CAN SATISFY THE CONTRACT AND DISCHARGE THE DEBT. IN SELLING, ONE KIND OF CAPITAL IS DISPOSED OF FOR MONEY FOR OBTAINING ITS EQUIVALENT SPECIFIED VALUE IN ANY KIND OF CAPITAL. *INTEREST*—THE CONSIDERATION GIVEN FOR THE LOAN OF MONEY. IF THE MONEY BE BORROWED FOR THE PURPOSE OF *PROCURING CAPITAL*, THEN THE CONSIDERATION GIVEN IS A REMUNERATION FOR THE USE OF CAPITAL (RAW MATERIALS, LABOUR, MERCHANDISE, ETC.) WHICH IT OBTAINS. IF BORROWED FOR THE PURPOSE OF DISCHARGING A DEBT, FOR PAYING FOR CAPITAL PREVIOUSLY OBTAINED AND USED (CONTRACTED TO BE PAID FOR IN MONEY), THEN THE CONSIDERATION GIVEN IS FOR THE USE OF MONEY ITSELF, AND IN THIS RESPECT INTEREST AND DISCOUNT ARE SIMILAR. *DISCOUNT* SOLELY THE REMUNERATION FOR MONEY ITSELF, FOR CONVERTING CREDIT MONEY INTO REAL MONEY. A GOOD BILL GIVES THE SAME COMMAND OVER CAPITAL AS BANK NOTES, MINUS THE CHARGE FOR DISCOUNT; AND BILLS ARE DISCOUNTED FOR THE PURPOSE OF OBTAINING MONEY OF A MORE CONVENIENT DENOMINATION FOR WAGES AND SMALL CASH PAYMENTS, OR TO MEET LARGER ENGAGEMENTS FALLING DUE; AND ALSO FOR THE ADVANTAGE TO BE GAINED WHEN READY MONEY CAN BE HAD BY DISCOUNTING AT A LOWER RATE THAN 5%, THE USUAL ALLOWANCE MADE FOR CASH. THE MAIN OBJECT, HOWEVER, IN DISCOUNTING DEPENDS FUNDAMENTALLY UPON THE SUPPLY AND DEMAND OF LEGAL TENDER MONEY.... THE RATE OF INTEREST DEPENDS MAINLY ON THE DEMAND AND SUPPLY OF CAPITAL, AND THE RATE OF DISCOUNT ENTIRELY ON THE SUPPLY AND DEMAND OF MONEY (*The Economist*, 13 March, 1858. Letter to the Editor).

[VII-51] Mr. K. Arnd, who is quite in his element when he argues about the “dog tax”,⁴⁵ has made the following interesting discovery:

“In the natural course of goods production there is just *one* phenomenon which, in countries where all available land is under cultivation, seems in some measure to regulate the rate of interest; this is the proportion in which the timber in European forests is augmented through their annual growth. This new growth occurs, quite independently of the exchange value of the timber, at the rate of 3 or 4 to 100” (*Die naturgemässe Volkswirtschaft, gegenüber dem Monopoliengeiste und dem Communismus*, Hanau, 1845, pp. 124-25).

This deserves to be called the forest-grown rate of interest.

“THE REMAINING VALUE OR OVERPLUS WILL IN EACH TRADE BE IN PROPORTION TO THE VALUE OF THE CAPITAL EMPLOYED” (Ricardo, [*On the Principles of Political Economy etc.*, p. 84]).

Speaking of *interest*, two things must be considered:

Firstly, the division of *profit* into interest and profit. (Profit as the unity of the two is called *GROSS PROFIT* by the English.) The distinction becomes a tangible, palpable one as soon as a class of *MONEYED CAPITALISTS* confronts a class of *INDUSTRIAL CAPITALISTS*. *Secondly*, *capital* itself becomes a commodity, or the commodity (money) is sold as capital. For instance, capital is said to adjust its price according to supply and demand like any other commodity. So it is this that determines the rate of interest. Therefore, here capital as such enters into circulation.

MONIED CAPITALISTS and INDUSTRIAL CAPITALISTS can only constitute 2 distinct classes, because it is possible for profit to be split up into 2 distinct branches of revenue. The 2 sorts of CAPITALISTS merely express that FACT; but there must be this division, this splitting-up of profit into 2 distinct forms of revenue, for 2 distinct classes of capitalists to arise.

The form of interest is older than that of profit. The rate of interest paid by COMMON AGRICULTURISTS in India is in no way an indication of the level of profit. It shows, rather, that the usurer appropriates both profit and a part of wages itself in the form of interest. It is a proceeding worthy of Mr. Carey's historical acumen to compare this interest with that prevailing in the English MONEY MARKET, the interest paid by the English capitalist, and to conclude from that how much higher "labour's portion" (labour's share in the product) is in England than in India.^a He ought to have taken for comparison the interest paid in England, e.g. in Derbyshire, by the HANDLOOM WEAVERS whose material and instrument are advanced (loaned) to them by the capitalist. He would have found that the interest here is so high that in the end, after all ITEMS have been settled, the worker is still in debt, despite the fact that he has not merely returned the advances to the capitalist, but has also added his own labour to them gratis.

Historically, the form of industrial profit only emerges when capital has ceased to appear alongside the independent worker. Initially, therefore, profit appears as determined by interest. But in bourgeois economy, interest is determined by profit and is merely a part of it. Hence, profit must be sufficiently large for a part of it to be able to be detached from it as interest. The converse was the case historically. Interest must be depressed to such an extent that a part of the surplus gain can make itself independent as profit.

THERE IS A NATURAL RELATION BETWEEN WAGES AND PROFIT—NECESSARY LABOUR AND SURPLUS LABOUR; BUT IS THERE ANY BETWEEN PROFIT AND INTEREST, SAVE THAT WHICH IS DETERMINED BY THE COMPETITION BETWEEN THESE TWO CLASSES ARRANGED UNDER THESE DIFFERENT FORMS OF REVENUES? BUT IN ORDER THAT THIS COMPETITION EXIST, AND THE TWO CLASSES, THE DIVISION OF THE SURPLUS VALUE INTO PROFITS AND INTEREST IS ALREADY PRESUPPOSED. Capital considered in general is not a mere abstraction. If I consider the total capital of a nation, e.g., in distinction from the totality of its wage labour (or also landed property), or if I regard capital as the general economic basis of

^a H. Ch. Carey, *The Credit System in France, Great Britain, and the United States*, London, Philadelphia, 1838, pp. 2 and 9.—Ed.

one class in distinction from another class, I am considering it in general. It is the same as if, e.g., I considered man physiologically, as distinct from the animal. The real distinction between profit and interest exists as that between a MONEYED CLASS OF CAPITALISTS and an INDUSTRIAL CLASS OF CAPITALISTS. But the possibility of 2 such classes confronting each other, their existence as 2 classes, presupposes a diremption of the surplus value posited by capital.

(Political economy is concerned with the specific social forms of wealth or rather of the production of wealth. The substance of wealth, whether subjective, like labour, or objective, like objects for the satisfaction of natural or historically evolved requirements, appears at first as common to all epochs of production. Hence, this substance initially appears as a mere presupposition, which lies completely outside the sphere of political economy, and falls within that sphere only when it is modified by, or appears as modifying, the relations of form. All that is usually said about it in general terms, is confined to abstractions. These were of historical value in the early essays of political economy, in which the forms were laboriously extracted from the substance and fixed, with great effort, as the proper object of analysis. Later they become leaden platitudes, the more distasteful the greater the scientific pretension with which they are presented. This applies to all the idle chatter the German economists indulge in under the category of "goods".)

The important thing is that interest and profit both express relations of *capital*. As a particular form, interest-bearing capital does not confront labour but profit-bearing capital. The relationship in which, on the one hand, the worker still appears as independent, i.e. not as a wage worker, while, on the other hand, his objective conditions already possess an independent existence alongside him, constituting the property of a particular class of usurers, necessarily develops—in all the modes of production more or less based upon exchange—with the development of merchants' wealth or monetary wealth in opposition to the particular and restricted forms of AGRICULTURAL or artisan wealth. The development of merchants' wealth itself can be regarded as a development of exchange value and hence of circulation and of money relationships in those spheres. On the one hand, this relationship of course shows that the conditions of labour—which to an increasing degree are derived from circulation and depend upon it—become independent of and detached from the economic existence of the worker. On the other hand, his economic existence is not as yet subsumed in the process of

capital. Therefore the mode of production has not, as yet, essentially changed. If this relationship recurs within the bourgeois economy, it does so in backward branches of industry or in such as still [VII-52] resist extinction in the face of the modern mode of production. The most loathsome exploitation of labour still takes place within them, without the relationship of capital and labour in them constituting to any extent the basis for the development of new productive forces or the germ of new historical forms. In the mode of production itself, capital still appears here as materially subsumed in the individual worker or the worker's family—whether in handicraft industry or in small-scale agriculture. There is exploitation by capital, without the mode of production of capital. The rate of interest is very high because it includes profit and even part of the wages. This form of usury, in which capital does not seize hold of production, and therefore is capital only in form, presupposes the dominance of pre-bourgeois forms of production. But it is given a new lease of life, in subordinate spheres, within the bourgeois economy itself.

The second historical form of interest is the lending of capital to consuming wealth. It is historically important here as itself a moment of the origin of capital, since the revenue (AND OFTEN THE LAND TOO) OF THE LANDED PROPRIETORS ACCUMULATES AND BECOMES CAPITALISED IN THE POCKETS OF THE USURER. It is one of the processes by which circulating capital or also capital in the form of money concentrates in the hands of a class independent of the landed proprietors.

The form adopted by realised capital, as well as by its realised surplus value, is money. Hence profit (and not only interest) is expressed in money; because it is in money that value is realised and measured.

The necessity of paying in money—not merely of money for the purchase of commodities, etc.—arises wherever relations of exchange and money circulation obtain. It is not at all necessary that the exchange should be simultaneous. With money, it becomes possible for one party to yield up its commodity [at once], while the other makes its payment later. The need for money to that end (later developed in LOANS and DISCOUNTS) is historically one of the main sources of interest. We are not as yet concerned with this aspect; we must leave it until we come to discuss credit relations.

The distinction between *BUYING* ($M-C$) and *SELLING* ($C-M$):

“If I sell, I have (1) charged the profit on the commodity and obtained that profit; (2) received AN ARTICLE UNIVERSALLY REPRESENTATIVE OR CONVERTIBLE,

MONEY, for which, MONEY BEING ALWAYS SALEABLE, I can at all times command every other commodity; THE SUPERIOR SALEABLENESS OF MONEY BEING THE EXACT EFFECT OR NATURAL CONSEQUENCE OF THE LESS SALEABLENESS OF COMMODITIES. It is otherwise with buying. IF HE BUYS TO SELL AGAIN OR SUPPLY CUSTOMERS, WHATEVER MAY BE THE PROBABILITY, THERE IS NO ABSOLUTE CERTAINTY OF HIS SELLING AT A REMUNERATIVE PRICE. But all who buy do not sell again, people also buy for THEIR OWN USE OR CONSUMPTION," etc. (Thomas Corbet, *An Inquiry into the Causes and Modes of the Wealth of Individuals*, London, 1841, pp. 117 et sq.).

The Economist, 10 April [1858]: "A PARLIAMENTARY RETURN MOVED FOR BY MR. JAMES WILSON SHOWS THAT THE MINT COINED IN 1857 GOLD TO THE VALUE OF £4,859,000, OF WHICH £364,000 WAS IN HALF-SOVEREIGNS. THE SILVER COINAGE OF THE YEAR AMOUNTED TO £373,000, THE COST OF THE METAL USED BEING £363,000. THE TOTAL AMOUNT COINED IN THE TEN YEARS ENDING THE 31ST OF DECEMBER, 1857, WAS £55,239,000 IN GOLD, AND £2,434,000 IN SILVER. THE COPPER COINAGE LAST YEAR AMOUNTED IN VALUE TO £6,720—THE VALUE OF THE COPPER BEING £3,492; OF THIS, 3,136 WAS IN PENCE, 2,464 IN HALF-PENCE, AND 1,120 IN FARTHING. THE TOTAL VALUE OF THE COPPER COINAGE OF THE LAST TEN YEARS WAS £141,477, THE COPPER OF WHICH IT WAS COMPOSED BEING PURCHASED FOR £73,503."

"According to Thomas Culpeper (1641), Josiah Child (1670), Paterson (1694), Locke (1700), wealth depends upon the reduction, even if a forced one, of the interest rate of gold and silver. Abided by in England for almost 2 centuries" (Ganih [Des systèmes d'économie politique, Vol. I, Paris, 1809, pp. 76-77]).

When *Hume* argued, in opposition to Locke, that the rate of interest was determined by the rate of profit,^a he was witnessing capital at a considerably higher stage of development; it was even more highly developed when Bentham, at the end of the 18th century, wrote his apologia for usury.^b

(From Henry VIII to Queen Anne, reduction of interest by law.)

"In every country: (1) A PRODUCING CLASS,⁴⁶ and (2) A MONIED CLASS, who live upon the interest of their capital" (J. St. Mill, [*Essays on*] *Some Unsettled Questions of Political Economy*, London, 1844, p. 110).

"IT IS BY FREQUENT FLUCTUATION IN A MONTH, AND BY PAWNING ONE ARTICLE TO RELIEVE ANOTHER, WHERE A SMALL SUM IS OBTAINED, THAT THE PREMIUM FOR MONEY BECOMES SO EXCESSIVE. 240 LICENSED PAWNBROKERS IN LONDON AND ABOUT 1,450 IN THE COUNTRY. THE CAPITAL EMPLOYED IS ESTIMATED AT ABOUT 1 MILLION. It is turned round at least thrice in the course of a year and yields each time 33 1/2% on an average; so that the INFERIOR ORDERS of England yearly pay 1 million for a TEMPORARY LOAN of one million, EXCLUSIVE OF WHAT THEY LOSE BY GOODS BEING FORFEITED" (J. D. Tuckett, *A History of the Past and Present State of the Labouring Population etc.*, Vol. I, London, 1846, p. 114).

^a D. Hume, *Essays and Treatises on Several Subjects*, Vol. I.—Ed.

^b J. Bentham, *Defence of Usury*, London, 1787.—Ed.

"There are some labours which cannot be carried on except on a large scale, e.g. porcelain-making, glass-making, etc. Hence, these are never handicrafts. Some labours, like weaving, were already carried on on a large scale in the 13th and 14th centuries" (Poppe [p. 32]).

"In older times, all factories belonged to the handicrafts, and the *merchant* was merely carrier and deliverer for the handicrafts. This system was most strictly adhered to in cloth and linen manufacture. However, in many places the merchants gradually began to set themselves up as masters" (naturally, they were free from the old masters' guild prejudices, traditions and relation to the journeymen) "and took the journeymen into employment for daily wages" (Poppe, *Geschichte der Technologie*, Vol. I, Göttingen, 1807, pp. 70-71).

This was one of the main reasons why in England industry proper became established and developed in non-incorporated towns.

Commercial capital or money, as it makes its appearance as merchants' wealth, is the first form of capital, i.e. of value which originates exclusively from circulation (exchange) and is maintained, reproduced and increased in it, and hence the sole aim of this movement and activity is exchange value. Both movements [take place], buying in order to sell, and selling in order to buy, but the [VII-53] form $M-C-C-M$ is dominant. Money and the increase of money is the exclusive aim of the operation. The merchant neither buys the commodity for his own need, for the sake of its use value, nor does he sell it in order to, e.g., discharge contracts stipulated in money, or to acquire other commodities for his needs. His direct aim is increase of value—increase in its immediate form as money. Mercantile wealth is first of all money as means of exchange, money as the mediating movement of circulation; it exchanges commodity for money, and money for commodity, and vice versa. Similarly, money appears here as an end in itself, but without for that reason existing in its metallic form. It is, here, the living conversion of value into the two forms of commodity and money: the indifference of value to the particular form of use value which it assumes, and simultaneously its metamorphosis into all these forms, which, however, appear merely as disguises.

If the activity of trade thus summarises the movements of circulation, and money as mercantile wealth, therefore, is, on the one hand, the first form of existence of capital, and appears so historically—this form appears, on the other hand, as directly contradictory to the *concept of value*. The law of trade is to buy cheap and sell dear. Hence *not exchange of equivalents, with which trade as a particular branch of business would, in fact, be impossible*.

Nevertheless, money as mercantile wealth—as it appears in the

most different social forms and at the most different stages of development of the social productive forces—is merely the mediating movement between extremes which it does not dominate, and between presuppositions which it does not create.

A. Smith, [*Recherches sur la nature et les causes de la richesse des nations*], ed. Garnier, Vol. II, Book III:

“The great *commerce* of every civilised society is that carried on between the inhabitants of the town and those of the country ... consists *in the exchange of raw products for manufactured products*, either immediately, or by the intervention of money” (p. 403).^a

Trade always draws together; originally, production on a small scale.

“The town is a continual fair or market, to which the inhabitants of the country resort to exchange their raw products for manufactured products. It is this commerce which supplies the inhabitants of the town both with the materials of their work and with the means of their subsistence. The quantity of *finished goods* which they sell to the inhabitants of the country necessarily determines the quantity of the materials and provisions which they buy” (p. 408 [409]).

As long as “means of subsistence and of enjoyment” are the main aim, use value is dominant.

It is implicit in the concept of value that it is maintained and increased only by means of exchange. But existing value is first of all money.

“That industry, which aims at something outside the circle of absolute necessities, was established in towns long before it could be commonly practised by the cultivators in the countryside” (p. 452).

“Although the inhabitants of a town ultimately draw their subsistence and all the means and materials for their industry from the countryside, those of a city near either the sea coast or a navigable river may draw them also from the most remote corners of the world, either in exchange for the manufactured products of their own industry, or by performing the office of carriers between distant countries and exchanging the products of one for those of another. Thus a city can become very rich, while not only the country in its immediate neighbourhood but the entire area in which it trades is poor. Each of those countries, taken singly, can afford it only a very small part of its subsistence and of what it needs for business; but all of them, taken together, can afford it a great quantity of subsistences and a great diversity of employment” (p. [452,] 453).

(The cities of Italy were the first in Europe to rise thanks to trade; at the time of the Crusades—Venice, Genoa and Pisa—partly owing to the transportation of people, and always owing to the transportation of provisions which had to be supplied to them. These republics were, one might say, the commissaries of those armies) (l.c.).

^a Marx quotes Smith in French. From the words “Although the inhabitants of a town”, he quotes in German translation, occasionally using French phrases.—*Ed.*

Merchants' wealth conceived of as continuously in exchange, and exchanging for the sake of exchange value, is *IN FACT* living money.

"The inhabitants of trading cities, by importing refined articles and expensive luxuries from richer countries, catered to the vanity of the big landed proprietors, who bought them eagerly, paying with great quantities of the raw produce of their lands. The trade of a great part of Europe at the time, accordingly, consisted in the exchange of the raw products of some countries for the manufactured products of the industrially more advanced ones" (p. [454,] 455). "When this taste became so general as to occasion a considerable demand, the merchants, to save the expense of carriage, sought to establish similar manufactures in their own country. This the rise of the first manufactures for distant sale" (l.c.). Luxury goods manufactures, sprung from *FOREIGN COMMERCE*, were established by merchants (worked up foreign materials) (p. 456 [457]).

Adam Smith speaks of a second type of manufactures, which "arise naturally, of their own accord, by the gradual refinement of the crude domestic crafts". They work up *HOMEGROWN MATERIALS* (p. 459).

The trading peoples of antiquity were located, like the Gods of Epicurus, in the intermundia of the world,⁴⁷ *OR RATHER* like the Jews in the pores of Polish society. Most of the independent trading peoples or cities that attained a high level of development were engaged in the *CARRYING TRADE*, based upon the barbarity of the producing peoples, between whom they played the role of money (the mediator).

At the initial stages of bourgeois society, trade dominated industry; in modern society, the other way round.

Naturally, trade will have repercussions, to a greater or lesser degree, upon the communities between which it is carried on. It will increasingly subject production to exchange value, and force immediate use value more and more into the background, by making subsistence depend more upon the sale of the product than upon its immediate use. It dissolves the old relationships and thereby increases money circulation. At first, it embraces only the surplus of production; but gradually it seizes hold of production itself. However, the dissolving effect greatly depends upon the nature of the producing communities between which trade is carried on. E.g., it has hardly shaken the ancient Indian community and Asiatic relationships in general. Fraud in the exchange is the [VII-54] basis of trade as it appears independently.

But capital emerges only when trade seizes control of production itself, and the merchant becomes a producer or the producer becomes merely a merchant. Opposed to this are the medieval guilds, the caste system, etc. But the rise of capital in its adequate

form presupposes capital as commercial capital, so that production, more or less mediated by money, is no longer carried on for use, but for trade on a large scale.

Mercantile wealth as an independent economic form, and as the basis of trading cities and trading peoples, exists and has existed among peoples who are at the most different levels of economic development. And within the trading city itself (e.g. the ancient Asian, the Greek, and the Italian, etc., city of the Middle Ages), production may continue to exist in the form of guild production, etc.

Steuart. "TRADE IS AN OPERATION BY WHICH THE WEALTH, OR WORK, EITHER OF INDIVIDUALS, OR OF SOCIETIES, MAY BE EXCHANGED, BY A SET OF MEN CALLED MERCHANTS, FOR AN EQUIVALENT, PROPER FOR SUPPLYING EVERY WANT, WITHOUT ANY INTERRUPTION TO INDUSTRY, OR ANY CHECK TO CONSUMPTION. INDUSTRY IS THE APPLICATION TO INGENUOUS LABOUR IN A FREE MAN, IN ORDER TO PROCURE, BY THE MEANS OF TRADE, AN EQUIVALENT FIT FOR SUPPLYING EVERY WANT" ([*An Inquiry into the Principles of Political Oeconomy*], Vol. I, [Dublin, 1770,] p. 166).

"WHILE WANTS CONTINUE SIMPLE AND FEW, A WORKMAN FINDS TIME ENOUGH TO DISTRIBUTE ALL HIS WORK; WHEN WANTS BECOME MORE MULTIPLIED, MEN MUST WORK HARDER; TIME BECOMES PRECIOUS; HENCE TRADE IS INTRODUCED... THE MERCHANT as mediator between WORKMEN AND CONSUMERS" (p. 171).

THE COLLECTION (of the products) INTO A FEW HANDS IS THE INTRODUCTION OF TRADE (l.c.). THE CONSUMER does not buy in order to sell again. The merchant buys and sells merely with a VIEW TO A GAIN (p. 174) (i.e. for value). "The most simple of all TRADE is that which is carried on by BARTERING the most necessary means of subsistence" (between the SURPLUS FOOD in the hands of the farmers, and the FREE HANDS [p. 175]. Progress is due mainly to the INTRODUCTION OF MONEY (p. 176).

As long as reciprocal wants are SUPPLIED BY BARTER, there is not the smallest occasion for money. This is the simplest combination. When wants are multiplied, BARTERING BECOMES more difficult; UPON THIS, MONEY IS INTRODUCED. This is the COMMON PRICE of all things. A PROPER EQUIVALENT in the hands of those who WANT. THIS OPERATION OF BUYING AND SELLING is somewhat more complex than the former [p. 177].

Hence (1) BARTER; (2) SALE; (3) COMMERCE...

The merchant must come into play as a mediator. What we previously called WANTS, is now represented by the CONSUMER; industry, by the MANUFACTURER; money, by the merchant. The merchant represents the money, BY SUBSTITUTING CREDIT IN ITS PLACE; and as money was invented to facilitate BARTER, so the MERCHANT with his CREDIT is A NEW REFINEMENT UPON THE USE OF MONEY. THIS OPERATION OF BUYING AND SELLING is now TRADE; IT RELIEVES both parties of the whole TROUBLE OF TRANSPORTATION, and ADJUSTING WANTS TO WANTS, OR WANTS TO MONEY; the MERCHANT REPRESENTS BY TURNS THE CONSUMER, THE MANUFACTURER, and the money. To the CONSUMER he represents the whole body of MANUFACTURERS; to the latter, the whole body of CONSUMERS; and to both classes HIS CREDIT SUPPLIES THE USE OF MONEY (pp. 177, 178).

Merchants are SUPPOSED to BUY and SELL, not from necessity, but WITH A VIEW TO PROFIT (p. 201).

"Only the industrialist produces for the use of others, not for his own; these goods begin to be useful to him only at the moment at which he exchanges them. Thus they give rise to the need for trade or the art of exchange. They are only estimated in terms of their exchangeable value" (Sismondi, *Études sur l'économie politique*, Vol. II, Brussels, 1838, p. 161).^a Trade has robbed the things, the riches, of their primitive character of usefulness: *commerce has reduced everything to the opposition between use value and exchange value* (p. 162). Initially, utility is the true measure of values; trade does exist then, in the patriarchal state of society; but it has not wholly absorbed society, it embraces only the surplus of everyone's production, not what is necessary for his existence (pp. 162, 163). By contrast, our economic progress is characterised by the fact that *trade* has taken upon itself the *distribution* of the totality of the wealth annually produced, and consequently has completely suppressed the character of wealth as use value, and will not permit any other but exchange value to exist (163).

Before the introduction of trade, an increase in the quantity of output constituted a direct increase of wealth. The quantity of labour by means of which useful things were obtained was of little consequence then. And, in fact, the utility of the thing required would in no way be diminished even if no labour at all were necessary to obtain it. Grain and linen would be no less necessary to those possessing them, even if they had fallen from the heavens. That is without doubt the true estimation of wealth—enjoyment and utility. But from the moment when men ... made their subsistence dependent upon the exchanges which they could carry out, or on commerce, they were forced to adhere to another mode of estimation, to exchange value, to a value which stems not from utility, but from *the relationship between the need of the entire society and the quantity of labour sufficient to satisfy this need*, or also the quantity of labour which could satisfy it at some future time (l.c., p. 266). In the estimation of values which people have sought to measure by the agency of money, the concept of utility is wholly set aside. It is *labour* alone, the effort necessary to obtain the two things exchanged for one another, that is taken into consideration (p. 267).

On interest, J. W. Gilbart says (*The History and Principles of Banking*, London, 1834):

"That a man who borrows money with a *view of making a profit by it*, should give some portion of his profit to the lender, is A SELF-EVIDENT PRINCIPLE OF NATURAL JUSTICE. A man usually makes a profit by means of TRAFFIC. But in the Middle Ages the population was purely agricultural. And under such conditions, as under feudal GOVERNMENT, there can be but little TRAFFIC, and hence little PROFIT. Therefore, the laws on usury in the Middle Ages were justified. Besides, IN AN AGRICULTURAL COUNTRY A PERSON SELDOM WANTS TO BORROW MONEY EXCEPT HE BE REDUCED TO POVERTY OR DISTRESS BY MISERY^b" (p. 163).

Henry VIII limited interest to 10%, James I to 8, Charles II to 6, Anne to 5 (164, 165). In those [VII-55] times the lenders were in fact, if not legally, monopolists, and hence it was necessary to place them, like other monopolists, UNDER RESTRAINT (p. 165). In our times, the rate of profit regulates the rate of interest; in those times, the rate of interest regulated the rate of profit. If the money-lender charged a high rate of interest to the merchant, the merchant had to

^a The excerpts from Sismondi are quoted by Marx in German translation, with a French word or phrase here and there.—*Ed.*

^b Gilbart has "by misfortune".—*Ed.*

set a higher rate of profit on his GOODS. Hence, a large sum of money was taken from the pockets of the buyers to be put into the pockets of the MONEY-LENDERS. This ADDITIONAL PRICE set upon the GOODS made the PUBLIC less able and inclined to buy them (l.c., p. 165).

"UNDER THE RULE OF INVARIABLE EQUIVALENTS, COMMERCE, etc., WOULD BE IMPOSSIBLE" (G. Opdyke, *A Treatise on Political Economy*, New York, 1851, p. 67).

"THE POSITIVE LIMITATION^a OF QUANTITY IN THIS INSTRUMENT" (i.e. paper money) "WOULD ACCOMPLISH THE ONLY USEFUL PURPOSE THAT COST OF PRODUCTION DOES IN THE OTHER" (METAL MONEY) (l.c., p. 300).

Interest. "If A FIXED SUM OF PRECIOUS METAL falls [in value], this is no reason why A SMALLER QUANTITY OF MONEY SHOULD BE TAKEN FOR ITS USE, for if the PRINCIPAL is of less value for the BORROWER, the interest is to the same extent less difficult for him to pay. In California, 3% per MONTH, 36% per annum, because of the UNSETTLED STATE. In Hindustan, with the Indian princes borrowing for UNPRODUCTIVE EXPENSES, the lenders, to counterbalance on the average the losses of capital, [charge] very high interest, 30%, HAVING NO RELATION TO PROFIT WHICH MIGHT BE GAINED IN INDUSTRIAL OPERATIONS" (*The Economist*, [No. 491,] 22 January 1853 [p. 89]). (The lender "CHARGES here INTEREST SO HIGH AS TO BE SUFFICIENT TO REPLACE THE PRINCIPAL IN A SHORT TIME, OR AT LEAST AS ON THE AVERAGE OF ALL HIS LENDING TRANSACTIONS, MIGHT SERVE TO COUNTERBALANCE HIS LOSSES IN PARTICULAR INSTANCES, BY THE APPARENTLY EXORBITANT GAINS ACQUIRED IN OTHERS" (l.c.).)

The RATE OF INTEREST DEPENDS: (1) on the RATE OF PROFIT; (2) on the proportion in which the ENTIRE PROFIT is divided between the LENDER and BORROWER (l.c.).

ABUNDANCE OR SCARCITY OF THE PRECIOUS METALS, THE HIGH OR LOW SCALE OF GENERAL PRICES PREVAILING, DETERMINES ONLY WHETHER A GREATER OR LESS AMOUNT OF MONEY WILL BE REQUIRED IN EFFECTING THE EXCHANGES BETWEEN BORROWERS AND LENDERS, AS WELL AS EVERY OTHER SPECIES OF EXCHANGE.... The only difference is THAT A GREATER SUM OF MONEY WOULD BE NEEDED TO REPRESENT AND TRANSFER CAPITAL LENT ... THE RELATION BETWEEN THE SUM PAID FOR THE USE OF CAPITAL AND THE CAPITAL EXPRESSES THE RATE OF INTEREST AS MEASURED IN MONEY (l.c. [pp. 89-90]).

DOUBLE STANDARD.

Formerly in the countries where gold and silver were the LEGAL STANDARD, the circulating currency consisted almost entirely of silver, because from 1800 to 1850 THE TENDENCY WAS FOR GOLD TO BECOME DEARER THAN SILVER. GOLD had somewhat risen in relation to silver, and in France bore a PREMIUM as compared to its ratio to silver fixed in 1802. So in the UNITED STATES; in India. (In the latter, there is now a silver standard, as in Holland, etc.) The circulation of the UNITED STATES was the first to be affected. Large imports of gold from California, a premium on silver in Europe, EXTENSIVE SHIPMENT OF SILVER COINS AND REPLACEMENT BY GOLD. THE UNITED STATES GOVERNMENT minted gold coins of as LOW a value as 1 DOLLAR. Substitution of silver for gold in France (*The Economist*, [No. 429,] 15 November 1851 [p. 1257]).

^a i. e., in Opdyke's usage, limitation "by positive law".—Ed.

LET THE "STANDARD OF VALUE" BE WHAT IT WILL, "AND LET THE CURRENT MONEY REPRESENT ANY FIXED PORTION OF THAT STANDARD THAT MAY BE DETERMINED UPON, THE TWO CAN ONLY HAVE A FIXED AND PERMANENT VALUE IN RELATION TO EACH OTHER, BY BEING CONVERTIBLE AT THE WILL OF THE HOLDER" (*The Economist* [No. 215, 9 October 1847, p. 1158]).

THE ONLY WAY IN WHICH ANY CLASS OF COINS CAN COMMAND A PREMIUM IS THAT NO ONE IS OBLIGED TO PAY THEM, WHILE EVERYONE IS OBLIGED TO TAKE THEM AS A LEGAL TENDER (*The Economist* [No. 386, 18 January 1851, p. 59]).

Consequently, no country can have more than one STANDARD (MORE THAN ONE STANDARD OF THE MEASURE OF VALUE); for this STANDARD must be UNIFORM AND UNCHANGING. No article has a uniform, unchanging value in relation to others; IT ONLY HAS SUCH WITH ITSELF. One piece of gold is always of the same value as another of exactly the same fineness, the same weight and the same value in the same place; BUT THIS CANNOT BE SAID OF GOLD AND ANY OTHER ARTICLE, e.g. silver (*The Economist*, [No. 37, 11 May] 1844 [p. 771]).

The English pound sterling is somewhat less than $\frac{1}{3}$ of its original value; the German florin= $\frac{1}{6}$; Scotland, prior to the Union,⁴⁸ had DEBASED its pound to $\frac{1}{36}$; the French livre= $\frac{1}{74}$ [of its original value]; the Spanish maravedi=less than $\frac{1}{1,000}$; the Portuguese re has suffered still more (Morrison, [*Observations on the system of Metallic Currency adopted in this country*, London, 1837.] p. 13).

Previous to the law of 1819,⁴⁹ the CAUSES IN EXISTENCE DETERMINING THE BULLION PRICE, other than the circulation of bank notes were (1) THE MORE OR LESS PERFECT CONDITION OF THE COIN. If the circulating metallic coins are DEBASED below their STANDARD WEIGHT, the slightest TURN OF EXCHANGE CAUSING A DEMAND FOR EXPORTATION must raise the price of UNCOINED BULLION at least by the amount of the degradation of the COIN; (2) PENAL LAWS, which prohibited the MELTING AND EXPORTING OF COIN and permitted the TRAFFIC IN BULLION. Given an intensive demand for EXPORT, this afforded LATITUDE for the VARIATION OF THE BULLION-PRICE in relation to that of COIN even at times when paper was fully convertible. In 1783, 1792, 1795, 1796 ... 1816, the bullion price rose above the MINT PRICE, because the BANK DIRECTORS, IN THEIR ANXIETY TO PREPARE FOR THE RESUMPTION OF CASH PAYMENT, accepted gold at considerably above the MINT PRICE (Fullarton, [*On the Regulation of Currencies*, 2nd ed., London, 1845, pp. 7-9]).

The STANDARD can be in terms of gold, without there being a single ounce of gold in circulation (*The Economist* [No. 58, 5 October 1844]).

Under George III (1774) silver was legal TENDER only up to £25. The bank, too, was now legally obliged to pay only in gold (Morrison [*ibid.*, p. 12]). Through Lord Liverpool (beginning of the 19th century) silver and copper were turned into purely representative coins (i.c. [pp. 14-15]).

The dissolving effect of money. Money is the means of splitting up property.

Urquhart's rubbish concerning the STANDARD OF MONEY:

"THE VALUE OF GOLD IS TO BE MEASURED BY ITSELF; HOW CAN ANY SUBSTANCE BE THE MEASURE OF ITS OWN WORTH IN OTHER THINGS? THE WORTH OF GOLD IS TO BE ESTABLISHED BY ITS OWN WEIGHT, UNDER A FALSE DENOMINATION OF THAT WEIGHT—AND AN OUNCE IS TO BE WORTH SO MANY POUNDS AND FRACTIONS OF POUNDS. THIS IS—FALSIFYING A MEASURE, NOT ESTABLISHING A STANDARD!" (*Familiar Words* [London, 1856, pp. 104-05]).

[VII-56] A. Smith calls LABOUR THE REAL and MONEY THE NOMINAL MEASURE OF VALUE; describes the former as the original measure.^a

The value of money. John Stuart Mill

“Given the quantity of goods sold, and the number of sales and resales of these goods, the value of money depends upon its quantity, together with the number of times each piece of money changes hands in the process.” “The quantity of money in circulation = the money value of all the goods sold, divided by the number which expresses the velocity of circulation.” “Given the amount of goods and of transactions, the value of money is inversely as its quantity multiplied by the velocity of its circulation.” But in all these propositions “only that quantity of money is meant which really circulates and is actually exchanged for goods”. “The necessary quantity of money is determined partly by its production costs and partly by the velocity of its circulation. The velocity of circulation being given, the production costs are determinant; and the production costs being given, the quantity of money depends on the velocity of circulation” [J. St. Mill, *Principles of Political Economy*, Vol. II, London, 1848, pp. 17, 18, 20, 30].

Money has no other equivalent than itself or what is a commodity. Hence it degrades everything. In France at the beginning of the 15th century, even the consecrated Church vessels (chalices), etc., were in pawn to the Jews (Augier [*Du crédit public*, Paris, 1842, pp. 95, 101]).^b

Money is not an object of direct consumption:

Currency never becomes an object of consumption. It always remains a commodity for sale [*marchandise*], never becomes one for consumption [*denrée*]. It directly possesses intrinsic value only for society; for every individual, it possesses exchange value. Therefore, the material of which it is composed must have value, but one based on a *besoin factice*,^c it may not be indispensable for man's existence, since the entire quantity of money which is employed as currency can never be individually employed; it must always circulate (Storch [*Cours d'économie politique*, Vol. II, Paris, 1823, pp. 109, 113-14]).

[VII-57] John Gray: *The Social System: a treatise on the principle of exchange*, Edinburgh, 1831.

“TO SELL FOR MONEY should AT ALL TIMES be made as easy AS it IS TO BUY WITH MONEY; PRODUCTION WOULD THEN BECOME THE UNIFORM AND NEVER FAILING CAUSE OF DEMAND” (p. 16).

IT IS THE QUANTITY THAT CAN BE SOLD AT A PROFIT, NOT THE QUANTITY THAT CAN BE MADE, THAT IS THE PRESENT LIMIT TO PRODUCTION (59).

MONEY SHOULD BE MERELY A RECEIPT, AN EVIDENCE THAT THE HOLDER OF IT HAS EITHER CONTRIBUTED A CERTAIN VALUE TO THE NATIONAL STOCK OF WEALTH, OR THAT

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. I, London, 1835, pp. 100, 101 and 105.—*Ed.*

^b Marx quotes partly in French and partly in German translation. The passage from Storch that follows is in German translation, with a few occasional French words.—*Ed.*

^c Factitious need.—*Ed.*

HE HAS ACQUIRED A RIGHT TO THE SAID VALUE FROM SOME ONE WHO HAS CONTRIBUTED TO IT.... MONEY SHOULD BE NOTHING MORE OR LESS THAN PORTABLE, TRANSFERABLE, DIVISIBLE AND INIMITABLE EVIDENCES OF THE EXISTENCE OF WEALTH IN STORE (63-64).

AN ESTIMATED VALUE BEING PREVIOUSLY PUT UPON PRODUCE, LET IT BE LODGED IN A BANK, AND DRAWN OUT AGAIN WHENEVER IT IS REQUIRED, MERELY STIPULATING, BY COMMON CONSENT, THAT HE WHO LODGES ANY KIND OF PROPERTY IN THE PROPOSED NATIONAL BANK, MAY TAKE OUT OF IT AN EQUAL VALUE OF WHATEVER IT MAY CONTAIN, INSTEAD OF BEING OBLIGED TO DRAW OUT THE SELF SAME THING THAT HE PUT IN.... THE PROPOSED NATIONAL BANKER SHOULD RECEIVE AND TAKE CHARGE OF EVERY DESCRIPTION OF VALUABLE, AND GIVE BACK ANY DESCRIPTION OF VALUABLE IN ITS STEAD (l.c., p. 68).

"IF MONEY," says Gray, "BE OF EQUAL VALUE WITH THAT WHICH IT REPRESENTS, IT CEASES TO BE A REPRESENTATIVE AT ALL. IT IS ONE OF THE CHIEF DESIDERATUMS IN MONEY, THAT THE HOLDER OF IT SHOULD BE COMPELLED AT ONE TIME OR OTHER TO PRESENT IT FOR PAYMENT AT THE PLACE FROM WHENCE HE RECEIVED IT. BUT IF MONEY BE OF THE SAME INTRINSIC VALUE AS THAT WHICH IS GIVEN FOR IT, NO SUCH NECESSITY EXISTS" (74).

"DEPRECIATION OF STOCK SHOULD FORM AN ITEM OF NATIONAL CHARGE" (p. [115-] 116). "THE BUSINESS OF EVERY COUNTRY TO BE CONDUCTED ON A NATIONAL CAPITAL" (171). "All land to be transformed into national property" (298).

Gray (John): *Lectures on the Nature and Use of Money* (Edinburgh, 1848):

"MAN COLLECTIVELY SHOULD KNOW NO LIMIT TO HIS PHYSICAL MEANS OF ENJOYMENT, SAVE THOSE OF THE EXHAUSTION EITHER OF HIS INDUSTRY OR [of] HIS PRODUCTIVE POWERS; WHILST WE, BY THE ADOPTION OF A MONETARY SYSTEM, FALSE IN PRINCIPLE, AND DESTRUCTIVE IN PRACTICE, HAVE CONSENTED TO RESTRICT THE AMOUNT OF OUR PHYSICAL MEANS OF ENJOYMENT TO THAT PRECISE QUANTITY WHICH CAN BE PROFITABLY EXCHANGED FOR A COMMODITY, ONE OF THE LEAST CAPABLE OF MULTIPLICATION BY THE EXERCISE OF HUMAN INDUSTRY, OF ANY UPON THE FACE OF THE EARTH" (p. 29). What is required for a good system is (1) a system of banking, by the OPERATIONS of which the NATURAL RELATIONSHIP OF SUPPLY AND DEMAND WOULD BE RESTORED; (2) a true measure of value, in place of the existing fiction (108).

(In this book, the idea of the exchange bank is developed in even greater detail, with the present mode of production being retained.)

"THERE MUST BE A MINIMUM PRICE OF LABOUR PAYABLE IN STANDARD MONEY" (p. 160). E.g., let us call THE LOWEST RATE OF WAGES PER WEEK, OF 60-72 HOURS, THAT MAY BY LAW BE GIVEN BY THE NAME OF 20s. OR £1 STANDARD (161). "SHALL WE RETAIN OUR FICTITIOUS STANDARD OF VALUE, GOLD, AND THUS KEEP THE PRODUCTIVE RESOURCES OF THE COUNTRY IN BONDAGE, OR SHALL WE RESORT TO THE NATURAL STANDARD OF VALUE, LABOUR, AND THEREBY SET OUR PRODUCTIVE RESOURCES FREE?" (p. 169). THE AMOUNT OF THIS MINIMUM WAGE BEING ONCE FIXED.... IT SHOULD REMAIN THE SAME FOR EVER (174). "Only let gold and silver TAKE THEIR PROPER PLACE IN THE MARKET BESIDE BUTTER AND EGGS AND CLOTH AND CALICO, and then the value of the precious metals will interest us no more than that of diamonds", etc. (182 [183]). NO OBJECTION to make to GOLD AND SILVER USED AS INSTRUMENTS OF EXCHANGE, BUT ONLY AS MEASURES OF VALUE... In a short time one would see how many ounces of gold or silver were obtainable in London, Edinburgh or Dublin in exchange for a HUNDRED POUND STANDARD NOTE (p. 188).

Interest.

AS THE CLASS OF RENTIERS INCREASES, SO ALSO DOES THAT OF LENDERS OF CAPITAL, FOR THEY ARE ONE AND THE SAME. For this reason alone, interest must have had a tendency to fall in old countries (Ramsay, [*An Essay on the Distribution of Wealth*, Edinburgh, 1836] p. 202).

"IT IS PROBABLE THAT IN ALL AGES THE PRECIOUS METALS [have] COST MORE IN THEIR PRODUCTION THAN THEIR VALUE EVER REPAID" (W. Jacob, *An Historical Inquiry into the Production and Consumption of the Precious Metals*, Vol. II, London, 1831, p. 101).

Value of money.

The value of all things, divided by the number of transactions in which they have figured in their passage from the producer to the consumer, is equal to the value of the écus employed in their purchase divided by the number of times that these thaler have passed from hand to hand in the same period of time (Sismondi, *Nouveaux principes d'économie politique etc.* [2nd ed., Vol. II, Paris, 1827, p. 120]).

The false theory of price is developed most formally by *James Mill* (quoted according to the translation by J. T. Parisot, Paris, 1823. *Éléments d'écon. pol.*)⁵⁰

The most important passages from Mill are as follows:

"By *value* of money, is here to be understood the proportion in which it exchanges for other commodities, or the quantity of it which exchanges for a certain quantity of other things" (p. 128). "It is the *total quantity* of money in any country, which determines that portion. If we suppose that all the goods of the country are on one side, all the money on the other, and that they are exchanged at once against one another, it is evident that the value of money would depend wholly upon the quantity of it" (l.c.). "It will appear that the case is precisely the same in the actual state of the facts. The whole of the goods of a country are *not* exchanged *at once* against the whole of the money; the goods are exchanged in portions, often in very small portions, and at different times, during the course of the whole year. The same piece of money which is paid in one exchange to-day, may be paid in another exchange to-morrow. Some of the pieces will be employed in a [VII-58] great many exchanges, some in very few, and some, which happen to be hoarded, in none at all. There will, amid all these varieties, be a certain average number of exchanges, the same which, if all the pieces had performed an equal number, would have been performed by each; that average we may suppose to be any number we please; say, for example, ten. If each of the pieces of the money in the country perform ten purchases, that is exactly the same thing as if all the pieces were multiplied by ten, and performed only one purchase each. The value of all the goods in the country is equal to ten times the value of all the money, etc." (pp. 129, 130). "If the quantity of money, instead of performing ten exchanges in the year, were ten times as great, and performed only one exchange in the year, it is evident that whatever addition were made to the whole quantity, would produce a proportional diminution of value, in each of the minor quantities taken separately. As the quantity of goods, against which the money is all exchanged at once, is *supposed* to be *the same*, the value of all the money is no more, after the quantity is augmented, than before it was augmented. *If it is supposed* to be augmented one-tenth, the value of every part, that of an ounce for example, must be diminished one-tenth" (pp. 130, 131). "In whatever degree, therefore, the quantity of money is increased or diminished, other things remaining the same, in that same

proportion, the value of the whole, and of every part, is reciprocally diminished or increased. This, it is evident, is a proposition universally true. Whenever the *value of money* has either risen or fallen (the quantity of goods against which it is exchanged and the rapidity of circulation remaining the same), the change must be owing to a corresponding diminution or increase in the quantity; and can be owing to nothing else. If the quantity of goods diminish, while the quantity of money remains the same, it is the same thing as if the quantity of money had been increased," and vice versa. "Similar changes are produced by any alteration in the *rapidity of circulation*. An increase in the number of these purchases has the same effect as an increase in the quantity of money; a diminution the reverse" (pp. 131, 132). "If there is any portion of the annual produce which is not exchanged at all, as what is consumed by the producer; or what is not exchanged for money; that is not taken into account^a because what is not exchanged for money is in the same state with respect to the money, as if it did not exist" (pp. 132, 133). "Whenever the coining of money ... is free, its quantity is regulated by the value of the metal.... Gold and silver are in reality commodities, products.... It is *cost of production* ... which determines the value of these, as of other ordinary productions" (pp. 136, 137).

The insipidity of this line of argument is obvious.

(1) To *assume* that the quantity of commodities and also the velocity of circulation remain the same, and yet a greater quantity of gold or silver is exchanged for the same quantity of commodities (while the value of gold and silver, i.e. the quantity of labour contained in them, has not changed), is to assume EXACTLY what one wished to prove, viz. that the prices of commodities are determined by the quantity of the circulating medium and not the other way round.

(2) Mill admits that the commodities not thrown into circulation do not exist for money. It is equally clear that the money not thrown into circulation does not exist for the commodities. It follows that there is no fixed relation between the value of money in general and the quantity of it which enters into circulation. To say that the quantity of it actually in circulation, divided by the number of its turnovers, is equal to the value of money, is merely a tautological roundabout way of saying that the value of the commodity expressed in money is its price; because the money in circulation expresses the value of the commodities which it circulates—hence the value of these commodities is determined by the *quantity* of money in circulation.

(3) The confusion in Mill's views is clearly seen from his statement that the value of money diminishes or increases with "any alteration in the rapidity of circulation". Whether a pound sterling circulates once or 10 times in a day, in each exchange it expresses an equivalent for the commodity, is exchanged for the same value embodied in the commodity. In

^a The rest of the sentence is quoted in French in the manuscript.—*Ed.*

each exchange its own value remains the same, and hence does not change whether its circulation is slow or rapid. The quantity of money in circulation does change but neither the value of the commodity nor that of money.

“To say that a piece of cloth is worth £5, means that it possesses the value of 616,370 GRAINS OF STANDARD GOLD. THE REASON ASSIGNED ABOVE MAY BE PARAPHRASED THUS: ‘PRICES MUST FALL BECAUSE COMMODITIES ARE ESTIMATED AS BEING WORTH SO MANY OUNCES OF GOLD; AND THE AMOUNT OF GOLD IN THIS COUNTRY IS DIMINISHED’” (J. G. Hubbard, *The Currency and the Country*, London, 1843, p. 44).

(4) In his exposition of the theory, Mill initially assumes that the total quantity of money in a country is exchanged *at once* for the total quantity of commodities in that country. He then says that this is really the case, and that it is so above all because in practice precisely the opposite takes place: only portions of money are exchanged for portions of commodities, and only very few payments are ARRANGED BY PAYMENT ON THE SPOT-TIME BARGAINS. It follows that the total number of transactions or purchases made on any one day is quite independent of the [quantity of] money in circulation on this day, and that the quantity of money in circulation on a certain day is not the cause but the effect of a quantity of transactions executed earlier and quite independent of the money supply at the moment in question.

(5) Finally, Mill himself admits that with free money circulation, and we are concerned with it alone, the value of money is determined by its production costs, i.e., on his own showing, by the labour time contained in it.

[VII-59] *Money matters*. In Ricardo’s pamphlet, *Proposals for an Economical and Secure Currency; with observations on the profits of the Bank of England*, London, 1816, there is a passage in which he topples his whole theory. It says:

“The amount of notes in circulation depends ... upon the amount required for the circulation of the country, which is regulated by the *value* of the STANDARD, the amount of payments, and the [degree of] economy practised in effecting them” (l.c., pp. 17, 18).

Under Louis XIV, XV and XVI in France, duties in kind were still levied on the rural population for government taxes (Augier [*Du crédit public*, pp. 128-29]).^a

Prices and the quantity of the circulating medium.

^a Marx quotes partly in French and partly in German translation.—Ed.

A mere RISE in prices is not sufficient to create a DEMAND for ADDITIONAL CURRENCY. This only the case if there is a simultaneous rise in production and consumption. E.g. the price of corn may rise, but its supply decline. Can therefore be handled with the same amount of CURRENCY.... But if prices rise because of rising demand, [the opening of] new markets, an increased SCALE OF PRODUCTION, in short, if a rise in prices is accompanied by a rise in the GENERAL SUM OF TRANSACTIONS, then this REQUIRES THE INTERVENTION OF MONEY TO BE MULTIPLIED IN NUMBER AND ENLARGED IN MAGNITUDE (Fullarton [*On the Regulation of Currencies*, 2nd ed., pp. 102-04]).

TRADE GOVERNS MONEY, not MONEY TRADE. THE SERVANT OF TRADE must follow the VARIATIONS (in the prices) of the other commodities (Davenant [*Discourses on the Publick Revenues, and on the Trade of England*, Part II, London, 1698, p. 16]).

Under the feudal monarchs, the few articles that were purchased by the great mass of the people had fallen to such an extent that no piece of gold or of silver was small enough to pay for what the LABOURER needed for his daily subsistence... Hence, as in ancient Rome, the CURRENT MONEY was wholly composed of the INFERIOR METALS, COPPER, TIN, IRON (Jacob [*An Historical Inquiry into the Production and Consumption of the Precious Metals*, Vol. I, pp. 301-02]).

Jacob assumes that, in this century, $\frac{2}{3}$ of the gold and silver in Europe is in the form of other objects—UTENSILS and ORNAMENTS, not in that of COIN [ibid, Vol. II, pp. 212-13]. (Elsewhere he reckons the precious metal thus used in Europe and America at £400 million.)

Prices and the quantity of the circulating medium.

Locke, *The Spectator* (19 October 1711), Hume, Montesquieu. Their theory is based on three propositions:

(1) The prices of commodities are proportional to the quantity of money in the country;

(2) The COIN and CURRENT MONEY in a country are the representatives of all the labour and commodities of it, so that in proportion as there is MORE OR LESS of this representation a greater or less QUANTITY OF THE THING REPRESENTED GOES TO THE SAME QUANTITY OF IT;

(3) INCREASE COMMODITIES, THEY BECOME CHEAPER; INCREASE MONEY, THEY RISE IN THEIR VALUE (Steuart).^a

Marks (small copper or silver money, COUNTERS) in contrast to MONEY OF INTRINSIC WORTH (I.C.).

The dissolving effect of money.

Money is a means by which property (houses, other capital) can be split up into innumerable fragments and devoured piecemeal through exchange (Bray [*Labour's Wrongs and Labour's Remedy*, Leeds, 1839, pp. 140-41]).

^a See this volume, p. 164.—Ed.

(Many objects cannot be exchanged, alienated, without the aid of money.)

“When immovable and IMMUTABLE THINGS came to be in commerce amongst men, as well as things which were movable and made for change, money came into use as the rule and measure (SQUARE) whereby these things received estimation and value” ([E. Misselden,] *Free Trade [Or, the Meanes to Make Trade Flourish]*, London, 1622 [p. 21]).

Coin. The silver and copper marks are REPRESENTATIVES OF FRACTIONAL PARTS OF THE POUND STERLING. (Thus in a recent reply by the Lord OF THE TREASURY.)

Exchange Value. F. Vidal says (as does *Lauderdale*) (AND IN CERTAIN RESPECTS Ricardo):

“Real social value is value for use or consumption; exchange value merely indicates the *relative wealth* of each member of society in relation to the others” (*De la répartition des richesses etc.*, Paris, 1846, p. 70).^a

On the other hand, exchange value expresses the *social form* of value, while use value is not at all an economic form of value but merely the being of the product, etc., for man in general.

//From the fact that the profit may be *less* than the surplus value, and hence that capital [may] exchange at a profit without being valorised in the strict sense, it follows that not only individual capitalists, but nations too may continuously exchange with one another, and continuously repeat the exchange on an ever-growing scale, without gaining equally thereby. One nation may continuously appropriate part of the surplus labour of the other and give nothing in exchange for it, except that here the measure is not as in the exchange between capitalist and worker.//

Money in its third determination as money. (Value-for-itself, equivalent, etc.) The importance of the role still played by money in this determination—even in its immediate form—becomes evident at times of crises, deficient harvests, etc., in short, every time one nation must settle its account with another *on the sudden*. Money in its immediate, metallic form then appears as the only absolute *means of payment*, i.e. as the only *counter-value*, acceptable equivalent. Therefore, the movement it then performs is directly contradictory to that of all other commodities. Commodities as

^a Marx quotes in French.—Ed.

means of payment, etc., are transported from the country where they are cheapest to the country where they are dearest. It is the other way round with money. At all times when it presents its specific nature, i.e. when money, in contrast to all other commodities, is required as value-for-itself, absolute equivalent, the universal form of wealth, in the definite form of gold and silver—and such times are always more or less times of crisis, whether of a general crisis or of a grain crisis—at all such times gold and silver are transmitted from the country where they are dearest—i.e. where the relative fall in the prices of all commodities has been the greatest—to the country where they are cheapest, where commodity prices are relatively higher.

“IT IS A SINGULAR ANOMALY IN THE ECONOMY OF THE EXCHANGES, AND ONE PARTICULARLY DESERVING OF REMARK, THAT ... THE COURSE OF TRANSIT (OF GOLD BETWEEN TWO NATIONS EQUALLY EMPLOYING GOLD AS A CIRCULATING MEDIUM) IS ALWAYS FROM THE COUNTRY WHERE FOR THE MOMENT THE METAL IS *DEAREST* TO THE COUNTRY WHERE IT IS *CHEAPEST*, A RISE OF THE MARKET PRICE OF THE METAL TO ITS HIGHEST LIMIT IN THE HOME MARKET, AND A FALL OF THE PREMIUM IN THE FOREIGN MARKET, BEING THE CERTAIN RESULTS OF THAT TENDENCY TO AN EFFLUX OF GOLD WHICH FOLLOWS A DEPRESSION OF THE EXCHANGES” (J. Fullarton, *On the Regulation of Currencies etc.*, 2nd ed., [pp. 119-20]).

[VII-60] Just as, in general, exchange begins where communities come to an end, and money as the measure produced by exchange itself, as means of exchange, and universal equivalent, acquires its specific significance not in internal trade, but in that between different communities, peoples, etc., in the same way, it was κατ' ἐξοχήν^a as international means of payment—for the liquidation of international debts—that money became in the 16th century, in the period of the infancy of bourgeois society, the exclusive interest of states and of the nascent political economy. The important role which money (gold and silver) in this third form still plays in international trade, only became fully clear and was recognised once more by economists as a result of the series of monetary crises in 1825, 1839, 1847 and 1857. The economists help themselves by arguing that on such occasions money is not required as means of circulation, but as *capital*. This is correct. But it must not be forgotten that capital is required in the particular form of gold and silver, and not in that of any other commodity. Gold and silver play the role of absolute international means of payment because they are money as value-for-itself, independent equivalent.

^a Above all.—*Ed.*

“THIS, IN FACT, IS NOT A QUESTION OF CURRENCY, BUT OF CAPITAL.”

(It is, rather, a QUESTION OF MONEY, NOT OF CURRENCY, NOR OF CAPITAL, BECAUSE NOT CAPITAL WHICH IS INDIFFERENT TO THE SPECIAL FORM IN WHICH IT EXISTS, BUT VALUE IN THE SPECIFIC FORM OF MONEY IS REQUESTED.)

“...ALL THOSE VARIOUS CAUSES WHICH, IN THE EXISTING CONDITION OF MONETARY AFFAIRS, ARE CAPABLE ... OF DIRECTING THE STREAM OF BULLION FROM ONE COUNTRY TO ANOTHER” (i.e. GIVING RISE TO A DRAIN OF BULLION) “RESOLVE THEMSELVES UNDER A SINGLE HEAD, NAMELY THE STATE OF THE BALANCE OF FOREIGN PAYMENTS, AND THE CONTINUALLY RECURRING NECESSITY OF TRANSFERRING CAPITAL” (BUT *notabene!* CAPITAL IN THE FORM OF MONEY) “FROM ONE COUNTRY TO ANOTHER TO DISCHARGE IT.” For example, FAILURE OF CROPS. “WHETHER THAT CAPITAL IS TRANSMITTED IN MERCHANDISE OR IN SPECIE, IS A POINT WHICH IN NO WAY AFFECTS THE NATURE OF THE TRANSACTION” (*AFFECTS IT VERY MATERIALLY!*). Further, WAR EXPENDITURE.

(We are not concerned here with the CASE OF TRANSMISSION OF CAPITAL IN ORDER TO PLACE IT OUT TO GREATER ADVANTAGE AT INTEREST; likewise that resulting from the import of A SURPLUS QUANTITY OF FOREIGN GOODS, which Mr. Fullarton cites, although this CASE is, of course, relevant if that SURPLUS IMPORTATION coincides with crises.) (Fullarton, l.c., pp. 130, 132.)

“GOLD IS PREFERRED FOR THIS TRANSMISSION OF CAPITAL” //but in the case OF VIOLENT DRAINS OF BULLION there is no question at all of PREFERMENT// “ONLY IN THOSE CASES WHERE IT IS LIKELY TO EFFECT THE PAYMENT MORE CONVENIENTLY, PROMPTLY, OR PROFITABLY, THAN ANY OTHER DESCRIPTION OF STOCK OR CAPITAL.”

(Mr. Fullarton incorrectly treats the TRANSMISSION of GOLD or of other forms of CAPITAL as a matter of choice, whereas what is at issue are CASES when GOLD MUST BE TRANSMITTED IN INTERNATIONAL TRADE, just as in internal trade BILLS MUST THEN BE ACQUITTED IN THE LEGAL MONEY, AND NOT IN ANY SUBSTITUTE.)

“GOLD AND SILVER ... CAN ALWAYS BE CONVEYED TO THE SPOT WHERE IT IS WANTED WITH PRECISION AND CELERITY, AND MAY BE COUNTED UPON TO REALISE ON ITS ARRIVAL NEARLY THE EXACT SUM REQUIRED TO BE PROVIDED, RATHER THAN INCUR THE HAZARD OF SENDING IT IN TEA, COFFEE, SUGAR, OR INDIGO. GOLD AND SILVER POSSESS AN INFINITE ADVANTAGE OVER ALL OTHER DESCRIPTIONS OF MERCHANDISE FOR SUCH OCCASIONS, FROM THE CIRCUMSTANCE OF THEIR BEING UNIVERSALLY IN USE AS MONEY. IT IS NOT IN TEA, COFFEE, SUGAR, OR INDIGO, THAT DEBTS, WHETHER FOREIGN OR DOMESTIC, ARE USUALLY CONTRACTED TO BE PAID, BUT IN COIN; AND A REMITTANCE, THEREFORE, EITHER IN THE IDENTICAL COIN DESIGNATED, OR IN BULLION WHICH CAN BE PROMPTLY TURNED INTO THAT COIN THROUGH THE MINT OR MARKET OF THE COUNTRY TO WHICH IT IS SENT, MUST ALWAYS AFFORD TO THE REMITTER THE MOST CERTAIN, IMMEDIATE, AND ACCURATE MEANS OF EFFECTING THIS OBJECT, WITHOUT RISK OF DISAPPOINTMENT FROM THE FAILURE OF DEMAND OR FLUCTUATION OF PRICE” ([*ibid.*,] pp. 132, 133).

He therefore refers precisely to the suitability of gold and silver for being MONEY, the universal commodity of contracts, the

standard of values, which can, at the same time, be converted into means of circulation *ad libitum*. The English have the good word *currency* for money as means of circulation ("coin" is not a suitable word to use for that purpose, since it itself is the means of circulation in a particular form) and *money* for money in its third determination. But since they have not properly investigated that determination, they declare this *MONEY* to be *CAPITAL*, although then they are again in fact compelled to distinguish money as this definite form of capital from capital in general.

"RICARDO APPEARS TO HAVE ENTERTAINED VERY PECULIAR AND EXTREME OPINIONS, AS TO THE LIMITED EXTENT OF THE OFFICES PERFORMED BY GOLD AND SILVER IN THE ADJUSTMENT OF FOREIGN BALANCES. MR. RICARDO HAD PASSED HIS LIFE AMID THE CONTROVERSIES WHICH GREW OUT OF THE RESTRICTION ACT,⁴⁹ AND HAD ACCUSTOMED HIMSELF SO LONG TO CONSIDER ALL THE GREAT FLUCTUATIONS OF EXCHANGE AND OF THE PRICE OF GOLD AS THE RESULT OF THE EXCESSIVE ISSUES OF THE BANK OF ENGLAND, THAT AT ONE TIME HE SEEMED SCARCELY WILLING TO ALLOW, THAT SUCH A THING COULD EXIST AS AN ADVERSE BALANCE OF COMMERCIAL PAYMENTS ... AND SO SLIGHT AN ACCOUNT DID HE SET ON THE FUNCTIONS PERFORMED BY GOLD IN SUCH ADJUSTMENTS, AS TO HAVE EVEN ANTICIPATED, THAT DRAINS FOR EXPORTATION WOULD CEASE ALTOGETHER SO SOON AS CASH PAYMENTS SHOULD BE RESUMED, AND THE CURRENCY RESTORED TO THE METALLIC LEVEL" (SEE *Mr. Ricardo's Evidence before the Lords' Committee of 1819 on the Bank of England*, p. 186).

"[...] But after 1800, when paper completely superseded gold in England, OUR MERCHANTS DID NOT REALLY WANT IT; FOR, OWING TO THE UNSETTLED STATE OF CONTINENTAL EUROPE, AND THE INCREASED CONSUMPTION THERE OF IMPORTED MANUFACTURES, IN CONSEQUENCE OF THE INTERRUPTIONS GIVEN TO INDUSTRY AND TO ALL DOMESTIC IMPROVEMENT BY THE INCESSANT MOVEMENT OF INVADING ARMIES, TOGETHER WITH THE COMPLETE MONOPOLY OF THE COLONIAL TRADE WHICH ENGLAND HAD OBTAINED THROUGH HER NAVAL SUPERIORITY, THE EXPORT OF COMMODITIES FROM GREAT BRITAIN TO THE CONTINENT CONTINUED GREATLY TO EXCEED HER IMPORTS FROM THENCE, SO LONG AS THE INTERCOURSE REMAINED OPEN; AND, AFTER THAT INTERCOURSE WAS INTERRUPTED BY THE BERLIN AND MILAN DECREES,⁵¹ THE TRANSACTIONS OF TRADE BECAME MUCH TOO INSIGNIFICANT TO AFFECT EXCHANGES IN ONE WAY OR THE OTHER. IT WAS THE FOREIGN MILITARY EXPENDITURE AND THE SUBSIDIES, AND NOT THE NECESSITIES OF COMMERCE, THAT CONTRIBUTED IN SO EXTRAORDINARY A MANNER TO DERANGE THE EXCHANGES AND ENHANCE THE PRICE OF BULLION IN THE LATTER YEARS OF THE WAR. THE DISTINGUISHED ECONOMISTS OF THAT PERIOD, THEREFORE, HAD FEW OR NO REAL OPPORTUNITIES OF PRACTICALLY ESTIMATING THE RANGE OF WHICH FOREIGN COMMERCIAL BALANCES ARE SUSCEPTIBLE." (They believed that with war and overissue the INTERNATIONAL TRANSMISSION OF BULLION would cease.) "HAD MR. RICARDO LIVED TO WITNESS THE DRAINS OF 1825 AND 1839, HE WOULD NO DOUBT HAVE SEEN REASON TO ALTER HIS VIEWS" (l.c., pp. 133-36).

[VII-61] *PRICE* IS THE *MONEY VALUE* OF COMMODITIES (Hubbard [*The Currency and the Country*, p. 33]).

MONEY HAS THE QUALITY OF BEING ALWAYS EXCHANGEABLE FOR WHAT IT MEASURES, AND THE QUANTITY REQUIRED FOR THE PURPOSES OF EXCHANGE MUST VARY, OF COURSE,

ACCORDING TO THE QUANTITY OF PROPERTY TO BE EXCHANGED (J. W. Bosanquet, *Metallic, Paper, and Credit Currency etc.*, London, 1842, p. 100).

"I AM READY TO ADMIT THAT GOLD IS A COMMODITY IN SUCH GENERAL DEMAND THAT IT MAY ALWAYS COMMAND A MARKET, THAT IT CAN ALWAYS BUY ALL OTHER COMMODITIES; WHEREAS, OTHER COMMODITIES CANNOT ALWAYS BUY GOLD. THE MARKETS OF THE WORLD ARE OPEN TO IT AS MERCHANDISE AT LESS SACRIFICE UPON AN EMERGENCY, THAN WOULD ATTEND AN EXPORT OF ANY OTHER ARTICLE, WHICH MIGHT IN QUANTITY OR KIND BE BEYOND THE USUAL DEMAND IN THE COUNTRY TO WHICH IT IS SENT" (Th. Tooke, *An Enquiry into the Currency Principle etc.*, 2nd ed., London, 1844, p. 10).

"THERE MUST BE A VERY CONSIDERABLE AMOUNT OF THE PRECIOUS METALS APPLICABLE AND APPLIED AS THE MOST CONVENIENT MODE OF ADJUSTMENT OF INTERNATIONAL BALANCES, BEING A COMMODITY MORE GENERALLY IN DEMAND, AND LESS LIABLE TO FLUCTUATIONS IN MARKET VALUE THAN ANY OTHER" (p. 13).

Causes of rises in the price of bullion above MINT PRICE, according to Fullarton:

"COIN DEBASED BY WEAR TO THE EXTENT OF 3 OR 4% BELOW ITS STANDARD WEIGHT; PENAL LAWS WHICH PROHIBITED THE MELTING AND EXPORTATION OF THE COIN, WHILE THE TRAFFIC IN THE METAL OF WHICH THAT COIN WAS COMPOSED REMAINED PERFECTLY FREE. However, these causes themselves only had an effect in the event of an unfavourable rate of exchange. But from 1816 to 1821 [the market price of gold bullion] always fell to the BANK PRICE OF BULLION when the EXCHANGE WAS FAVOURABLE TO ENGLAND; BUT IT ROSE NO HIGHER, WHEN THE EXCHANGE WAS UNFAVOURABLE, THAN TO SUCH A RATE AS WOULD INDEMNIFY THE MELTERS OF THE COIN FOR ITS DEGRADATION BY WEAR AND FOR THE PENAL CONSEQUENCES OF MELTING IT" (see Fullarton's book, pp. [7,] 8, 9). "FROM 1819 TO THE PRESENT TIME, AMID ALL THE VICISSITUDES WHICH THE MONEY HAS UNDERGONE DURING THAT EVENTFUL PERIOD, THE MARKET PRICE OF GOLD HAS ON NO OCCASION RISEN ABOVE 78s. per oz., NOR FALLEN BELOW 77s. 6d., AN EXTREME RANGE OF ONLY 6d. IN THE OUNCE. NOR WOULD EVEN THAT EXTENT OF FLUCTUATION BE NOW POSSIBLE; FOR IT WAS SOLELY OWING TO THE RENEWED DETERIORATION OF THE COIN, THAT EVEN SO TRIVIAL A RISE OCCURRED AS 1 1/2d. IN THE OUNCE, OR ABOUT 1/6 P.C. ABOVE THE MINT PRICE; AND THE FALL TO 77s. 6d. IS ENTIRELY ACCOUNTED FOR BY THE CIRCUMSTANCE OF THE BANK HAVING AT ONE TIME THOUGHT PROPER TO ESTABLISH THAT RATE AS THE LIMIT FOR ITS PURCHASES. THOSE CIRCUMSTANCES, HOWEVER, EXIST NO LONGER. FOR MANY YEARS THE BANK HAS BEEN IN THE PRACTICE OF ALLOWING 77s. 9d. FOR ALL THE GOLD BROUGHT TO IT FOR COINAGE" (i.e. the Bank pockets 1 1/2d. seigniorage, as the Mint does the job gratis for it); "AND AS SOON AS THE RECOINAGE OF SOVEREIGNS NOW IN PROGRESS SHALL BE COMPLETED, THERE WILL BE AN EFFECTUAL BAR, UNTIL THE COIN SHALL AGAIN BECOME DETERIORATED, TO ANY FUTURE FLUCTUATION OF THE PRICE OF GOLD BULLION IN OUR MARKET BEYOND THE SMALL FRACTIONAL DIFFERENCE BETWEEN 77s. 9d. ALLOWED BY THE BANK, AND THE MINT PRICE OF 77s 10 1/2d." (i.c., pp. 9-10).

The contradiction between money as MEASURE and equivalent, on the one hand, and as means of circulation. In the latter form—abrasion, loss of METALLIC WEIGHT. Garnier observes that

"if a slightly worn écu were to be considered to be worth somewhat less than a quite new one, circulation would be continually checked, and every payment would provide an occasion for dispute" [Garnier, *Histoire de la monnaie*, Vol. I, p. 24].

(The material destined for accumulation was naturally sought and chosen in the realm of minerals. Garnier [ibid., p. 7].)

"IT BEING OBVIOUS THAT THE COINAGE, IN THE VERY NATURE OF THINGS, MUST BE FOR EVER. UNIT BY UNIT, FALLING UNDER DEPRECIATION BY THE MERE ACTION OF ORDINARY AND UNAVOIDABLE ABRASION (TO SAY NOTHING OF THE INDUCEMENT WHICH EVERY RESTORATION OF THE COINAGE HOLDS OUT TO THE WHOLE LEGION OF 'PLUGGERS' AND 'SWEATERS'), IT IS A PHYSICAL IMPOSSIBILITY AT ANY TIME, EVEN FOR A SINGLE DAY, UTTERLY TO EXTERMINATE LIGHT COINS FROM CIRCULATION" (*The Currency Theory reviewed etc.. By a Banker in England, Edinburgh, 1845* [pp. 69-70]).

This was written in December 1844, COMMENTING UPON THE OPERATION OF THE THEN RECENT PROCLAMATIONS RESPECTING THE LIGHT GOLD IN CIRCULATION in a letter to *The Times*. (Hence a difficulty arises: If light gold [coin] is refused, the whole STANDARD is made insecure. If it is accepted, the door is opened to fraudulence, with the same result.) Concerning the above-mentioned proclamations, it is said that

"their EFFECT ... HAS VIRTUALLY BEEN TO DENOUNCE THE WHOLE OF THE CURRENT GOLD COIN AS AN UNSAFE AND ILLEGAL MEDIUM FOR MONETARY TRANSACTIONS" (l.c., pp. 68-69).

"By English law, if a gold sovereign is more than 0.774 GRAINS DEFICIENT in weight, it should no longer pass as CURRENT. No such law for silver money" (W. H. Morrison, *Observations on the system of Metallic Currency adopted in this country*, London, 1837, p. 54).

*The CURRENCY Men*⁵² assert THAT THE VALUE OF A CURRENCY DEPENDS UPON ITS QUANTITY (Fullarton, [op. cit.,] p. 13). If the VALUE OF THE CURRENCY and, on the other hand, the prices and the mass of transactions are given (and also the velocity of circulation), OF COURSE only a *definite quantity* can circulate. Given the prices and the mass of transactions, and the velocity of circulation, this quantity depends exclusively on the *value* of the CURRENCY. Given this value and the velocity of circulation, it depends exclusively on the prices and the mass of transactions. This is how the quantity is determined. Hence, if representative money—mere tokens of value—is in circulation, the quantity of tokens that can circulate depends upon the STANDARD which they represent. It is wrongly concluded from this that their value is determined solely by their quantity. E.g., notes representing pounds cannot circulate in the same quantity as notes representing shillings.

[VII-62] Capital which yields profit is real capital, value posited as simultaneously self-reproducing and self-multiplying, and as a presupposition remaining equal to itself, distinct from itself as surplus value posited by capital. Capital yielding interest is in its turn a purely abstract form of profit-yielding capital.

When capital is posited as yielding profit, corresponding to its value (assuming a certain level of productive power), the commodity, or the commodity posited in its form as money (the form which corresponds to it as value become independent, or, as we may now say: realised capital), can enter into circulation as *capital*; capital can as *capital* become a commodity. In this case, it is capital loaned out at interest. The form of its circulation—or of the exchange through which it passes—then appears specifically different from that considered so far. We have seen how capital posits itself both in the determination of commodity and in that of money. But this occurs only in so far as both appear as moments of the circuit of capital, in which it is alternately realised. They are merely transitory and constantly reproduced modes of existence of capital, moments of its life-process. Yet capital as capital has not itself become a moment of circulation; capital itself as a commodity. The commodity has not been sold as capital, nor has money as capital. In a word, neither commodity nor money—and strictly speaking we have only to consider the latter as the adequate form—have entered into circulation as *profit-yielding values*.

Maclaren says⁵³:

“Mr. Tooke, Mr. Fullarton, and Mr. Wilson consider money as possessing intrinsic value as a commodity, and exchanging with goods according to that value, and not merely in accordance with the supply of pieces at the time; and they suppose with Dr. Smith that exports of bullion are made, quite irrespective of the state of the currency, to discharge balances of international debt, and to pay for commodities, such as corn, for which there is a sudden demand, and that they are taken from a fund which forms no part of the internal circulation, nor affects prices, but is set apart for these purposes.... Difficulty in explaining in what manner the bullion they say is set apart for this purpose, and has no effect on prices, can escape the laws of supply and demand, and though existing in the shape of money lying unemployed and known for the making of purchases, is neither applied for that purpose nor affects prices by the possibility of its being so applied.”

The reply to this is, that the stock of bullion in question represents surplus-capital, not surplus-income, and is not available, therefore, merely to increase the demand for commodities, except on condition of increasing also the supply. Capital in search of employment is not a pure addition to the demanding power of the community. It cannot be lost in the currency. If it tends to raise prices by a demand, it tends to lower them by a corresponding supply. Money, as the security for capital, is not a mere purchasing power,—it purchases only in order to sell, and finally goes abroad in exchange for foreign commodities rather than disburse itself in merely adding to the currency at home. Money, as the security for capital, never comes into the market so as to be set off against commodities, because its purpose is to reproduce commodities; it is only the money

which represents *consumption* that can finally affect prices (*The Economist*, 15 May [18]58).

“Mr. Ricardo maintained that prices depend on the relative amount of the circulating medium and of commodities respectively, that prices rise only through a depreciation of the currency, that is, from a too great abundance of it in proportion to commodities, that they fall either from a reduction in the amount of the currency, or from a relative increase in the stock of general commodities which it circulates. *All* the bullion and gold coin in the country is, according to Mr. Ricardo, to be reckoned currency, and if this increases without a corresponding increase in commodities, the currency is depreciated, and it becomes profitable to export bullion rather than commodities. On the other hand, if a bad harvest or any other calamity cause a great destruction of commodities, without any corresponding change in the amount of the circulation, the currency, whose amount was proportioned to the estimated rather than to the suddenly reduced market of commodities, again becomes redundant or ‘depreciated’, and must be diminished by exportation before its value can be restored. According to this view of the circulation, which is at the root of Lord Overstone’s theory, the supply of circulating medium or currency is always capable of being indefinitely increased in amount, and diminishes in value according to that increase; and can be restored to its proper value only by exportation of the superabundant portion. Any issue, therefore, of paper money which might supply the gap caused by the exportation of the bullion, and so prevent the ‘natural’ fall of prices otherwise certain to ensue, is held by Mr. Ricardo’s school to be an interference with the economical laws of price, and a departure from the principles which would necessarily regulate a purely metallic currency” (l.c.).

I. VALUE⁵⁴

[VII-63]

This section to be inserted earlier.

The first category in which bourgeois wealth makes its appearance is that of the *commodity*. The commodity itself appears as the unity of two determinations. It is *use value*, i.e. an object for the satisfaction of some system of human wants. This is its material aspect, which can be common to the most disparate epochs of production and lies outside the sphere of investigation of political economy. Use value comes within that sphere as soon as it is modified by the modern production relations or itself exerts a modifying influence on them. What is usually said about this in general terms, for the sake of decorum, is confined to platitudes which had an historical value in the early beginnings of that science, when the social forms of bourgeois production were still being laboriously abstracted from the material and with great effort fixed as independent objects for investigation. In fact, however, the use value of the commodity is a given presupposition—the material basis in which a definite economic relation presents itself. It is only this definite relation which stamps the use value as a commodity. E.g., wheat possesses the same use value, whether it is grown by slaves, serfs or free labourers. It would not lose its use value were it to fall from the sky like snow.

Well, how does use value turn into a commodity? By being a bearer of *exchange value*. Although they are directly united in the commodity, use value and exchange value equally directly fall asunder. Exchange value not merely does not appear to be determined by use value, but the commodity, rather, only becomes

a commodity, is only realised as exchange value, to the extent that its owner does not relate to it as a use value. Only by alienating it, by exchanging it for other commodities, does he appropriate use values. Appropriation by means of alienation is the basic form of the social system of production whose simplest, most abstract expression is exchange value. The use value of the commodity is presupposed, yet not for the owner of the commodity, but for society in general.

//Just as a Manchester family of factory workers in which the children stand in a relation of exchange to their parents and pay board and lodging to them does not represent the customary economic organisation of the family, so the system of modern private exchange does not, in general, represent the spontaneously evolved economy of societies. Exchange does not begin between individuals within a community, but at the point where the communities cease—at their frontiers, at the point of contact between different communities. Communal property has recently been rediscovered as a peculiarly Slavic curiosity.⁵⁵ But in fact India offers us a pattern card of the most diverse forms of such an economic community, more or less decomposed but still entirely recognisable; and more thorough historical study finds it as the starting point of all cultured peoples. The system of production based upon private exchange is initially the historical dissolution of this spontaneously evolved communism. Yet a whole series of economic systems lies between the modern world, in which exchange value dominates production in its entire depth and width, and the social formations whose basis is decomposed communal property, without however [...] ⁵⁶

GOLD-WEIGHING MACHINES^a

[VII-64]

"Mr. Cotton's machine ... the most delicate ever yet constructed for weighing gold coin. Adopted by the Bank of England. Divides the sheep from the goats^b ... In the transaction between the Bank of England and the public, the weighing of gold coin has been a most anxious and tedious process. As between the Bank and the Mint, the labour is not so minute; for 200 sovereigns being first accurately weighed, all the rest are weighed in groups of 200. The Mint officers are allowed a deviation of 12 grains in about 50 sovereigns; but they generally work to within half of this amount of error; and if the groups of sovereigns are correct within the prescribed limits no closer weighing is adopted. In the transactions between the Bank and the public, however, matters must be treated in more detail. It is no satisfaction to Smith to know that if his sovereign is light, Brown has a correct one and Jones a heavy one, so that therefore the Bank is just in the aggregate; each one demands that *his* sovereign should be of proper weight ... If a difference of even $\frac{1}{100}$ of a grain existed between 2 sovereigns, it is said that this machine would detect it. On a rough average, 30,000 sovereigns pass over the Bank counter every day; each machine can weigh 10,000 sovereigns in 6 hours; and there are 6 machines; so that the Bank can weigh all its issues of gold by these means, and have reserve power to spare. Between 1844 and 1848 there were 48 million gold coins weighed by these machines at the Bank ... These machines save £1,000 a year to the Bank in weighers' wages. (A child can turn the handle, but the machine judges for itself, casts the full-weight sovereigns to one side and the light ones to the other.) (Formerly liability of error on the part of the weighers (the 'personal equation', as the astronomers would term it) not equal.) An expert weigher could weigh about 700 sovereigns in an hour by the old balance; but the agitation of the air by the sudden opening of a door, the breathing of persons near the apparatus, the fatigued state of the hand and eye of the weigher—all led to minute errors" (Dodd's *Curiosities of Industry*, London, 1854 [pp. 19-21]).

Curiosities of Money. "When society rises above the level of mere barter[ing] transactions, any substance which is equally valued by buyer and seller may become

^a The title and the text, except for a few words, are in English in the manuscript.—*Ed.*

^b Matthew 25:32.—*Ed.*

money; ... One of the earliest *cattle*, but this is obviously a coin inapplicable to small purchasers, for it would puzzle the seller to give change out of an ox. *Shells* are used to a great extent as money, in India, the Indian islands, and Africa; the *cowry shells* of India have a value of about 32 to an English farthing. *Cocoa-nuts, almonds, maize* have all had to do duty as money. In hunting countries *skins ... salt ... Dried fish* [is] often the money in Iceland and Newfoundland; *sugar* has at times been a West-India money."

"Gold very solid and dense; divisible or separable in an extraordinary degree; very little affected by air or moisture, or ordinary usage, etc. (its supply very limited).

"*Wearing away of gold coin*, by the constant friction to which it is exposed. No one can say whither the worn particles go.... When gone, somebody must bear the loss. A baker who takes a sovereign one day, and pays it away to his miller the next, does not pay the veritable sovereign itself; it is a lighter one than when he received it.... According to Jacob each gold coin in England bears an annual loss of about $\frac{1}{900}$ by friction (little more than a farthing in the pound). In silver coins the loss is supposed to be 5 or 6 times greater, owing to the more unceasing circulation of silver than gold, and to the less fitness of the metal to bear friction" [ibid., pp. 14-17].

A CONTRIBUTION
TO THE CRITIQUE
OF POLITICAL ECONOMY⁵⁷

PART ONE

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der

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PREFACE

I examine the system of bourgeois economy in the following order: *capital, landed property, wage-labour; the State, foreign trade, world market*. The economic conditions of existence of the three great classes into which modern bourgeois society is divided are analysed under the first three headings; the interconnection of the other three headings is self-evident. The first part of the first book, dealing with Capital, comprises the following chapters: 1. The commodity; 2. Money or simple circulation; 3. Capital in general. The present part consists of the first two chapters. The entire material lies before me in the form of monographs, which were written not for publication but for self-clarification at widely separated periods; their remoulding into an integrated whole according to the plan I have indicated will depend upon circumstances.⁵⁸

A general introduction,^a which I had drafted, is omitted, since on further consideration it seems to me confusing to anticipate results which still have to be substantiated, and the reader who really wishes to follow me will have to decide to advance from the particular to the general. A few brief remarks regarding the course of my study of political economy may, however, be appropriate here.

Although jurisprudence was my special study, I pursued it as a subject subordinated to philosophy and history. In the year 1842-43, as editor of the *Rheinische Zeitung*, I first found myself in the embarrassing position of having to discuss what is known as

^a See present edition, Vol. 28, pp. 17-48.—*Ed.*

material interests. The deliberations of the Rhine Province Assembly in thefts of wood and the division of landed property; the official polemic started by Herr von Schaper, then Oberpräsident of the Rhine Province, against the *Rheinische Zeitung* about the condition of the Mosel peasantry, and finally the debates on free trade and protective tariffs caused me in the first instance to turn my attention to economic questions.^a On the other hand, at that time when good intentions "to push forward" often took the place of factual knowledge, an echo of French socialism and communism, slightly tinged by philosophy, was noticeable in the *Rheinische Zeitung*. I objected to this dilettantism, but at the same time frankly admitted in a controversy with the *Allgemeine Augsburger Zeitung*^b that my previous studies did not allow me to express any opinion on the content of the French theories. When the publishers of the *Rheinische Zeitung* conceived the illusion that by a more compliant policy on the part of the paper it might be possible to secure the abrogation of the death sentence passed upon it, I eagerly grasped the opportunity to withdraw from the public stage to my study.

The first work which I undertook to dispel the doubts assailing me was a critical re-examination of the Hegelian philosophy of law; the introduction^c to this work being published in the *Deutsch-Französische Jahrbücher* issued in Paris in 1844. My inquiry led me to the conclusion that neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life, the totality of which Hegel, following the example of English and French thinkers of the eighteenth century, embraces within the term "civil society"⁵⁹; that the anatomy of this civil society, however, has to be sought in political economy. The study of this, which I began in Paris, I continued in Brussels, where I moved owing to an expulsion order issued by M. Guizot.^d The general conclusion at which I arrived and which, once reached, became the guiding principle of my studies can be summarised as follows.

^a A reference to the articles "Proceedings of the Sixth Rhine Province Assembly. Third article. Debates on the Law of Thefts of Wood", "Polemical Articles Against the *Allgemeine Zeitung*" and "Justification of the Correspondent from the Mosel".— *Ed.*

^b See "Communism and the Augsburg *Allgemeine Zeitung*".— *Ed.*

^c See "Contribution to the Critique of Hegel's Philosophy of Law" and "Contribution to the Critique of Hegel's Philosophy of Law. Introduction".— *Ed.*

^d On January 11, 1845.— *Ed.*

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure. In studying such transformations it is always necessary to distinguish between the material transformation of the economic conditions of production, which can be determined with the precision of natural science, and the legal, political, religious, artistic or philosophic—in short, ideological forms in which men become conscious of this conflict and fight it out. Just as one does not judge an individual by what he thinks about himself, so one cannot judge such a period of transformation by its consciousness, but, on the contrary, this consciousness must be explained from the contradictions of material life, from the conflict existing between the social forces of production and the relations of production. No social formation is ever destroyed before all the productive forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society. Mankind thus inevitably sets itself only such tasks as it is able to solve, since closer examination will always show that the problem itself arises only when the material conditions for its solution are already present or at least in the course of formation. In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society. The bourgeois relations of production are the last antagonistic form of the social process of

production—antagonistic not in the sense of individual antagonism but of an antagonism that emanates from the individuals' social conditions of existence—but the productive forces developing within bourgeois society create also the material conditions for a solution of this antagonism. The prehistory of human society accordingly closes with this social formation.

Frederick Engels, with whom I maintained a constant exchange of ideas by correspondence since the publication of his brilliant essay on the critique of economic categories^a (printed in the *Deutsch-Französische Jahrbücher*), arrived by another road (compare his *Condition of the Working-Class in England*) at the same result as I, and when in the spring of 1845 he too came to live in Brussels, we decided to set forth together our conception as opposed to the ideological one of German philosophy, in fact to settle accounts with our former philosophical conscience. The intention was carried out in the form of a critique of post-Hegelian philosophy. The manuscript, two large octavo volumes,^b had long ago reached the publishers in Westphalia when we were informed that owing to changed circumstances it could not be printed. We abandoned the manuscript to the gnawing criticism of the mice all the more willingly since we had achieved our main purpose—self-clarification. Of the scattered works in which at that time we presented one or another aspect of our views to the public, I shall mention only the *Manifesto of the Communist Party*, jointly written by Engels and myself, and a *Speech on the Question of Free Trade*, which I myself published. The salient points of our conception were first outlined in an academic, although polemical, form in my *Poverty of Philosophy...*, this book which was aimed at Proudhon appeared in 1847. The publication of an essay on *Wage-Labour* written in German in which I combined the lectures I had held on this subject at the German Workers' Society in Brussels,⁶⁰ was interrupted by the February Revolution and my forcible removal from Belgium in consequence.

The publication of the *Neue Rheinische Zeitung* in 1848 and 1849 and subsequent events cut short my economic studies, which I could only resume in London in 1850. The enormous amount of material relating to the history of political economy assembled in the British Museum, the fact that London is a convenient vantage point for the observation of bourgeois society, and finally the new stage of development which this society seemed to have entered

^a F. Engels, "Outlines of a Critique of Political Economy".—*Ed.*

^b K. Marx and F. Engels, *The German Ideology*.—*Ed.*

with the discovery of gold in California and Australia,⁴ induced me to start again from the very beginning and to work carefully through the new material. These studies led partly of their own accord to apparently quite remote subjects on which I had to spend a certain amount of time. But it was in particular the imperative necessity of earning my living which reduced the time at my disposal. My collaboration, continued now for eight years, with the *New York Tribune*,⁶¹ the leading Anglo-American newspaper, necessitated an excessive fragmentation of my studies, for I wrote only exceptionally newspaper correspondence in the strict sense. Since a considerable part of my contributions consisted of articles dealing with important economic events in Britain and on the Continent, I was compelled to become conversant with practical details which, strictly speaking, lie outside the sphere of political economy.

This sketch of the course of my studies in the domain of political economy is intended merely to show that my views—no matter how they may be judged and how little they conform to the interested prejudices of the ruling classes—are the outcome of conscientious research carried on over many years. At the entrance to science, as at the entrance to hell, the demand must be made:

*Qui si convien lasciare ogni sospetto
Ogni viltà convien che qui sia morta.^a*

Karl Marx

London, January 1859

^a Dante, *La Divina commedia*, Inferno, Canto III.

Here all misgiving must thy mind reject.
Here cowardice must die and be no more.

(English translation by Laurence Binyon—Dante, *The Divine Comedy*, Inferno, Canto III, ll. 14-15, Viking Portable Library, 1969.)—Ed.

BOOK ONE
ON CAPITAL

Section One
CAPITAL IN GENERAL

Chapter One
THE COMMODITY

The wealth of bourgeois society, at first sight, presents itself as an immense accumulation of commodities, its unit being a single commodity. Every commodity, however, has a twofold aspect—*use value* and *exchange value*.*

To begin with, a commodity, in the language of the English economists, is “any thing necessary, useful or pleasant in life”,⁶² an object of human wants, a means of subsistence in the widest sense of the term. Use value as an aspect of the commodity coincides with the physical palpable existence of the commodity. Wheat, for example, is a distinct use value differing from the use values of cotton, glass, paper, etc. A use value has value only in use, and is realised only in the process of consumption. One and the same use value can be used in various ways. But the extent of its possible applications is limited by its existence as an object with distinct properties. It is, moreover, determined not only qualitatively but also quantitatively. Different use values have different measures appropriate to their physical characteristics; for example, a bushel of wheat, a quire of paper, a yard of linen, etc.

* Aristoteles, *De Republica*, I, I, c. 9 (edit. I. Bekkeri, Oxonii, 1837). “Of everything which we possess there are two uses: ... one is the proper, and the other the improper or secondary use of it. For example, a shoe is used for wear, and is used for exchange; both are uses of the shoe. He who gives a shoe in exchange for money or food to him who wants one, does indeed use the shoe as a shoe, but this is not its proper or primary purpose, for a shoe is not made to be an object of barter. The same may be said of all possessions....” [The English translation is taken from Aristotle, *Politica*, by Benjamin Jowett, revised edition, Oxford, 1966, 1257^a.] [Marx quotes in Greek.]

Whatever its social form may be, wealth always consists of use values, which in the first instance are not affected by this form. From the taste of wheat it is not possible to tell who produced it, a Russian serf, a French peasant or an English capitalist. Although use values serve social needs and therefore exist within the social framework, they do not express the social relations of production. For instance, let us take as a use value a commodity such as a diamond. We cannot tell by looking at it that the diamond is a commodity. Where it serves as an aesthetic or mechanical use value, on the neck of a courtesan or in the hand of a glass-cutter, it is a diamond and not a commodity. To be a use value is evidently a necessary prerequisite of the commodity, but it is immaterial to the use value whether it is a commodity. Use value in this indifference to the determined economic form, i.e. use value as such, lies outside the sphere of investigation of political economy.* It belongs in this sphere only when it is itself a determinate form. Use value is the immediate physical entity in which a definite economic relationship—*exchange value*—is expressed.

Exchange value appears first as a *quantitative relation*, the proportion in which use values are exchanged for one another. In this relation they constitute equal exchangeable magnitudes. Thus one volume of Propertius and eight ounces of snuff may have the same exchange value, despite the dissimilar use values of snuff and elegies. Considered as exchange value, one use value is worth just as much as another, provided the two are available in the appropriate proportion. The exchange value of a palace can be expressed in a definite number of tins of boot polish. London manufacturers of boot polish, on the other hand, have expressed the exchange value of their numerous tins of polish in terms of palaces. Quite irrespective, therefore, of their natural form of existence, and without regard to the specific character of the needs they satisfy as use values, commodities in definite quantities are congruent, they take one another's place in the exchange process, are regarded as equivalents, and despite their motley appearance have a common denominator.

Use values serve directly as means of subsistence. But, on the other hand, these means of subsistence are themselves the

* That is why German compilers write *con amore* about use values, calling them "goods". See for example the section on "goods" in L. Stein, *System der Staatswissenschaft*, Bd. I. Useful information on "goods" may be found in "manuals dealing with merchandise".

products of social activity, the result of expended human energy, *objectified labour*. As objectification of social labour, all commodities are crystallisations of the same substance. The specific character of this substance, i.e. of labour which is embodied in exchange value, has now to be examined.

Let us suppose that one ounce of gold, one ton of iron, one quarter of wheat and twenty yards of silk are exchange values of equal magnitude. As equivalents in which the qualitative difference between their use values is eliminated, they represent equal amounts of the same kind of labour. The labour which is uniformly objectified in them must be uniform, homogeneous, simple labour; it matters as little whether this is embodied in gold, iron, wheat or silk, as it matters to oxygen whether it is found in rusty iron, in the atmosphere, in the juice of grapes or in human blood. But digging gold, mining iron, cultivating wheat and weaving silk are qualitatively different kinds of labour. In fact, what appears objectively as diversity of the use values, appears, when looked at dynamically, as diversity of the activities which produce those use values. Since the particular material of which the use values consist is irrelevant to the labour that creates exchange value, the particular form of this labour is equally irrelevant. Different use values are, moreover, products of the activity of different individuals and therefore the result of individually different kinds of labour. But as exchange values they represent the same homogeneous labour, i.e. labour in which the individual characteristics of the workers are obliterated. Labour which creates exchange value is thus *abstract general* labour.

If one ounce of gold, one ton of iron, one quarter of wheat and twenty yards of silk are exchange values of equal magnitude or equivalents, then one ounce of gold, half a ton of iron, three bushels of wheat and five yards of silk are exchange values which have very different magnitudes, and this quantitative difference is the only difference of which as exchange values they are at all capable. As exchange values of different magnitudes they represent larger or smaller portions, larger or smaller amounts of simple, uniform, abstract general labour, which is the substance of exchange value. The question now arises, how can these amounts be measured? Or rather the question arises, what is the quantitative form of existence of this labour, since the quantitative differences of the commodities as exchange values are merely the quantitative differences of the labour objectified in them. Just as motion is measured by time, so is labour by *labour time*. Variations in the duration of labour are the only possible difference that can occur

if the quality of labour is assumed to be given. Labour time is measured in terms of the natural units of time, i.e. hours, days, weeks, etc. Labour time is the living state of existence of labour, irrespective of its form, its content and its individual features; it is the living quantitative aspect of labour as well as its inherent measure. The labour time objectified in the use values of commodities is both the substance that turns them into exchange values and therefore into commodities, and the standard by which the precise magnitude of their value is measured. The corresponding quantities of different use values containing the same amount of labour time are equivalents; that is, all use values are equivalents when taken in proportions which contain the same amount of expended, objectified labour time. Regarded as exchange values all commodities are merely definite quantities of *congealed labour time*.

The following basic propositions are essential for an understanding of the determination of exchange value by labour time. Labour is reduced to simple labour, labour, so to speak, without any qualitative attributes; labour which creates exchange value, and therefore commodities, is specifically *social labour*; finally, labour in so far as its results are use values is distinct from labour in so far as its results are exchange values.

To measure the exchange values of commodities by the labour time they contain, the different kinds of labour have to be reduced to uniform, homogeneous, simple labour, in short to labour of uniform quality, whose only difference, therefore, is quantity.

This reduction appears to be an abstraction, but it is an abstraction which is made every day in the social process of production. The conversion of all commodities into labour time is no greater an abstraction, and is no less real, than the resolution of all organic bodies into air. Labour, thus measured by time, does not seem, indeed, to be the labour of different persons, but on the contrary the different working individuals seem to be mere organs of *this* labour. In other words the labour embodied in exchange values could be called *human labour in general*. This abstraction, human labour in general, *exists* in the form of average labour which, in a given society, the average person can perform, productive expenditure of a certain amount of human muscles, nerves, brain, etc. It is *simple labour** which any average individual can be trained to do and which in one way or another he has to

* English economists call it "UNSKILLED LABOUR".

perform. The characteristics of this average labour are different in different countries and different historical epochs, but in any particular society it appears as something given. The greater part of the labour performed in bourgeois society is simple labour as statistical data show. Whether *A* works 6 hours producing iron and 6 hours producing linen, and *B* likewise works 6 hours producing iron and 6 hours producing linen, or *A* works 12 hours producing iron and *B* 12 hours producing linen is quite evidently merely a different application of the *same* labour time. But what is the position with regard to more complicated labour which, being labour of greater intensity and greater specific gravity, rises above the general level? This kind of labour resolves itself into simple labour put together; it is simple labour raised to a higher power, so that for example one day of skilled labour may equal three days of simple labour. The laws governing this reduction do not concern us here. It is, however, clear that the reduction is made, for, as exchange value, the product of highly skilled labour is equivalent, in definite proportions, to the product of simple average labour; thus being equated to a certain amount of this simple labour.

The determination of exchange value by labour time, moreover, presupposes that the *same amount* of labour is objectified in a particular commodity, say a ton of iron, irrespective of whether it is the work of *A* or of *B*, that is to say, different individuals expend equal amounts of labour time to produce use values which are qualitatively and quantitatively equal. In other words, it is assumed that the labour time contained in a commodity is the labour time *necessary* for its production, namely the labour time required, under the generally prevailing conditions of production, to produce another unit of the same commodity.

From the analysis of exchange value it follows that the conditions of labour which creates exchange value are *social categories* of labour or categories of *social labour*, social however not in the general sense but in the particular sense, denoting a specific type of society. Uniform simple labour implies first of all that the labour of different individuals is *equal* and that their labour is treated as equal by being in fact reduced to homogeneous labour. The labour of every individual in so far as it manifests itself in exchange values possesses this social character of equality, and it manifests itself in exchange value only in so far as it is equated with the labour of all other individuals.

Furthermore, in exchange value the labour time of a particular individual is directly represented as *labour time in general*, and this

general character of individual labour appears as the *social character* of this labour. The labour time expressed in exchange value is the labour time of an individual, but of an individual in no way differing from the next individual and from all other individuals in so far as they perform equal labour; the labour time, therefore, which one person requires for the production of a given commodity is the *necessary* labour time which any other person would require to produce the same commodity. It is the labour time of an individual, *his* labour time, but only as labour time common to all; consequently it is quite immaterial *whose* individual labour time this is. This universal labour time finds its expression in a universal product, a *universal equivalent*, a definite amount of objectified labour time, for which the distinct form of the use value in which it is manifested as the direct product of one person is a matter of complete indifference, and it can be converted at will into any other form of use value, in which it appears as the product of any other person. Only as such a *universal* magnitude does it represent a *social* magnitude. The labour of an individual can produce exchange value only if it produces *universal equivalents*, that is to say, if the individual's labour time represents universal labour time or if universal labour time represents individual labour time. The effect is the same as if the different individuals had amalgamated their labour time and allocated different portions of the labour time at their joint disposal to the various use values. The labour time of the individual is thus, in fact, the labour time required by society to produce a particular use value, that is to satisfy a particular want. But what matters here is only the specific manner in which the social character of labour is established. A certain amount of a spinner's labour time is objectified, say, in 100 lbs. of linen yarn. The same amount of labour time is assumed to be represented in 100 yards of linen, the product of a weaver. Since these two products represent equal amounts of universal labour time, and are therefore equivalents of *any* use value which contains the same amount of labour time, they are equal to each other. Only because the labour time of the spinner and the labour time of the weaver represent universal labour time, and their products are thus universal equivalents, is the social aspect of the labour of the two individuals represented for each of them by the labour of the other, that is to say, the labour of the weaver represents it for the spinner, and the labour of the spinner represents it for the weaver. On the other hand, under the rural patriarchal system of production, when spinner and weaver lived under the same

roof—the women of the family spinning and the men weaving, say for the requirements of the family—yarn and linen were *social* products, and spinning and weaving *social* labour within the framework of the family. But their social character did not appear in the form of yarn becoming a universal equivalent exchanged for linen as a universal equivalent, i.e. of the two products exchanging for each other as equal and equally valid expressions of the same universal labour time. On the contrary, the product of labour bore the specific social imprint of the family relationship with its naturally evolved division of labour. Or let us take the service and dues in kind of the Middle Ages. It was the distinct labour of the individual in its original form, the particular features of his labour and not its universal aspect that formed the social ties at that time. Or finally let us take communal labour in its naturally evolved form as we find it among all civilised nations at the dawn of their history.* In this case the social character of labour is evidently not mediated by the labour of the individual assuming the abstract form of universal labour or his product assuming the form of a universal equivalent. The communal system on which [this mode of] production is based prevents the labour of an individual from becoming private labour and his product the private product of a separate individual; it causes individual labour to appear rather as the direct function of a member of the social organisation. Labour which manifests itself in exchange value appears to be the labour of an isolated individual. It becomes social labour by assuming the form of its direct opposite, of abstract universal labour.

Lastly, it is a characteristic feature of labour which posits exchange value that it causes the social relations of individuals to appear in the perverted form of a social relation between things. The labour of different persons is equated and treated as universal labour only by bringing one use value into relation with another one in the guise of exchange value. Although it is thus

* At present an absurdly biased view is widely held, namely that *primitive* communal property is a specifically Slavonic, or even an exclusively Russian, phenomenon.⁵⁵ It is an early form which can be found among Romans, Teutons and Celts, and of which a whole collection of diverse patterns (though sometimes only remnants survive) is still in existence in India. A more careful study of Asiatic, particularly Indian, forms of communal property would indicate that the disintegration of different forms of primitive communal ownership gives rise to diverse forms of property. For instance, various prototypes of Roman and Germanic private property can be traced back to certain forms of Indian communal property.

correct to say that exchange value is a relation between persons,* it is however necessary to add that it is a relation hidden by a material veil. Just as a pound of iron and a pound of gold have the *same* weight despite their different physical and chemical properties, so two commodities which have different use values but contain the same amount of labour time have the *same exchange value*. Exchange value thus appears to be a social determination of use values, a determination which is proper to them as things and in consequence of which they are able in definite proportions to take one another's place in the exchange process, i.e. they are equivalents, just as simple chemical elements combined in certain proportions form chemical equivalents. Only the conventions of everyday life make it appear commonplace and ordinary that social relations of production should assume the shape of things, so that the relations into which people enter in the course of their work appear as the relations of things to one another and of things to people. This mystification is still a very simple one in the case of a commodity. Everybody understands more or less clearly that the relations of commodities as exchange values are really the relations of people to the productive activities of one another. The semblance of simplicity disappears in more advanced relations of production. All the illusions of the monetary system⁶³ arise from the failure to perceive that money,^a though a physical object with distinct properties, represents a social relation of production. As soon as the modern economists, who sneer at the illusions of the monetary system, deal with the more complex economic categories, such as capital, they display the same illusions. This emerges clearly in their confession of naive astonishment when the phenomenon that they have just ponderously described as a thing reappears as a social relation and, a moment later, having been defined as a social relation, teases them once more as a thing.

Since the exchange value of commodities is indeed nothing but a mutual relation between various kinds of labour of individuals regarded as equal and universal labour, i.e. nothing but a material expression of a specific social form of labour, it is a tautology to say that labour is the *only* source of exchange value and accordingly of wealth in so far as this consists of exchange value.

* "Wealth is a relation between two persons." Galiani, *Della Moneta*, p. 221 in Vol. III of Custodi's collection of *Scrittori classici Italiani di Economia Politica. Parte Moderna*, Milano, 1803. [Marx quotes in Italian.]

^a The original has "gold"; changed by Marx in his own copy.—Ed.

It is equally a tautology to say that material in its natural state does not have exchange value* since it contains no labour, and that exchange value as such includes no material in a natural state. It is true that William Petty calls “labour the father and earth the mother of wealth”,^a Bishop Berkeley asks

“WHETHER THE FOUR ELEMENTS, AND MAN’S LABOUR THEREIN, BE NOT THE TRUE SOURCE OF WEALTH”,**

and the American Thomas Cooper explains in popular form:

“Take away from a loaf of bread the labour bestowed on it, the labour of the baker, the miller, the farmer, etc., and what will remain? A few grains of grass, growing wild, and unfit for any human purpose.”***

But all these observations are concerned not with abstract labour, which is the source of exchange value, but with concrete labour as the source of material wealth, in short with labour in so far as it produces use values. Since the use value of the commodity is postulated, the specific utility and the definite usefulness of the labour expended on it is also postulated; but this is the only aspect of labour as useful labour which is relevant to the study of commodities. In considering bread as a use value, we are concerned with its properties as an article of food and by no means with the labour of the farmer, miller, baker, etc. Even if the labour required were reduced by 95 per cent as a result of some invention, the usefulness of a loaf of bread would remain quite unaffected. It would lose not a single particle of its use value even if it dropped ready-made from the sky. Whereas labour positing exchange value manifests itself in the equality of commodities as universal equivalents, labour as useful productive activity manifests itself in the infinite variety of use values. Whereas labour positing exchange value is *abstract universal* and *uniform* labour, labour positing use value is concrete and distinctive labour, comprising infinitely varying kinds of labour as regards its form and the material to which it is applied.

* “In its natural state, matter ... is always destitute of value.” MacCulloch, *Discours sur l’origine de l’économie politique etc.*, traduit par Prévost, Genève, 1825, p. 57. [Marx quotes MacCulloch in French.] This shows how high even a MacCulloch stands above the fetishism of German “thinkers” who assert that “material” and half a dozen similar irrelevancies are elements of value. Cf., e.g., *L. Stein*, l. c., Vol. I, p. 170.

** Berkeley, *The Querist*, London, 1750. [The original English text is given by Marx in this footnote.]

*** Th. Cooper, *Lectures on the Elements of Political Economy*, London, 1831 (Columbia, 1826), p. 99.

^a W. Petty, *A Treatise of Taxes and Contributions*, London, 1667, p. 47.—Ed.

It would be wrong to say that labour which produces use values is the *only* source of the wealth produced by it, that is of material wealth. Since this labour is an activity which adapts material for some purpose or other, it needs material as a prerequisite. Different use values contain very different proportions of labour and natural products, but use value always comprises a natural element. As useful activity directed to the appropriation of natural factors in one form or another, labour is a natural condition of human existence, a condition of material interchange between man and nature, quite independent of the form of society. On the other hand, the labour which posits exchange value is a specific social form of labour. For example, tailoring if one considers its physical aspect as a distinct productive activity produces a coat, but not the exchange value of the coat. The exchange value is produced by it not as tailoring as such but as abstract universal labour, and this belongs to a social framework not devised by the tailor. Women in ancient domestic industry, for instance, produced coats without producing the exchange value of coats. Labour as a source of material wealth was well known both to Moses, the law-giver, and to Adam Smith, the customs official.*

Let us now examine a few propositions which follow from the reduction of exchange value to labour time.

A commodity as a use value has an eminently material function. Wheat for example is used as food. A machine replaces a certain amount of labour. This function, by virtue of which a commodity is only a use value, an article of consumption, may be called its service, the service it renders as a use value. But the commodity as an exchange value is always considered solely from the standpoint of the result. What matters is not the service it renders, but the service** rendered to it in the course of its production. Thus the exchange value of a machine, for instance, is determined not by the amount of labour time which it can replace, but by the amount of labour time expended in its production and therefore required for the production of a new machine of the same type.

* Friedrich List has never been able to grasp the difference between labour as a producer of something useful, a use value, and labour as a producer of exchange value, a specific social form of wealth (since his egotistic mind being occupied with practical matters was not concerned with understanding); he therefore regarded the modern English economists as mere plagiarists of Moses of Egypt. [F. List, *Das nationale System der politischen Oekonomie*, Vol. 1, Stuttgart and Tübingen, 1841, p. 205.]

** It can easily be seen what "service" the category "service" must render to economists such as J. B. Say and F. Bastiat, whose sagacity, as Malthus has aptly remarked, always abstracts from the specific form of economic conditions.

Thus, if the amount of labour required for the production of commodities remained constant, their exchange value would also remain unchanged. But the facility or difficulty of production varies continually. If the productivity of labour grows, the same use value will be produced in less time. If the productivity of labour declines, more time will be needed to produce the same use value. The amount of labour time contained in a commodity, and therefore its exchange value, is consequently a variable quantity, rising or falling in inverse proportion to the rise or fall of the productivity of labour. The level of the productivity of labour, which is predetermined in manufacturing industry, depends in agriculture and extractive industry also upon uncontrollable natural conditions. The *same* quantity of labour will result in a larger or smaller output of various metals—depending on the relative rarity and frequency of the deposits of these metals in the earth's crust. The *same* amount of labour may yield two bushels of wheat in a favourable season, and perhaps only one bushel in an unfavourable season. Scarcity or abundance brought about by natural circumstances seems in this case to determine the exchange value of commodities, because it determines the productivity of the specific concrete labour which is bound up with the natural conditions.

Equal amounts of labour time, or equal amounts of exchange value, are contained in unequal volumes of different use values. The smaller the volume of a use value which contains a given amount of labour time as compared with other use values of commodities, the greater is the *specific exchange value* of that commodity. If we find that in different epochs of civilisation separated by long periods of time, various use values—for example gold, silver, copper and iron, or wheat, rye, barley and oats—form a series of specific exchange values which on the whole retain their relative order in relation to one another, though not their exact numerical proportions, it follows that the progressive development of the social productive forces has exerted a uniform or nearly uniform effect on the labour time required for the production of these various commodities.

The exchange value of a commodity is not expressed in its own use value. But as objectification of universal social labour time, the use value of one commodity is brought into relation with the use values of other commodities. The exchange value of one commodity thus manifests itself in the use values of other commodities. In fact the exchange value of one commodity expressed in the use value of another commodity represents

equivalence. If one says, for instance, one yard of linen is worth two pounds of coffee, then the exchange value of linen is expressed in the use value of coffee, and it is moreover expressed in a definite quantity of this use value. Once the proportion is given, the value of any quantity of linen can be expressed in terms of coffee. It is evident that the exchange value of a commodity, e.g. linen, is not exhaustively expressed by the proportion in which a particular commodity, e.g. coffee, forms its equivalent. The quantity of universal labour time represented by a yard of linen exists simultaneously in infinitely varied amounts of the use values of all other commodities. The use value of any other commodity taken in the proportion which represents the same quantity of labour time constitutes an equivalent for the yard of linen. The exchange value of *this particular commodity* can therefore be exhaustively expressed only by the infinite number of equations in which the use values of all other commodities form its equivalent. The only exhaustive expression for a *universal equivalent* is the sum of these equations or the totality of the different proportions in which a commodity can be exchanged for any other commodity. For example the series of equations—

$$\begin{aligned} 1 \text{ yard of linen} &= \frac{1}{2} \text{ lb. of tea,} \\ 1 \text{ yard of linen} &= 2 \text{ lbs. of coffee,} \\ 1 \text{ yard of linen} &= 8 \text{ lbs. of bread,} \\ 1 \text{ yard of linen} &= 6 \text{ yards of calico} \end{aligned}$$

may be put in the following form—

$$1 \text{ yard of linen} = \frac{1}{8} \text{ lb. of tea} + \frac{1}{2} \text{ lb. of coffee} + 2 \text{ lbs. of bread} + 1 \frac{1}{2} \text{ yards of calico.}$$

Thus if we had all the equations in which the value of a yard of linen is exhaustively expressed, we could denote its exchange value in the form of a series. This is in fact an infinite series, for the range of commodities can never be finally circumscribed but expands continuously. Since the exchange value of one commodity is measured by the use values of all other commodities, the exchange values of all other commodities are on the contrary measured in terms of the use value of the one commodity measured by them.* If the exchange value of one yard of linen is expressed in $\frac{1}{2}$ lb. of tea, or 2 lbs. of coffee, or 6 yards of calico,

* "It is also a feature of measures to enter into such a relation with the thing measured that in a certain way the latter becomes the measure of the former." Montanari, *Della Moneta*, p. 41 in Custodi's collection, Vol. III, *Parte Antica*. [Marx quotes in Italian.]

or 8 lbs. of bread, etc., it follows that coffee, tea, calico, bread, etc., must be equal to one another in the proportion in which they are equal to linen, a third magnitude, linen thus serves as a common measure of their exchange value. The exchange value of any commodity considered as objectified universal labour time, i.e. as a definite quantity of universal labour time, is measured successively in terms of definite quantities of the use values of all other commodities; and on the other hand the exchange values of all other commodities are measured in the use value of this one exclusive commodity. But any commodity considered as exchange value is both the exclusive commodity which serves as the common measure of the exchange values of all other commodities and on the other hand it is merely one commodity of the many commodities in the series in which the exchange value of any other commodity is directly expressed.

The existing number of different types of commodities does not affect the *value* of a commodity. But whether the series of equations in which its exchange value can be realised is longer or shorter depends on the greater or smaller variety of other commodities. The series of equations which express, say, the value of coffee shows the range of its exchangeability, the limits within which it functions as an exchange value. The exchange value of a commodity as the objective expression of universal social labour time finds its appropriate expression of equivalence in the infinite variety of use values.

We have seen that the exchange value of a commodity varies with the quantity of labour time directly contained in it. Its realised exchange value, that is its exchange value expressed in the use values of other commodities, must also depend on the degree to which the labour time expended on the production of all other commodities varies. For example, if the labour time necessary for the production of a bushel of wheat remained unchanged, while the labour time needed for the production of all other commodities doubled, the exchange value of a bushel of wheat in terms of its equivalents would have been halved. The result would actually be the same as if the labour time required to produce a bushel of wheat had been halved and the labour time required to produce all other commodities had remained unchanged. The value of commodities is determined by the amount of them which can be produced in a given labour time. In order to examine what changes are liable to affect this proportion, let us take two commodities, *A* and *B*. *First*. The labour time required for the production of *B* is assumed to remain unchanged. In this case the

exchange value of *A* expressed in terms of *B* falls or rises in direct proportion to the decrease or increase in the labour time necessary for the production of *A*. *Secondly*. The labour time necessary for the production of commodity *A* is assumed to remain unchanged. The exchange value of commodity *A* in terms of *B* falls or rises in inverse proportion to the decrease or increase in the labour time required to produce *B*. *Thirdly*. The labour time required for the production of *A* and of *B* is assumed to decrease or increase at the same rate. The equation expressing the value of commodity *A* in terms of *B* remains unchanged in this case. If some factor were to cause the productivity of all types of labour to fall in equal degree, thus requiring the same proportion of additional labour time for the production of all commodities, then the value of *all* commodities would rise, the actual expression of their exchange value remaining unchanged, and the real wealth of society would decrease, since the production of the same quantity of use values would require a larger amount of labour time. *Fourthly*. The labour time required for the production of both *A* and *B* is assumed to increase or decrease but in unequal degree, or else the labour time required for the production of *A* is assumed to increase while that required for *B* decreases, or vice versa. All these cases can be simply reduced to the position where the labour time required for the production of one commodity remains unchanged, while that required for the production of the other either increases or decreases.

The exchange value of any commodity is expressed in terms of the use value of any other commodity, either in whole units or in fractions of that use value. Every commodity as exchange value can be just as easily divided as the labour time objectified in it. The equivalence of commodities is just as independent of their physical divisibility as use values as the summation of the exchange values of commodities is unaffected by the real change of form which the use values of these commodities may undergo in the course of their transformation into a *single* new commodity.

So far two aspects of the commodity—use value and exchange value—have been examined, but each time one-sidedly. The commodity, however, is the direct *unity* of use value and exchange value, and at the same time it is a commodity only in relation to other commodities. The *exchange process* of commodities is the *real* relation that exists between them. This is a social process which is carried on by individuals independently of one another, but they take part in it only as commodity owners; they exist for one another only in so far as their commodities exist, they thus appear

to be in fact the conscious representatives of the exchange process.

The commodity is a use value, wheat, linen, a diamond, machinery, etc., but as a commodity it is simultaneously *not* a use value. It would not be a commodity, if it were a use value for its owner, that is a direct means for the satisfaction of his own needs. For its owner it is on the contrary a *non-use value*, that is merely the physical depository of exchange value, or simply a *means of exchange*. Use value as an active carrier of exchange value becomes a means of exchange. The commodity is a use value for its owner only so far as it is an exchange value.* The commodity therefore has still to *become* a use value, in the first place a use value for others. Since it is not a use value to its owner, it must be a use value to owners of other commodities. If this is not the case, then the labour expended on it was useless labour and the result accordingly is not a commodity. The commodity must, on the other hand, become a use value *for its owner*, since his means of subsistence exist outside it, in the use values of other people's commodities. To *become* a use value, the commodity must encounter the particular need which it can satisfy. Thus the use values of commodities *become* use values by a mutual exchange of places: they pass from the hands of those for whom they were means of exchange into the hands of those for whom they serve as consumer goods. Only as a result of this universal *alienation* of commodities does the labour contained in them become useful labour. Commodities do not acquire a new economic form *in the course* of their mutual relations as use values. On the contrary, the specific form which distinguished them as commodities disappears. Bread, for instance, in passing from the baker to the consumer does not change its character as bread. It is rather that the consumer treats it as a use value, as a particular foodstuff, whereas so long as it was in the hands of the baker it was simply representative of an economic relation, a concrete and at the same time an abstract thing. The only transformation therefore that commodities experience in the course of becoming use values is the cessation of their formal existence in which they were non-use values for their owner, and use values for their non-owner. To become use values commodities must be altogether alienated; they must enter into the exchange process; exchange however is concerned merely with their aspect as exchange values. Hence,

* It is in this sense that Aristotle speaks of exchange value (see the passage quoted at the beginning of this chapter).

only by being realised as exchange values can they be realised as use values.

The individual commodity as a use value was originally regarded as something independent, while as an exchange value it was from the outset regarded in its relation to all other commodities. But this was merely a theoretical, hypothetical, relation. It realises itself only in the process of exchange. On the other hand, a commodity is an exchange value in so far as a definite amount of labour time has been expended on its production and it accordingly represents *objectified labour time*. Yet the commodity as it comes into being is only objectified individual labour time of a specific kind, and not *universal* labour time. The commodity is thus *not* immediately exchange value, but has still to *become* exchange value. To begin with, it can be objectification of universal labour time only when it represents a particular useful application of labour time, that is a use value. This is the material condition under which alone the labour time contained in commodities is regarded as universal, social labour time. A commodity can only therefore become a use value if it is realised as an exchange value, while it can only be realised as an exchange value if it is alienated and functions as a use value. The alienation of a commodity as a use value is only possible to the person for whom it is a use value, i.e. an object satisfying particular needs. On the other hand, it can only be alienated in exchange for another commodity, or if we regard the matter from the standpoint of the owner of the other commodity, he too can only alienate, i.e. realise, his commodity by bringing it into contact with the particular need of which it is the object. During the universal alienation of commodities as *use values* they are brought into relation with one another as discrete things which are physically different and because of their specific properties satisfy particular needs. But as mere use values they exist independently of one another or rather without any connection. They can be exchanged as use values only in connection with particular needs. They are, however, exchangeable only as equivalents, and they are equivalents only as equal quantities of objectified labour time, when their physical properties as use values, and hence the relations of these commodities to specific needs, are entirely disregarded. A commodity functions as an exchange value if it can freely take the place of a definite quantity of any other commodity, irrespective of whether or not it constitutes a use value for the owner of the other commodity. But for the owner of the other commodity it becomes a commodity only in so far as it constitutes a use value

for him, and for the owner in whose hands it is it becomes an exchange value only in so far as it is a commodity for the other owner. One and the same relation must therefore be simultaneously a relation of essentially equal commodities which differ only in magnitude, i.e. a relation which expresses their equality as materialisations of universal labour time, and at the same time it must be their relation as qualitatively different things, as distinct use values for distinct needs, in short a relation which differentiates them as actual use values. But equality and inequality thus posited are mutually exclusive. The result is not simply a vicious circle of problems, where the solution of one problem presupposes the solution of the other, but a whole complex of contradictory premisses, since the fulfilment of one condition depends directly upon the fulfilment of its opposite.

The exchange process must comprise both the evolution and the solution of these contradictions, which cannot however be demonstrated in the process in this simple form. We have merely observed how the commodities themselves are related to one another as use values, i.e. how commodities as use values function *within* the exchange process. On the other hand, exchange value as we have considered it till now has merely existed as our abstraction, or, if one prefers, as the abstraction of the individual commodity owner, who keeps the commodity as use value in the warehouse, and has it on his conscience as exchange value. In the exchange process, however, the commodities must exist for one another not only as use values but also as exchange values, and this aspect of their existence must appear as their own mutual relation. The difficulty which confronted us in the first place was that the commodity as a use value has to be alienated, disposed of, before it can function as an exchange value, as objectified universal labour time, while on the contrary its alienation as a use value presupposes its existence as exchange value. But let us suppose that this difficulty has been overcome, that the commodity has shed its particular use value and has thereby fulfilled the material condition of being socially useful labour, instead of the particular labour of an individual by himself. In the exchange process, the commodity as exchange value must then become a universal equivalent, objectified general labour time for all other commodities; it has thus no longer the limited function of a particular use value, but is capable of being directly represented in all use values as its equivalents. Every commodity however is *the* commodity which, as a result of the alienation of its particular use value, must appear as the direct materialisation of universal labour

time. But on the other hand, only particular commodities, particular use values embodying the labour of private individuals, confront one another in the exchange process. Universal labour time itself is an abstraction which, as such, does not exist for commodities.

Let us consider the series of equations in which the exchange value of a commodity is expressed in concrete terms, for example—

$$\begin{aligned} 1 \text{ yard of linen} &= 2 \text{ lbs. of coffee,} \\ 1 \text{ yard of linen} &= \frac{1}{2} \text{ lb. of tea,} \\ 1 \text{ yard of linen} &= 8 \text{ lbs. of bread, etc.} \end{aligned}$$

To be sure, these equations merely denote that equal amounts of universal social labour time are objectified in 1 yard of linen, 2 lbs. of coffee, $\frac{1}{2}$ lb. of tea, etc. But the different kinds of individual labour represented in these particular use values, in fact, become labour in general, and in this way social labour, only by actually being exchanged for one another proportionately to the duration of labour contained in them.^a Social labour time exists in these commodities in a latent state, so to speak, and becomes evident only in the course of their exchange. The point of departure is not the labour of individuals considered as social labour, but on the contrary the particular kinds of labour of private individuals, i.e. labour which proves that it is universal social labour only by the supersession of its original character in the exchange process. Universal social labour is consequently not a ready-made prerequisite but an emerging result. Thus a new difficulty arises: on the one hand, commodities must enter the exchange process as objectified universal labour time, on the other hand, the labour time of individuals becomes objectified universal labour time only as the result of the exchange process.

It is through the alienation of its use value, that is of its original form of existence, that every commodity has to acquire its corresponding existence as exchange value. The commodity must therefore assume a dual form of existence in the exchange process. On the other hand, its second form of existence, exchange value, can only be represented by another commodity, for only commodities confront one another in the exchange process. How is it possible to present a particular commodity directly as *objectified universal* labour time, or—which amounts to the same thing—how can the individual labour time objectified in

^a The original has: “proportionately to their duration”; changed by Marx in his own copy.—Ed.

a particular commodity directly assume a universal character? The concrete expression of the exchange value of a commodity, i.e. of any commodity considered as universal equivalent, consists of an infinite series of equations such as—

$$\begin{aligned} 1 \text{ yard of linen} &= 2 \text{ lbs. of coffee,} \\ 1 \text{ yard of linen} &= \frac{1}{2} \text{ lb. of tea,} \\ 1 \text{ yard of linen} &= 8 \text{ lbs. of bread,} \\ 1 \text{ yard of linen} &= 6 \text{ yards of calico,} \\ 1 \text{ yard of linen} &= \text{and so on.} \end{aligned}$$

This is a theoretical statement since the commodity is merely *regarded* as a definite quantity of objectified universal labour time. A particular commodity as a universal equivalent is transformed from a pure abstraction into a *social* result of the exchange process, if one simply reverses the above series of equations. For example—

$$\begin{aligned} 2 \text{ lbs. of coffee} &= 1 \text{ yard of linen,} \\ \frac{1}{2} \text{ lb. of tea} &= 1 \text{ yard of linen,} \\ 8 \text{ lbs. of bread} &= 1 \text{ yard of linen,} \\ 6 \text{ yards of calico} &= 1 \text{ yard of linen.} \end{aligned}$$

Just as the labour time contained in coffee, tea, bread, calico, in short in all commodities, is expressed in terms of linen, so conversely the exchange value of linen is reflected in all other commodities which act as its equivalents, and the labour time objectified in linen becomes direct universal labour time, which is equally embodied in different volumes of all other commodities. Linen thus becomes the *universal equivalent* in consequence of the *universal action* of all other commodities in relation to it. Every commodity considered as exchange value became a measure of the value of all other commodities. In this case, on the contrary, because the exchange value of all commodities is measured in terms of one particular commodity, the excluded commodity becomes the adequate representation of exchange value as the universal equivalent. On the other hand, the infinite series or the infinite number of equations in which the exchange value of each commodity was expressed is now reduced to a single equation consisting of two terms. The equation 2 lbs. of coffee = 1 yard of linen is now a comprehensive expression for the exchange value of coffee, for in this expression it appears as the direct equivalent to a definite quantity of any other commodity. Commodities within the exchange process accordingly exist for one another, or appear to one another, as exchange values in the form of linen. The fact

that all commodities are related to one another as exchange values, i.e. simply as different quantities of objectified universal labour time, now appears in the form that all exchange values represent merely different quantities of one and the *same* article, linen. Universal labour time thus appears in turn as a specific thing, as a commodity in addition to and apart from all other commodities. At the same time, the equation in which one commodity represents the exchange value of another commodity, e.g. 2 lbs. of coffee = 1 yard of linen, has still to be realised. Only by being alienated as a use value—an alienation which depends on whether it is able to prove in the exchange process that it is a needed object—is it really converted from the form of coffee into that of linen, thus becoming a universal equivalent and really representing exchange value for all other commodities. On the other hand, because as a result of their alienation as use values all commodities are converted into linen, linen becomes the converted form of all other commodities, and only as a result of this transformation of all other commodities into linen does it become the direct *objectification of universal labour time*, i.e. the product of universal alienation and of the supersession of all individual labour. While commodities thus assume a dual form in order to represent exchange value for one another, the commodity which has been set apart as universal equivalent acquires a dual use value. In addition to its particular use value as an individual commodity it acquires a universal use value. This latter use value is itself a determinate form, i.e. it arises from the specific role which this commodity plays as a result of the universal action exerted on it by the other commodities in the exchange process. The use value of each commodity as an object which satisfies particular needs has a different value in different hands, e.g. it has one value for the person who disposes of it and a different value for the person who acquires it. The commodity which has been set apart as the universal equivalent is now an object which satisfies a universal need arising from the exchange process itself, and has the same use value for everybody—that of being carrier of exchange value or a universal means of exchange. Thus the contradiction inherent in the commodity as such, namely that of being a particular use value and simultaneously universal equivalent, and hence a use value for everybody or a universal use value, has been solved in the case of this one commodity. Whereas now the exchange value of all other commodities is in the first place presented in the form of an ideal equation with the commodity that has been set apart, an equation which has still to be realised;

the use value of this commodity, though real, seems in the exchange process to have merely a formal existence which has still to be realised by conversion into actual use values. The commodity originally appeared as commodity in general, as universal labour time objectified in a particular use value. All commodities are compared in the exchange process with the one excluded commodity which is regarded as commodity in general, *the* commodity, the embodiment of universal labour time in a particular use value. They are therefore as *particular* commodities opposed to one particular commodity considered as being the *universal* commodity.* The fact that commodity owners treat one another's labour as universal social labour appears in the form of their treating their own commodities as exchange values; and the interrelation of commodities as exchange values in the exchange process appears as their universal relation to a particular commodity as the adequate expression of their exchange value; this in turn appears as the specific relation of this particular commodity to all other commodities and hence as the distinctive, as it were naturally evolved, social character of a thing. The particular commodity which thus represents the exchange value of all commodities, that is to say, the exchange value of commodities regarded as a particular, exclusive commodity, constitutes *money*. It is a crystallisation of the exchange value of commodities and is formed in the exchange process. Thus, while in the exchange process commodities become *use values* for one another by discarding all determinate forms and confronting one another in their immediate physical aspect, they must assume a new determinate form, they must evolve money, so as to be able to confront one another as *exchange values*. Money is not a symbol, just as the existence of a use value in the form of a commodity is no symbol. A social relation of production appears as something existing apart from individual human beings, and the distinctive relations into which they enter in the course of production in society appear as the specific properties of a thing—it is this perverted appearance, this prosaically real, and by no means imaginary, mystification that is characteristic of all social forms of labour positing exchange value. This perverted appearance manifests itself merely in a more striking manner in money than it does in commodities.

The necessary physical properties of the particular commodity,

* The same term is used by Genovesi. [Note in Marx's own copy.]

in which the money form of all other commodities is to be crystallised—in so far as they directly follow from the nature of exchange value—are: unlimited divisibility, homogeneity of its parts and uniform quality of all units of the commodity. As the materialisation of universal labour time it must be homogeneous and capable of expressing only quantitative differences. Another necessary property is durability of its use value since it must endure through the exchange process. Precious metals possess these qualities in an exceptionally high degree. Since money is not the result of deliberation or of agreement, but has come into being spontaneously in the course of exchange, many different, more or less unsuitable, commodities were at various times used as money. When exchange reaches a certain stage of development, the need arises to polarise the functions of exchange value and use value among various commodities—so that one commodity, for example, shall act as means of exchange while another is disposed of as a use value. The outcome is that one commodity or sometimes several commodities representing the most common use value come occasionally to serve as money. Even when no immediate need for these use values exists, the demand for them is bound to be more general than that for other use values, since they constitute the most substantial physical element in wealth.

Direct barter, the spontaneous form of exchange, signifies the beginning of the transformation of use values into commodities rather than the transformation of commodities into money. Exchange value does not acquire an independent form, but is still directly tied to use value. This is manifested in two ways. Use value, not exchange value, is the purpose of the whole system of production, and use values accordingly cease to be use values and become means of exchange, or commodities, only when a larger amount of them has been produced than is required for consumption. On the other hand, they become commodities only within the limits set by their immediate use value, even when this function is polarised so that the commodities to be exchanged by their owners must be use values for both of them, but each commodity must be a use value for its non-owner. In fact, the exchange of commodities evolves originally not within primitive communities,* but on their margins, on their borders, the few

* Aristotle makes a similar observation with regard to the individual family considered as the primitive community. But the primitive form of the family is the tribal family, from the historical dissolution of which the individual family

points where they come into contact with other communities. This is where barter begins and moves thence into the interior of the community, exerting a disintegrating influence upon it. The particular use values which, as a result of barter between different communities, become commodities, e.g. slaves, cattle, metals, usually serve also as the first money within these communities. We have seen that the degree to which the exchange value of a commodity functions as exchange value is the higher, the longer the series of its equivalents or the *larger* the sphere in which the commodity is exchanged. The gradual extension of barter, the growing number of exchange transactions, and the increasing variety of commodities bartered lead, therefore, to the further development of the commodity as exchange value, stimulate the formation of money and consequently have a disintegrating effect on direct barter. Economists usually reason that the emergence of money is due to external difficulties which the expansion of barter encounters, but they forget that these difficulties arise from the evolution of exchange value and hence from that of social labour as universal labour. For example commodities as use values are not divisible at will, a property which as exchange values they should possess. Or it may happen that the commodity belonging to A may be use value required by B; where B's commodity may not have any use value for A. Or the commodity owners may need each other's commodities but these cannot be divided and their relative exchange values are different. In other words, on the plea of examining simple barter, these economists display certain aspects of the contradiction inherent in the commodity as being the direct unity of use value and exchange value. On the other hand, they then persistently regard barter as a form well adapted to commodity exchange, suffering merely from certain technical inconveniences, to overcome which money has been cunningly devised. Proceeding from this quite superficial point of view, an ingenious British economist has rightly maintained that money is merely a material instrument, like a ship or a steam engine, and not an expression of a social relation of production, and hence is not an economic category. It is therefore simply a malpractice to deal with this subject in political economy, which in fact has nothing in common with technology.*

develops. "In the first community, indeed, which is the family, this art" (that is, trade) "is obviously of no use" (Aristotle, loc. cit.). [Marx quotes in Greek.]

* "Money is, in fact, only the instrument for carrying on buying and selling" (but, if you please, what do you understand by buying and selling?) "and the

The world of commodities presupposes a developed division of labour, or rather the division of labour manifests itself directly in the diversity of use values which confront one another as particular commodities and which embody just as many diverse kinds of labour. The *division of labour* as the aggregate of all particular types of productive activity constitutes the totality of the physical aspects of social labour as labour producing use values. But it exists as such—as regards commodities and the exchange process—only in its results, in the particularisation of the commodities themselves.

The exchange of commodities is the process in which the social metabolism, in other words, the exchange of particular products of private individuals, simultaneously gives rise to definite social relations of production, into which individuals enter in the course of this metabolism. As they develop, the interrelations of commodities crystallise into distinct aspects of the universal equivalent, and thus the exchange process becomes at the same time the process of formation of money. This process as a whole, which comprises several processes, constitutes *circulation*.

A. HISTORICAL NOTES ON THE ANALYSIS OF COMMODITIES

The decisive outcome of the research carried on for over a century and a half by classical political economy, beginning with William Petty in Britain and Boisguillebert in France,* and ending with Ricardo in Britain and Sismondi in France, is an analysis of the aspects of the commodity in two forms of labour—use value is reduced to concrete labour or purposive productive activity, exchange value to labour time or homogeneous social labour.

Petty reduces use value to labour without deceiving himself about the dependence of its creative power on natural factors. He

consideration of it no more forms a part of the science of political economy than the consideration of ships or steam engines, or of any other instruments employed to facilitate the production and distribution of wealth" (Th. Hodgskin, *Popular Political Economy etc.*, London, 1827, pp. 178, 179). [Marx quotes and makes a remark in English.]

* A comparative study of Petty's and Boisguillebert's writings and characters—apart from illuminating the social divergence between Britain and France at the close of the seventeenth century and the beginning of the eighteenth—would explain the origins of those national contrasts that exist between British and French political economy. The same contrast reappears in Ricardo and Sismondi.

immediately perceives concrete labour in its entire social aspect as *division of labour*.^{*} This conception of the source of material wealth does not remain more or less sterile as with his contemporary Hobbes, but leads to the *political arithmetic*, the first form in which political economy is treated as a separate science. But he accepts exchange value as it *appears* in the exchange of commodities, i.e. as money, and money itself as an existing commodity, as gold and silver. Caught up in the ideas of the monetary system, he asserts that the labour which determines exchange value is the particular kind of concrete labour by which gold and silver is extracted.

^{*} Petty treats the division of labour also as a productive force, and he does so on a much grander scale than Adam Smith. See *An Essay concerning the Multiplication of Mankind etc.*, Third Edition, 1698, pp. 35-36. In this essay he shows the advantages which division of labour has for production not only with the example of the manufacture of a watch—as Adam Smith did later with the example of the manufacture of a pin—but considers also a town and a whole country as large-scale industrial establishments. *The Spectator* of 26 November 1711 refers to this “ILLUSTRATION OF THE ADMIRABLE Sir William Petty”. MacCulloch’s conjecture that *The Spectator* confused Petty with a writer forty years his junior is therefore wrong. (See MacCulloch, *The Literature of Political Economy, a Classified Catalogue*, London, 1845, p. 102.) Petty regards himself as the founder of a new science. He says that his method “is not very usual”, for instead of using only comparative and superlative words, and intellectual arguments, he proposes to speak in TERMS OF NUMBER, WEIGHT OR MEASURE; to use only arguments of sense, and to consider only such causes, AS HAVE VISIBLE FOUNDATIONS IN NATURE; leaving those that depend upon the MUTABLE MINDS, OPINIONS, APPETITES, AND PASSIONS OF PARTICULAR MEN, to the consideration of others (*Political Arithmetick etc.*, London, 1699, Preface). His audacious genius becomes evident for instance in his proposal to transport all the movables and people of Ireland, and of the Highlands of Scotland ... into the rest of Great Britain. This would result in the saving of labour time, in increasing productivity of labour, and “the King and his Subjects would thereby become more rich and strong” (*Political Arithmetick*, Chapter 4 [p. 225]). Also in the chapter of his *Political Arithmetick* in which—at a time when Holland was still the predominant trading nation and France seemed to be on the way to becoming the principal trading power—he proves that England is destined to conquer the world market: “THAT THE KING OF ENGLAND’S SUBJECTS HAVE STOCK COMPETENT AND CONVENIENT TO DRIVE THE TRADE OF THE WHOLE COMMERCIAL WORLD” (i.e., Chapter 10 [p. 272]). “THAT THE IMPEDIMENTS OF ENGLAND’S GREATNESS, ARE BUT CONTINGENT AND REMOVABLE” (p. 247 *et seq.*). A highly original sense of humour pervades all his writings. Thus he shows for example that the conquest of the world market by Holland, which was then regarded as the model country by English economists just as Britain is now regarded as the model country by continental economists, was brought about by perfectly natural causes “WITHOUT SUCH ANGELICAL WITS AND JUDGMENTS, AS SOME ATTRIBUTE TO THE HOLLANDERS” (i. e., pp. 175-76). He champions freedom of conscience as a condition of trade, “because the poor are diligent and believe that labour and industry is their duty towards God so long as they are permitted to think that, having less wealth, they have the more Wit and Understanding, especially of the things of God, which they think

What he really has in mind is that in bourgeois economy labour does not directly produce use values but commodities, use values which, in consequence of their alienation in exchange, are capable of assuming the form of gold and silver, i.e. of money, i.e. of exchange value, i.e. of objectified universal labour. His case is a striking proof that recognition of labour as the source of material wealth by no means precludes misapprehension of the specific social form in which labour constitutes the source of exchange value.

Boisguillebert for his part, in fact, although he may not be aware of it, reduces the exchange value of commodities to labour time, by determining the "true value" (*la juste valeur*) according to the correct proportion in which the labour time of the individual producers is divided between the different branches of industry, and declaring that free competition is the social process by which this correct proportion is established. But simultaneously, and in contrast with Petty, *Boisguillebert* wages a fanatical struggle against money, whose intervention, he alleges, disturbs the natural equilibrium or the harmony of the exchange of commodities and, like a fantastic *Moloch*, demands all physical wealth as a sacrifice. This polemic against money is, on the one hand, connected with definite historical conditions, for *Boisguillebert* fights against the blindly destructive greed for gold which possessed the court of

chiefly belong to the Poor". From whence it follows that trade is "not fixed to any species of religion as such; but rather to the Heterodox part of the whole" (l.c., pp. 183-86). He recommends special public contribution for rogues, since it would be better for the general public to impose a tax on themselves for the benefit of the rogues than to be taxed by them (l.c., p. 197). On the other hand, he rejects taxes which transfer wealth from industrious people to those who "do nothing at all, but eat and drink, sing, play, and dance: nay such as *study the Metaphysics*" [op. cit., p. 198]. Petty's writings have almost become bibliographical curiosities and are only available in old inferior editions. This is the more surprising since William Petty is not only the father of English political economy but also an ancestor of Henry Petty, alias Marquis of Lansdowne, the Nestor of the English Whigs. But the Lansdowne family could hardly prepare a complete edition of Petty's works without prefacing it with his biography, and what is true with regard to the origin of most of the big Whig families, applies also in this case—THE LESS SAID OF IT THE BETTER. The army surgeon, who was a bold thinker but quite unscrupulous and just as apt to plunder in Ireland under the aegis of Cromwell as to fawn upon Charles II to obtain the title of baronet to embellish his trash, is hardly a suitable image of an ancestor for public display. In most of the writings published during his lifetime, moreover, Petty seeks to prove that England's golden age was the reign of Charles II, a rather heterodox view for hereditary exploiters of the "GLORIOUS REVOLUTION".⁶⁴

Louis XIV, his tax-farmers and the aristocracy*; whereas Petty acclaims the greed for gold as a vigorous force which spurs a nation to industrial progress and to the conquest of the world market; at the same time however it throws into bold relief more profound fundamental differences which recur as a perpetual contrast between typically English and typically French** political economy. Boisguillebert, in fact, turns his attention only to the material content of wealth, to use value, enjoyment of it,*** and regards the bourgeois form of labour, the production of use values as commodities and the exchange of commodities, as the appropriate social form in which individual labour accomplishes this object. Where, as in money, he encounters the specific features of bourgeois wealth, he therefore speaks of the intrusion of usurping alien factors, and inveighs against one of the forms of labour in bourgeois society, while simultaneously pronouncing utopian eulogies on it in another form.**** Boisguillebert's work proves that it is possible to regard labour time as the measure of the value of commodities, while confusing the labour which is objectified in the exchange value of commodities and measured in time units with the direct physical activity of individuals.

It is a man of the New World—where bourgeois relations of production imported together with their representatives sprouted rapidly in a soil in which the superabundance of humus made up for the lack of historical tradition—who for the first time deliberately and clearly (so clearly as to be almost trite) reduces exchange value to labour time. This man was *Benjamin Franklin*, who formulated the basic law of modern political economy in an

* As against the “black art of finance” of his time, Boisguillebert says: “The science of finance is nothing but a thorough knowledge of the interests of agriculture and of commerce” (*Le détail de la France*, 1697. In Eugène Daire's edition of *Economistes financiers du XVIII^e siècle*, Paris, 1843, Vol. I, p. 241). [Marx quotes in French.]

** But not *Romance* political economy, since the contrast of English and French economists is repeated by the Italians in their two schools, one at Naples and the other at Milan; whereas the Spaniards of the earlier period are either simply Mercantilists and modified Mercantilists like Ustáriz, or follow Adam Smith in observing the “happy mean” like Jovellanos (see his *Obras*, Barcelona, 1839-40).

*** “True wealth ... is the complete enjoyment not only of the necessities of life but also of all the superfluities and of all that can give pleasure to the senses” (Boisguillebert, *Dissertation sur la nature de la richesse etc.*, p. 403). [Marx quotes in French.] But whereas Petty was just a frivolous, grasping, unprincipled adventurer, Boisguillebert, although he was one of the intendants of Louis XIV, stood up for the interests of the oppressed classes with both great intellectual force and courage.

**** French socialism as represented by Proudhon suffers from the same national failing.

early work, which was written in 1729 and published in 1731.* He declares it necessary to seek another measure of value than the precious metals, and this measure is labour.

“By labour may the value of silver be measured as well as other things. As, suppose one man is employed to raise corn, while another is digging and refining silver; at the year's end, or at any other period of time, the complete produce of corn, and that of silver, are the natural price of each other; and if one be twenty bushels, and the other twenty ounces, then an ounce of that silver is worth the labour of raising a bushel of that corn. Now if by the discovery of some nearer, more easy or plentiful mines, a man may get forty ounces of silver as easily as formerly he did twenty, and the same labour is still required to raise twenty bushels of corn, then two ounces of silver will be worth no more than the same labour of raising one bushel of corn, and that bushel of corn will be as cheap at two ounces, as it was before at one, *caeteris paribus*.^a THUS THE RICHES OF A COUNTRY ARE TO BE VALUED BY THE QUANTITY OF LABOUR ITS INHABITANTS ARE ABLE TO PURCHASE” (l.c., p. 265).^b

From the outset Franklin regards labour time from a restricted economic standpoint as the measure of value. The transformation of actual products into exchange values is taken for granted, and it is therefore only a question of discovering a measure of their value.

To quote Franklin again:

“TRADE IN GENERAL BEING NOTHING ELSE BUT THE EXCHANGE OF LABOUR FOR LABOUR, THE VALUE OF ALL THINGS IS, AS I HAVE SAID BEFORE, MOST JUSTLY MEASURED BY LABOUR” (l.c., p. 267).^c

If in this sentence the term labour is replaced by concrete labour, it is at once obvious that labour in one form is being confused with labour in another form. Because trade may, for example, consist in the exchange of the labour of a shoemaker, miner, spinner, painter and so on, is therefore the labour of the painter the best measure of the value of shoes? Franklin, on the contrary, considers that the value of shoes, minerals, yarn, paintings, etc., is determined by abstract labour which has no particular quality and can thus be measured only in terms of quantity.** But since he does not explain that the labour contained in exchange value is abstract universal social labour, which is

* B. Franklin, *A Modest Inquiry into the Nature and Necessity of a Paper Currency*, in *The Works of Benjamin Franklin*, edit. by J. Sparks, Vol. II, Boston, 1836.

** *Remarks and Facts relative to the American Paper Money*, 1764 (l.c.).

^a Other things being equal.—*Ed.*

^b The original English text of the last sentence and the page reference are given by Marx in a footnote.—*Ed.*

^c The original English text of this passage and the page reference are given by Marx in a footnote.—*Ed.*

brought about by the universal alienation of individual labour, he is bound to mistake money for the direct embodiment of this alienated labour. He therefore fails to see the intrinsic connection between money and labour which posits exchange value, but on the contrary regards money as a convenient technical device which has been introduced into the sphere of exchange from outside.* Franklin's analysis of exchange value had no direct influence on the general course of the science, because he dealt only with special problems of political economy for definite practical purposes.

The difference between concrete useful labour and labour which creates exchange value aroused considerable interest in Europe during the eighteenth century in the following form: what particular kind of concrete labour is the source of bourgeois wealth? It was thus assumed that not every kind of labour which is materialised in use values or yields products must thereby directly create wealth. But for both the Physiocrats and their opponents the crucial issue was not what kind of labour creates *value* but what kind of labour creates *surplus value*. They were thus discussing the problem in a complex form before having solved it in its elementary form; just as the historical progress of all sciences leads only through a multitude of contradictory moves to the real point of departure. Science, unlike other architects, builds not only castles in the air, but may construct separate habitable storeys of the building before laying the foundation stone. We shall now leave the Physiocrats and disregard a whole series of Italian economists, whose more or less pertinent ideas come close to a correct analysis of the commodity,** in order to turn at once to Sir *James Steuart*,*** the first Briton to expound a general system of bourgeois political economy. The concept of exchange value like the other abstract categories of political economy are in his work still in process of differentiation from their material content and therefore appear to be blurred and ambiguous. In one passage he

* See *Papers on American Politics*, and *Remarks and Facts relative to the American Paper Money*, 1764 (l.c.).

** See for instance Galiani, *Della Moneta*, Vol. III, in *Scrittori classici Italiani di Economia Politica* (published by Custodi), *Parte Moderna*, Milano, 1803. He says: "It is toil [*fatica*] alone that gives value to the thing," p. 74. The term "*fatica*" for labour is characteristic of the southerner. [Marx quotes in Italian.]

*** Steuart's work *An Inquiry into the Principles of Political Economy, Being an Essay on the Science of Domestic Policy in Free Nations* was first published in London in 1767, in two quarto volumes, ten years earlier than Adam Smith's *Wealth of Nations*. I quote from the Dublin edition of 1770.

determines *real value* by labour time (WHAT A WORKMAN CAN PERFORM IN A DAY), but beside it he introduces wages and raw material in a rather confusing way.* His struggle with the material content is brought out even more strikingly in another passage. He calls the physical element contained in a commodity, e.g. the silver in silver filigree, its "INTRINSIC WORTH",^a and the labour time contained in it its "USEFUL VALUE".^a

"The first," he says, "is something real in itself... the use value, on the contrary, must be estimated according to the labour it has cost to produce it. The labour employed in the modification of the material REPRESENTS A PORTION OF A MAN'S TIME, ETC."**

His clear differentiation between specifically social labour which manifests itself in exchange value and concrete labour which yields use values distinguishes Stuart from his predecessors and his successors.

Labour, he says, which through its ALIENATION^a creates A UNIVERSAL EQUIVALENT,^a I call *industry*.

He distinguishes labour as industry not only from concrete labour but also from other social forms of labour. He sees in it the bourgeois form of labour as distinct from its antique and mediaeval forms. He is particularly interested in the difference between bourgeois and feudal labour, having observed the latter in the stage of its decline both in Scotland and during his extensive journeys on the continent. Stuart knew very well that in pre-bourgeois eras also products assumed the form of commodities and commodities that of money; but he shows in great detail that the commodity as the elementary and primary unit of wealth and alienation as the predominant form of appropriation are characteristic only of the bourgeois period of production, and that accordingly labour which creates exchange value is a specifically bourgeois feature.***

* Stuart, l.c., Vol. I, pp. 181-83.

** Ibid., pp. 361-62 [here Marx reproduces the English part of the sentence].

*** Stuart therefore declares that the patriarchal form of agriculture whose direct aim is the production of use values for the owner of the land, is an "abuse", although not in Sparta or Rome or even in Athens, but certainly in the industrial countries of the eighteenth century. This "ABUSIVE AGRICULTURE" is not "TRADE" but a "mere means of subsistence". Just as bourgeois agriculture clears the land of superfluous mouths, so bourgeois manufacture clears the factory of superfluous hands.

^a Marx gives this English term in parentheses after its German equivalent.— *Ed.*

Various kinds of concrete labour, such as agriculture, manufacture, shipping and commerce, had each in turn been claimed to constitute the real source of wealth, before *Adam Smith* declared that the sole source of material wealth or of use values is labour in general, that is the entire social aspect of labour as it appears in the *division of labour*. Whereas in this context he completely overlooks the natural factor, he is pursued by it when he examines the sphere of purely social wealth, exchange value. Although Adam determines the value of commodities by the labour time contained in them, he then nevertheless transfers this determination of value in actual fact to pre-Adamian times. In other words, what he regards as true when considering simple commodities becomes confused as soon as he examines the higher and more complex forms of capital, wage labour, rent, etc. He expresses this in the following way: the value of commodities was measured by labour time contained in them in the *PARADISE LOST* of the bourgeoisie, where people did not confront one another as capitalists, wage workers, landowners, tenant farmers, usurers, and so on, but simply as persons who produced commodities and exchanged them. Adam Smith constantly confuses the determination of the value of commodities by the labour time contained in them with the determination of their value by the value of labour; he is often inconsistent in the details of his exposition and he mistakes the objective equalisation of unequal quantities of labour forcibly brought about by the social process for the subjective equality of the labours of individuals.* He tries to accomplish the transition from concrete labour to labour which produces exchange value, i.e. the basic form of bourgeois labour, by means of the *division of labour*. But though it is correct to say that private exchange presupposes division of labour, it is wrong to maintain that division of labour presupposes private exchange. For example, division of labour had reached an exceptionally high degree of development among the Peruvians, although no private

* Adam Smith writes for instance—"Equal quantities of labour, at all times and places, must be of equal value to the labourer. In his ordinary state of health, strength, and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays is always the same, whatever may be the quantity of goods which he receives in return for his labour. Of these, indeed, that price may sometimes purchase a greater and sometimes a smaller quantity; but it is so merely because their value varies, not that of the labour which purchases them. Labour alone, therefore, never varies in its own value. It is, therefore, the real price of commodities, etc." [*Wealth of Nations*, Book I, Chapter V.]

exchange, no exchange of products in the form of commodities, took place.

David Ricardo, unlike Adam Smith, neatly sets forth the determination of the value of commodities by labour time, and demonstrates that this law governs even those bourgeois relations of production which apparently contradict it most decisively. Ricardo's investigations are concerned exclusively with the *magnitude of value*, and regarding this he is at least aware that the operation of the law depends on definite historical preconditions. He says that the determination of value by labour time applies to

such commodities only as can be increased to any quantity by industry, and the production of which is dominated by unrestrained competition.*

This in fact means that the full development of the law of value presupposes a society in which large-scale industrial production and free competition obtain, in other words, modern bourgeois society. For the rest, the bourgeois form of labour is regarded by Ricardo as the eternal natural form of social labour. Ricardo's primitive fisherman and primitive hunter are from the outset owners of commodities who exchange their fish and game in proportion to the labour time which is objectified in these exchange values. On this occasion he slips into the anachronism of allowing the primitive fisherman and hunter to calculate the value of their implements in accordance with the annuity tables used on the London Stock Exchange in 1817. Apart from bourgeois society, the only social system with which Ricardo was acquainted seems to have been the "parallelograms of Mr. Owen".⁶⁵ Although encompassed by this bourgeois horizon, Ricardo analyses bourgeois economy, whose deeper layers differ essentially from its surface appearance, with such theoretical acumen that Lord Brougham could say of him:

"MR. RICARDO SEEMED AS IF HE HAD DROPPED FROM ANOTHER PLANET."^a

Arguing directly with Ricardo, *Sismondi* not only emphasises the specifically social character of labour which creates exchange value,** but states also that it is a "characteristic feature of our economic progress" to reduce value to *necessary* labour time, to

* David Ricardo, *On the Principles of Political Economy, and Taxation*, Third Edition, London, 1821, p. 3.

** Sismondi, *Etudes sur l'économie politique*, tome II, Bruxelles, 1838. "Trade has reduced the whole matter to the antithesis of use value and exchange value." P. 162. [Marx quotes in French.]

^a *The Parliamentary Debates*. New series, Vol. I, London, 1820, p. 685.— Ed.

“the relation between the needs of the whole society and the quantity of labour which is sufficient to satisfy these needs”.*

Sismondi is no longer preoccupied with Boisguillebert's notion that labour which creates exchange value is distorted by money, but just as Boisguillebert denounced money so does Sismondi denounce large industrial capital. Whereas Ricardo's political economy ruthlessly draws its final conclusion and therewith ends, Sismondi supplements this ending by expressing doubt in political economy itself.

Since the determination of exchange value by labour time has been formulated and expounded in the clearest manner by Ricardo, who gave to classical political economy its final shape, it is quite natural that the arguments raised by economists should be primarily directed against him. If this polemic is stripped of its mainly trivial** form it can be summarised as follows:

One. Labour itself has exchange value and different types of labour have different exchange values. If one makes exchange value the measure of exchange value, one is caught up in a vicious circle, for the exchange value used as a measure requires in turn a measure. This objection merges into the following problem: given labour time as the intrinsic measure of exchange value, how are wages to be determined on this basis. The theory of wage labour provides the answer to this.

Two. If the exchange value of a product equals the labour time contained in the product, then the exchange value of a working day is equal to the product it yields, in other words, wages must be equal to the product of labour.*** But in fact the opposite is true.

* *Ibid.*, pp. 163-66 *et seq.*

** It probably assumes the most trivial form in J. B. Say's annotations to the French translation—prepared by Constancio—of Ricardo's work, and the most pedantic and presumptuous in Mr. Macleod's recently published *Theory of Exchange*,⁶⁶ London, 1858.

*** This objection, which was advanced against Ricardo by bourgeois economists, was later taken up by socialists. Assuming that the formula was theoretically sound, they alleged that practice stood in conflict with the theory and demanded that bourgeois society should draw the practical conclusions supposedly arising from its theoretical principles. In this way at least English socialists turned Ricardo's formula of exchange value against political economy. The feat of declaring not only that the basic principle of the old society was to be the principle of the new society, but also that he was the inventor of the formula used by Ricardo to summarise the final result of English classical political economy, was reserved to M. Proudhon. It has been shown that the utopian interpretation of Ricardo's formula was already completely forgotten in England, when M. Proudhon “discovered” it on the other side of the Channel. (Cf. the section on *la valeur constituée*, in my *Misère de la philosophie...*, Paris, 1847.)

Ergo, this objection amounts to the problem,—how does production on the basis of exchange value solely determined by labour time lead to the result that the exchange value of labour is less than the exchange value of its product? This problem is solved in our analysis of capital.

Three. In accordance with the changing relation of demand and supply, the market price of commodities falls below or rises above their exchange value. The exchange value of commodities is, *consequently*, determined not by the labour time contained in them, but by the relation of demand and supply. In fact, this strange conclusion only raises the question how on the basis of exchange value a market price differing from this exchange value comes into being, or rather, how the law of exchange value asserts itself only in its antithesis. This problem is solved in the theory of competition.

Four. The last and apparently the decisive objection, unless it is advanced—as commonly happens—in the form of curious examples, is this: if exchange value is nothing but the labour time contained in a commodity, how does it come about that commodities which contain no labour possess exchange value, in other words, how does the exchange value of natural forces arise? This problem is solved in the theory of rent.

Chapter Two

MONEY OR SIMPLE CIRCULATION

Gladstone, speaking in a parliamentary debate on Sir Robert Peel's Bank Act of 1844 and 1845,⁶⁷ observed that even love has not turned more men into fools than has meditation upon the nature of money. He spoke of Britons to Britons. The Dutch, on the other hand, who in spite of Petty's doubts^a possessed a "divine sense" for money speculation from time immemorial, have never lost their senses in speculation about money.

The principal difficulty in the analysis of money is surmounted as soon as it is understood that the commodity is the origin of money. After that it is only a question of clearly comprehending the specific form peculiar to it. This is not so easy because all bourgeois relations appear to be gilded, i.e. they appear to be money relations, and the money form, therefore, seems to possess an infinitely varied content, which is quite alien to this form.

During the following analysis it is important to keep in mind that we are only concerned with those forms of money which arise directly from the exchange of commodities, but not with forms of money, such as credit money, which belong to a higher stage of production. For the sake of simplicity gold is assumed throughout to be the money commodity.

I. MEASURE OF VALUE

The first phase of circulation is, as it were, a theoretical phase preparatory to real circulation. Commodities, which exist as use

^a W. Petty, "Political Arithmetick" in *Several Essays in Political Arithmetick*, London, 1699, p. 176.—*Ed.*

values, must first of all assume a form in which they *appear* to one another nominally as exchange values, as definite quantities of objectified *universal* labour time. The first necessary move in this process is, as we have seen, that the commodities set apart a specific commodity, say, *gold*, which becomes the direct materialisation of universal labour time or the universal equivalent. Let us return for a moment to the form in which gold is converted into money by commodities.

1 ton of iron	= 2	ounces of gold,
1 quarter of wheat	= 1	ounce of gold,
1 hundredweight of Mocha coffee	= $\frac{1}{4}$	ounce of gold,
1 hundredweight of potash	= $\frac{1}{2}$	ounce of gold,
1 ton of Brazil-timber	= $1\frac{1}{2}$	ounces of gold,
Y commodities	= X	ounces of gold.

In this series of equations iron, wheat, coffee, potash, etc., appear to one another as materialisation of uniform labour, that is labour materialised in gold, in which all distinctive features of the concrete labour represented in the different use values are entirely obliterated. They are as values identical, i.e. materialisations of the *same* labour or the *same* materialisation of labour—gold. Since they are uniform materialisations of the same labour, they differ only in *one way*, quantitatively: in other words they represent different magnitudes of value, because their use values contain *unequal* amounts of labour time. These individual commodities can be compared with one another as embodiments of universal labour time, since they have been compared with universal labour time in the shape of the excluded commodity, i.e. gold. The same dynamic relation, as a result of which commodities become exchange values for one another, causes the labour time contained in gold to represent universal labour time, a given amount of which is expressed in different quantities of iron, wheat, coffee, etc., in short in the use values of all commodities, or it may be displayed directly in the infinite series of commodity equivalents. Since the exchange value of all commodities is expressed in gold, the exchange value of gold is directly expressed in all commodities. Because the commodities themselves assume the form of exchange value for one another, they turn gold into the universal equivalent or into money.

Gold becomes the *measure of value* because the exchange value of *all* commodities is measured in gold, is expressed in the relation of a definite quantity of gold and a definite quantity of

commodity containing equal amounts of labour time. To begin with, gold becomes the universal equivalent, or money, only because it thus functions as the measure of value and as such its own value is measured directly in all commodity equivalents. The exchange value of all commodities, on the other hand, is now expressed in gold. One has to distinguish a qualitative and a quantitative aspect in this expression. The exchange value of the commodity exists as the embodiment of equal uniform labour time, the value of the commodity is thus fully expressed, for to the extent that commodities are equated with gold they are equated with one another. Their golden equivalent reflects the *universal* character of the labour time contained in them on the one hand, and its quantity on the other hand. The exchange value of commodities thus expressed in the form of universal equivalence and simultaneously as the degree of this equivalence in terms of a specific commodity, that is a single equation to which commodities are compared with a specific commodity, constitutes *price*. Price is the converted form in which the exchange value of commodities *appears* within the circulation process.

Thus as a result of the same process through which the values of commodities are expressed in gold prices, gold is transformed into the measure of value and thence into money. If the values of all commodities were measured in silver or wheat or copper, and accordingly expressed in terms of silver, wheat or copper prices, then silver, wheat or copper would become the measure of value and consequently universal equivalents. Commodities as exchange values must be antecedent to circulation in order to appear as prices in circulation. Gold becomes the measure of value only because the exchange value of all commodities is estimated in terms of gold. The universality of this dynamic relation, from which alone springs the capacity of gold to act as a measure, presupposes however that every single commodity is measured in terms of gold in accordance with the labour time contained in both, so that the real measure of commodity and gold is labour itself, that is commodity and gold are as exchange values equated by direct exchange. How this equating is carried through in practice cannot be discussed in the context of simple circulation. It is evident, however, that in countries where gold and silver are produced a definite amount of labour time is directly incorporated in a definite quantity of gold and silver, whereas countries which produce no gold and silver arrive at the same result in a roundabout way, by direct or indirect exchange of their home products, i.e. of a definite portion of their average national labour,

for a definite quantity of labour time materialised in the gold and silver of countries that possess mines. Gold must be in principle a *variable* value, if it is to serve as a measure of value, because only as materialisation of labour time can it become the equivalent of other commodities, but as a result of changes in the productivity of concrete labour, the same amount of labour time is embodied in unequal volumes of the same type of use values. The valuation of all commodities in terms of gold—like the expression of the exchange value of any commodity in terms of the use value of another commodity—merely presupposes that at a given moment gold represents a definite quantity of labour time. The law of exchange value set forth earlier applies to changes occurring in the value of gold. If the exchange value of commodities remains unchanged, then a general rise of their prices in terms of gold can only take place when the exchange value of gold falls. If the exchange value of gold remains unchanged, then a general rise of prices in terms of gold is only possible if the exchange values of all commodities rise. The reverse takes place in the case of a general decline in the prices of commodities. If the value of an ounce of gold falls or rises in consequence of a change in the labour time required for its production, then it will fall or rise *equally* in relation to all other commodities and will thus for all of them continue to represent a *definite* volume of labour time. The same exchange values will now be estimated in quantities of gold which are larger or smaller than before, but they will be estimated in accordance with their values and will therefore maintain the same value relative to one another. The ratio 2 : 4 : 8 remains the same whether it becomes 1 : 2 : 4 or 4 : 8 : 16. The fact that, because of the changing value of gold, exchange values are represented by varying quantities of gold does not prevent gold from functioning as the measure of value, any more than the fact that the value of silver is one-fifteenth of that of gold prevents silver from taking over this function. Labour time is the measure of both gold and commodities, and gold becomes the measure of value only because all commodities are measured in terms of gold; it is consequently merely an illusion created by the circulation process to suppose that money makes commodities commensurable.* On the contrary,

* Aristotle does indeed realise that the exchange value of commodities is antecedent to the prices of commodities: "That exchange took place thus before there was money is plain; for it makes no difference whether it is five beds that exchange for a house, or the money value of five beds." On the other hand, since it is only in price that commodities possess the form of exchange value in relation to one another, he makes them commensurable by means of money. "This is why

it is only the commensurability of commodities as objectified labour time which converts gold into money.

The concrete form in which commodities enter the process of exchange is as use values. The commodities will only become universal equivalents as a result of their alienation. The establishment of their price is merely their ideal conversion into the universal equivalent, an equation with gold which still has to be put into practice. But because prices convert commodities only ideally into gold or only into imaginary gold—i.e. the existence of commodities as money is indeed not yet separated from their real existence—gold has been merely transformed into imaginary money, only into the measure of value, and definite quantities of gold serve in fact simply as names for definite quantities of labour time. The distinct form in which gold crystallises into money depends in each case on the way in which the exchange values of commodities are represented with regard to one another.

Commodities now confront one another in a dual form, really as use values and ideally as exchange values. They represent now for one another the dual form of labour contained in them, since the particular concrete labour actually exists as their use value, while universal abstract labour time assumes an imaginary existence in their price, in which they are all alike embodiments of the same substance of value, differing only quantitatively.

The difference between exchange value and price is, on the one hand, merely nominal; as Adam Smith says, labour is the real price of commodities and money their nominal price. Instead of saying that one quarter of wheat is worth thirty days' labour, one now says it is worth one ounce of gold, when one ounce of gold is produced in thirty working days. The difference is on the other

all goods must have a price set on them; for then there will always be exchange, and if so, association of man with man. Money, then, acting as a measure, makes goods commensurate and equates them; for neither would there have been association if there were not exchange, nor exchange if there were not equality, nor equality if there were not commensurability." Aristotle is aware of the fact that the different things measured by money are entirely incommensurable magnitudes. What he seeks is the oneness of commodities as exchange values, and since he lived in ancient Greece it was impossible for him to find it. He extricates himself from this predicament by making essentially incommensurable things commensurable—so far as this is necessary for practical needs—by means of money. "Now in truth it is impossible that things differing so much should become commensurate, but with reference to demand they may become so sufficiently" (Aristotles, *Ethica Nicomachea*, l. V, c. 8, edit. Bekkeri, Oxonii, 1837). [The English text is from Aristotle—*Ethica Nicomachea*, Book V, Chapter 8, translation by W. D. Ross, Oxford, 1925, 1133b.] [Marx quotes in Greek.]

hand so far from being simply a nominal difference that all the storms which threaten the commodity in the actual process of circulation centre upon it. A quarter of wheat contains thirty days' labour, and it therefore does not have to be expressed in terms of labour time. But gold is a commodity distinct from wheat, and only circulation can show whether the quarter of wheat is actually turned into an ounce of gold as has been anticipated in its price. This depends on whether or not the wheat proves to be a use value, whether or not the quantity of labour time contained in it proves to be the quantity of labour time necessarily required by society for the production of a quarter of wheat. The commodity as such is an exchange value, the commodity *has* a price. This difference between exchange value and price is a reflection of the fact that the particular individual labour contained in the commodity can only through alienation be represented as its opposite, impersonal, abstract, general—and only in this form social—labour, i.e. money. Whether it can be thus represented or not seems a matter of chance. Although, therefore, the price gives exchange value a form of existence which is only nominally distinct from the commodity, and the two aspects of the labour contained in the commodity appear as yet only as different modes of expression; while, on the other hand, gold, the embodiment of universal labour time, accordingly confronts concrete commodities merely as an imaginary measure of value; yet the existence of price as an expression of exchange value, or of gold as a measure of value, entails the necessity for alienation of commodities in exchange for glittering gold and thus the possibility of their non-alienation. In short, there is here contained in latent form the whole contradiction which arises because the product is a commodity, or because the particular labour of an isolated individual can become socially effective only if it is expressed as its direct opposite, i.e. abstract universal labour. The utopians who wish to retain commodities but not money, production based on private exchange without the essential conditions for this type of production, are therefore quite consistent when they seek to “abolish” money not only in its palpable state but even in the nebulous, chimerical state that it assumes as the measure of value. For beneath the invisible measure of value lurks hard money.

Given the process by which gold has been turned into the measure of value and exchange value into price, all commodities when expressed in their prices are merely imagined quantities of gold of various magnitudes. Since they are thus various quantities of the same thing, namely gold, they are similar, comparable and

commensurable, and thus arises the technical necessity of relating them to a definite quantity of gold as a *unit of measure*. This unit of measure then develops into a scale of measure by being divided into aliquot parts which are in turn subdivided into aliquot parts.* The quantities of gold themselves, however, are measured by weight. The standard weights generally used for metals accordingly provide ready-made standard measures, which originally also served as standard measures of price wherever metallic currency was in use. Since commodities are no longer compared as exchange values which are measured in terms of labour time, but as magnitudes of the same denomination measured in terms of gold, gold, the *measure of value*, becomes the *standard of price*. The comparison of commodity prices in terms of different quantities of gold thus becomes crystallised in figures denoting imaginary quantities of gold and representing gold as a standard measure divided into aliquot parts. Gold as measure of value and as standard of price has quite distinct specific functions, and the confusion of the one with the other has led to the most absurd theories. Gold as objectified labour time is a measure of value, as a piece of metal of definite weight it is the standard of price. Gold becomes the measure of value because as an exchange value it is compared with the exchange values of other commodities; in its aspect as a standard of price a definite quantity of gold serves as a unit for other quantities of gold. Gold is the measure of value because its value is variable; it is the standard of price because it has been established as an invariable unit of weight. Here, as in all cases of measuring quantities of the same denomination, stability and exactitude of the proportions is essential. The necessity of establishing a quantity of gold as the unit of measure and its aliquot parts as subdivisions of this unit has given rise to the idea that a fixed ratio of values has been set up between a definite quantity of gold, whose value is of course variable, and the exchange values of commodities. But such a view simply ignores the fact that the exchange values of commodities are turned into prices, into quantities of gold, before gold becomes the standard of price. Quite irrespective of any changes in the value of gold,

* The strange fact that the ounce of gold as the standard of money in England is not divided into fractional parts is accounted for as follows: "Our coinage was originally adapted to the employment of silver only—hence an ounce of silver can always be divided into a certain adequate number of pieces of coin; but, as gold was introduced at a later period into a coinage adapted only to silver, an ounce of gold cannot be coined into an adequate number of pieces" (Maclaren, *History of the Currency*, London, 1858, p. 16). [Marx quotes in English.]

different quantities of gold will always represent the same ratio of values with regard to one another. If the value of gold should fall by 1,000 per cent, then the value of twelve ounces of gold would still be twelve times bigger than that of one ounce of gold, and so far as prices are concerned what matters is only the proportion of the different quantities of gold to one another. Since, on the other hand, a rise or fall in the value of an ounce of gold does not in any way affect its weight, the weight of its aliquot parts remains likewise unaffected; gold can thus always serve as a stable standard of price, regardless of any changes in its value.*

As a result of an historical process, which, as we shall explain later, was determined by the nature of metallic currency, the names of particular weights were retained for constantly changing and diminishing weights of precious metals functioning as the standard of price. Thus the English pound sterling denotes less than one-third of its original weight, the pound Scots before the Union⁴⁸ only $\frac{1}{36}$, the French livre $\frac{1}{74}$, the Spanish maravedi less than $\frac{1}{1,000}$ and the Portuguese rei an even smaller proportion. Historical development thus led to a separation of the money names of certain weights of metals from the common names of these weights.** Because the designation of the unit of measure, its aliquot parts and their names is, on the one hand, purely conventional, and on the other hand must be accepted as universal and indispensable within the sphere of circulation, it had to be established by *legal* means. The purely formal enactment thus devolved upon the government.*** Which particular metal served

* "Money may continually vary in value, and yet be as good a measure of value as if it remained perfectly stationary. Suppose, for instance, it is reduced in value.... Before the reduction, a guinea would purchase three bushels of wheat or 6 days' labour; subsequently, it would purchase only 2 bushels of wheat, or 4 days' labour. In both cases, the relations of wheat and labour to money being given, their mutual relations can be inferred; in other words, we can ascertain that a bushel of wheat is worth 2 days' labour. This, which is all that measuring value implies, is as readily done after the reduction as before. The excellence of thing as a measure of value is altogether independent of its own variableness in value" (Bailey, *Money and Its Vicissitudes*, London, 1837, pp. 9, 10). [Marx quotes in English.]

** "The coins which today are ideal are the oldest coins of every nation, and all of them were once real" (so generally stated the latter assertion is incorrect) "and precisely because they were real they were used for calculation" (Galiani, *Della Moneta*, l.c., p. 153). [Marx quotes in Italian.]

*** The romantic A. Müller says: "According to our views every independent sovereign has the right to introduce metallic currency and ascribe to it a social nominal value, order, position and title" (A. H. Müller, *Die Elemente der Staatskunst*, Berlin, 1809. Part II, p. 288). The aulic councillor is right as regards the title, but he forgets the *content*. How confused his "views" are becomes evident, for instance,

as the material of money depended on the given social conditions. The legal standard of price is of course different in different countries. In England, for example, the ounce as a weight of metal is divided into PENNYWEIGHTS, GRAINS and CARATS TROY; but the ounce of gold as the unit of money is divided into $3\frac{7}{8}$ sovereigns, the sovereign into 20 shillings and the shilling into 12 pence, so that 100 pounds of 22-carat gold (1,200 ounces) equal 4,672 sovereigns and 10 shillings. But in the world market, where state frontiers disappear, such national features of the standards of money disappear as well and are replaced by measures of weight generally used for metals.

The price of a commodity, or the quantity of gold into which it is nominally converted, is now expressed therefore in the monetary names of the standard of gold. Thus, instead of saying a quarter of wheat is worth an ounce of gold, one would say in England it is worth £3 17s. 10 $\frac{1}{2}$ d. All prices are thus expressed in the same denomination. The specific form which the exchange value of commodities assumes is converted into *denominations of money*, by which their value is expressed. Money^a in turn becomes *money of account*.*

in the following passage: "Everybody realises how important it is to determine the price of coins correctly, especially in a country like England, where the government with *splendid generosity* coins money gratuitously" (Mr. Müller apparently assumes that the members of the British government defray the costs of minting out of their own pocket), "where it does not levy seigniorage, etc., and consequently if it were to fix the mint price of gold considerably above the market price, if instead of paying £3 17 s. 10 $\frac{1}{2}$ d. for an ounce of gold as at present, it should decide to fix the price of an ounce of gold at £3 19s., all money would flow into the mint and the silver obtained there would be exchanged for the cheaper gold on the market, and then it would again be taken to the mint, thus throwing the monetary system into disorder" (i.e., pp. 280, 281). Müller throws his ideas into "disorder", so as to preserve order at the mint in England. Whereas shillings and pence are merely names, that is names of definite fractions of an ounce of gold represented by silver and copper tokens, he imagines that an ounce of gold is estimated in terms of gold, silver and copper and thus confers upon the English a triple STANDARD OF VALUE. Silver as the standard of money along with gold was formally abolished only in 1816 by 56 George III, C. 68, although it was in fact legally abolished by 14 George II, C. 42 in 1734, and in practice even earlier. Two circumstances in particular enabled A. Müller to arrive at a so-called *higher* conception of political economy: first his extensive ignorance of economic facts and second his purely amateurish infatuation with philosophy.

* "When Anacharsis was asked what the Hellenes used money for, he replied—for calculation" (Athenaeus, *Deipnosophistæ*, l. IV, 49, v. II, [p. 120], ed. Schweighäuser, 1802). [Marx quotes in Greek.]

^a The original has "gold"; changed by Marx in his own copy.—Ed.

The transformation of commodities into money of account in the mind, on paper or in words takes place whenever the aspect of exchange value becomes fixed in a particular type of wealth.* This transformation needs the material of gold, but only in imagination. Not a single atom of real gold is used to estimate the value of a thousand bales of cotton in terms of a certain number of ounces of gold and then to express this number of ounces in £. s. d., the names of account of the ounce. For instance, not a single ounce of gold was in circulation in Scotland before Sir Robert Peel's Bank Act of 1845, although the ounce of gold, called £3 17s. 10½d. as the British standard of account, served as the legal standard of price. Similarly, silver serves as the standard of price in exchange of commodities between Siberia and China, although this trade is in fact merely barter. It makes no difference, therefore, to gold as money of account whether or not its standard unit or its subdivisions are actually coined. During the reign of William the Conqueror, one pound sterling, at that time a pound of pure silver, and the shilling, $\frac{1}{20}$ of a pound, existed in England only as money of account, while the penny, $\frac{1}{240}$ of a pound of silver, was the largest silver coin in existence. On the other hand, there are no shillings or pence in England today, although they are legal names of account for definite fractions of an ounce of gold. Money as money of account may exist only ideally, while actually existing money may be coined according to an entirely different standard. Thus in many of the English colonies in North America, the money in circulation consisted of Spanish and Portuguese coins till late in the eighteenth century, whereas the money of account was everywhere the same as in England.**

Because as standard of price gold is expressed by the same names of account as the prices of commodities—for example £3 17s. 10½d. may denote an ounce of gold just as well as a ton of iron—these names of account are called the *mint price* of gold. Thus the queer notion arose that gold is estimated in its own

* G. Garnier, one of the first to translate Adam Smith into French, had the odd idea of establishing the proportion between the use of money of account and that of real money. [According to him] this proportion is 10 to 1 (G. Garnier, *Histoire de la monnaie depuis les temps de la plus haute antiquité etc.*, t. I, p. 78).

** The Act of Maryland of 1732, which made tobacco legal currency but converted its value into English gold money, by declaring a pound of tobacco equal to a penny, recalls the *leges barbarorum*,⁶⁸ which on the contrary equated definite sums of money with oxen, cows, etc. In this case the real material of the money of account was neither gold nor silver, but the ox and the cow. [See J. Wirth, *Die Geschichte der Deutschen*, Vol. I, Stuttgart, 1846, pp. 97-99.]

material and that, unlike all other commodities, its price is *fixed* by the State. The establishing of names of account for definite weights of gold was mistaken for the establishing of the value of these weights.* Gold has neither a *fixed* price *nor any* price at all, when it is a factor in the determination of prices and therefore functions as money of account. In order to have a price, in other words to be expressed in terms of a *specific* commodity functioning as the *universal* equivalent, this other commodity would have to play the same exclusive role in the process of circulation as gold. But two commodities which exclude all other commodities would exclude each other as well. Consequently, wherever silver and gold exist side by side as legal money, i.e. as measure of value, the vain attempt has always been made to treat them as *one and the same substance*. If one assumes that a given labour time is invariably objectified in the same proportion in silver and gold, then one assumes, in fact, that silver and gold are the same substance, and that silver, the less valuable metal, represents a constant fraction of gold. The history of the monetary system in England from the reign of Edward III up to the time of George II consists of a continuous series of disturbances caused by conflict between the legally established ratio between the values of gold and silver and the actual fluctuations in their value. Sometimes the value of gold was too high, sometimes that of silver. The metal whose value was estimated at too low a rate was withdrawn from circulation, melted down and exported. The value ratio of the two metals was then once again changed by law; but soon the new nominal value in its turn clashed with the actual value ratio. In our own time, the slight and short-lived fall in the value of gold as compared with silver, brought about by the Indian and Chinese demand for silver, produced the same phenomenon on a large scale in France—the export of silver and the elimination of silver from the sphere of circulation by gold. During the years 1855, 1856 and 1857, the excess of France's gold imports over her gold exports amounted to £41,580,000, while the excess of her silver exports over silver imports came to £34,704,000.^a In countries like France, where both metals are legally sanctioned measures of value and

* Thus we read, for example, in the *Familiar Words* of Mr. David Urquhart—"The value of gold is to be measured by itself; how can any substance be the measure of its own worth in other things? The worth of gold is to be established by its own weight, under a false denomination of that weight—and an ounce is to be worth so many pounds and fractions of pounds. This is falsifying a measure, not establishing a standard." [Marx quotes in English.]

^a "Foreign Correspondence", *The Economist*, No. 775, July 3, 1858.—Ed.

both are accepted as legal tender, where moreover every person can pay in the one or the other metal as he pleases, the metal whose value rises is in fact at a premium, and its price like that of any other commodity is measured in terms of the over-rated metal, which thus serves alone as the measure of value. All historical experience in this sphere simply shows that, where two commodities function as legally valid measures of value, it is always one of them only which actually maintains this position.*

B. THEORIES OF THE STANDARD OF MONEY

The fact that commodities are only nominally converted in the form of prices into gold and hence gold is only nominally transformed into money led to the doctrine of the *ideal standard of money*. Because only imaginary gold or silver, i.e. gold and silver merely as money of account, is used in the determination of prices, it was asserted that the terms pound, shilling, pence, thaler, franc, etc. denote ideal particles of value but not weights of gold or silver or any form of objectified labour. If, for example, the value of an ounce of silver were to rise, it would contain more of these particles and would therefore have to be divided or coined into a greater number of shillings. This doctrine, which arose at the close of the seventeenth century, was again advanced during the last commercial crisis in England²⁵ and was even advocated by Members of Parliament in two special reports appended to the 1858 Report of the Select Committee on the Bank Acts. In England at the time of the accession of William III, the mint price of an ounce of silver was 5s. 2d., that is $\frac{1}{62}$ of an ounce of silver was called a penny and 12 of these pence were called a shilling. A bar of silver weighing say six ounces would, according to this standard, be coined into 31 coins which would be called shillings. But whereas the *mint price* of an ounce of silver was 5s. 2d., its *market price* rose to 6s. 3d., that is to say in order to buy an ounce of uncoined silver 6s. 3d. had to be handed over. How was it possible for the market price of an ounce of silver to rise above its mint price, if the mint price was merely a name of account for fractions of an ounce of silver? The solution of this riddle was quite simple. Four million of the £5,600,000 of silver money in

* "Money as the measure of commerce ought to be kept (as all other measures) as steady and invariable as may be. But this cannot be, if your money be made of two metals, whose proportion constantly varies" (John Locke, *Some Considerations on the Lowering of Interest etc.*, 1691; in his *Works*, 7th Edition, London, 1768, Vol. II, p. 65).

circulation at that time were worn out or clipped. A trial showed that £57,200 in silver coins, whose weight ought to have been 220,000 ounces, weighed only 141,000 ounces. The mint continued to coin silver pieces according to the same standard, but the lighter shillings which were actually in circulation represented smaller fractions of an ounce than their name denoted. A larger quantity of these reduced shillings had consequently to be paid for an ounce of uncoined silver on the market. When, because of the resulting difficulties, it was decided to recoin all the money, *Lowndes*, the SECRETARY TO THE TREASURY, claimed that the value of an ounce of silver had risen and that in future accordingly 6s. 3d. would have to be struck from an ounce instead of 5s. 2d. as previously. He thus in effect asserted that, because the value of an ounce of silver had risen, the value of its aliquot parts had fallen. But his false theory was merely designed to make a correct practical measure more palatable. The government debts had been contracted in light shillings, were they to be repaid in coins of standard weight? Instead of saying pay back 4 ounces of silver for every 5 ounces you received nominally but which contained in fact only 4 ounces of silver, he said, on the contrary, pay back nominally 5 ounces but reduce their metal content to 4 ounces and call the amount you hitherto called $\frac{4}{5}$ of a shilling a shilling. *Lowndes's* action, therefore, was in reality based on the metal content, whereas in theory he stuck to the name of account. His opponents on the other hand, who simply clung to the name of account and therefore declared that a shilling of standard weight was identical with a shilling which was 25 to 50 per cent lighter, claimed to be adhering to the metal content. *John Locke*, who championed the new bourgeoisie in every way—he took the side of the manufacturers against the working classes and the paupers, the merchants against the old-fashioned usurers, the financial aristocracy against governments that were in debt; he even demonstrated in a separate work that the bourgeois way of thinking is the normal human way of thinking—took up *Lowndes's* challenge. *John Locke* won the day and money borrowed in guineas containing 10 to 14 shillings was repaid in guineas of 20 shillings.* *Sir James Steuart* gives the following ironical summary of this operation:

* *Locke* says *inter alia*: "Call that a Crown now, which before was a half Crown. Its Value is determined, as before, by the quantity of metal. If you can reduce the quantity of silver of any coin by $\frac{1}{20}$ without lessening its value, you can just as well reduce it by $\frac{19}{20}$. According to this theory, a farthing, being called a Crown, should buy as much spice, or silk, or any other commodity, as a crown-piece, which

"...The state gained considerably upon the score of taxes, as well as the creditors upon their capitals and interest; and the nation, which was the principal loser, was pleased; because their *standard*" (the standard of their own value) "was not debased."*

Steuart believed that in the course of further development of commerce the nation would become wiser. But he was wrong. Some 120 years later the same *quid pro quo* was repeated.

Very fittingly it was Bishop *Berkeley*, the advocate of mystical idealism in English philosophy, who gave the doctrine of the nominal standard of money a theoretical twist, which the practical SECRETARY TO THE TREASURY had omitted to do. Berkeley says:

"Whether the terms livre, pound sterling, crown, etc., are not to be considered as mere *denominations of proportions*?" (i.e. proportions of abstract value as such). "And whether gold, silver, and paper are not tickets or counters for reckoning, recording and transferring thereof?" (of the proportion of value). "Whether *power* to command the industry of others" (social labour) "be not real wealth? And whether money be not in truth, tickets or tokens for conveying and recording such power, and whether it be of great consequence what materials the tickets are made of?"**

contains 60 times as much silver. All you can do is to give a less quantity of silver the stamp and denomination of a greater, but 'tis silver and not names that pay debts and purchase commodities. The raising being but giving of names at pleasure to aliquot parts of a silver piece, e.g. calling the eighth part of an ounce a penny, you may, in fact, set money as high as you please." [*Some Considerations of the Consequences of the Lowering of Interest...*, London, 1768, pp. 54, 58.] In reply to Lowndes, Locke declared that the rise of the market price above the mint price was not brought about by "an increase in the value of silver, but by a decrease in the weight of the silver coins." Seventy-seven clipped shillings did not weigh more than 62 shillings of standard weight. Finally Locke is quite correct in emphasising that, irrespective of the loss of silver suffered by the coins in circulation, a certain rise in the market price of silver bullion over the mint price might occur in England, because the export of silver bullion was permitted whereas that of silver coin was prohibited (see l.c., pp. 54-116 *passim*). Locke takes good care to avoid the vital issue of the national debt, just as he equally prudently refrains from discussing another ticklish economic problem, i.e. that according to the evidence of both the exchange rate and the ratio of silver bullion to silver coin, the depreciation of the money in circulation was by *no* means proportional to the amount of silver it had actually lost. We shall return to this question in its general form in the section dealing with the medium of circulation. In *A Discourse Concerning Coining the New Money Lighter, in answer to Mr. Locke's considerations etc.*, London, 1696, *Nicholas Barbon* vainly sought to entice Locke on to difficult ground.

* Steuart, l.c., Vol. II, p. 156.

** *The Querist*, l.c. Incidentally, the section "Queries on Money" is rather witty. Among other things it contains the true observation that the development of the North American colonies "makes it plain as daylight, that gold and silver are not so necessary for the wealth of a nation, as the vulgar of all ranks imagine." [The text in quotes is in English in the original.]

In this passage, the author, on the one hand, confuses the measure of value with the standard of price, and on the other he confuses gold or silver as measure of value and as means of circulation. Because tokens can be substituted for precious metals in the sphere of circulation, Berkeley concludes that these tokens in their turn represent *nothing*, i.e. the abstract concept of value.

The theory of the nominal standard of money was so fully elaborated by Sir *James Stuart*, that his followers—they are not aware of being followers since they do not know him—can find neither a new expression nor even a new example. He writes:

“Money of account is no more than an arbitrary scale of equal parts, invented for measuring the respective value of things vendible. Money of account is quite a different thing from MONEY-COIN,^a which is price,* and it might exist, although there was no such substance in the world as could be a proportional equivalent for every commodity. Money of account performs the same office with regard to the value of things, that degrees, minutes, seconds, etc., do with regard to angles, or as scales do to geographical maps, etc. In all these inventions, the same denomination is always taken for the unit. The usefulness of all these inventions being solely confined to the *marking of proportion*. Just so the unit in money can have no invariable determinate proportion to any part of value, that is to say it cannot be fixed to any particular quantity of gold, silver, or any other commodity whatsoever. The unit once fixed, we can, by multiplying it, ascend to the greatest value. As the value of commodities depends upon a general combination of circumstances relative to themselves and to the fancies of men, it ought to be considered as changing only with respect to one another; anything which disturbs or confuses the ascertaining those changes of proportion by the means of a general, determinate and invariable scale, must be hurtful to trade. Money is an *ideal scale* of equal parts. If it be demanded what ought to be the standard value of one part? I answer by putting another question: What is the standard length of a degree, a minute, a second? It has none, but so soon as one part becomes determined, by the nature of a scale, all the rest must follow in proportion. Examples of this ideal money are the money of the bank of Amsterdam and that of Angola, on the African coast.”**

Stuart simply considers money as it *appears* in the sphere of circulation, i.e. as *standard of price* and as *money of account*. If different commodities are quoted at 15s., 20s. and 36s. respectively in a price list, then in a comparison of their value both the silver content of the shilling and its name are indeed quite irrelevant. Everything is now expressed in the numerical relations of 15, 20 and 36, and the numeral one has become the sole unit of measure. The purely abstract expression of a proportion is after all only the abstract numerical proportion. In order to be consistent, Stuart therefore had to abandon not only gold and silver but also their

* Here, as in the works of seventeenth-century English economists, *price* is used in the sense of a concrete equivalent.

** Stuart, l.c., Vol. II, pp. 102-07.

^a Marx gives this English term in brackets after its German equivalent.—Ed.

legal designations. But since he does not understand how the measure of value is transformed into the standard of price, he naturally thinks that the particular quantity of gold which serves as a unit of measure is, as a measure, related to values as such, and not to other quantities of gold. Because commodities appear to be magnitudes of the same denomination as a result of the conversion of their exchange values into prices, Steuart denies that the measure possesses the quality which reduces commodities to the same denomination, and since in this comparison of different quantities of gold the quantity of gold which serves as a standard is a matter of convention, he denies that it must be established at all. Instead of calling a 360th part of a circle a degree, he might call a 180th part a degree; the right angle would then measure not 90 degrees but 45, and the measurements of acute and obtuse angles would change correspondingly. Nevertheless, the measure of the angle would remain firstly a qualitatively determined mathematical figure, the circle, and secondly a quantitatively determined section of the circle. As for Steuart's economic examples one of these disproves his own assertions, the other proves nothing at all. The money of the Bank of Amsterdam was in fact only the name of account for Spanish doubloons, which retained their standard weight because they lay idle in the vaults of the bank, while the coins which busily circulated lost weight as a result of intensive friction with their environment. As for the African idealists, we must leave them to their fate until critical accounts by travellers provide further information about them.* One might say that the French assignat³⁷—“*National property, Assignment of 100 francs*”—is nearly ideal money in Steuart's sense. The use value which the assignat was supposed to represent, i.e. confiscated land, was indeed specified, but the quantitative definition of the unit of measure had been omitted and “franc” was therefore a meaningless word. How much or little land this franc represented depended on the outcome of public auctions. But in practice the assignat circulated as a token representing silver money, and its depreciation was consequently measured in terms of this silver standard.

The period when the Bank of England suspended cash

* In connection with the last commercial crisis a certain faction in England ardently praised the ideal African money after moving its location on this occasion from the coast into the interior of Barbary. It was declared that because their BARS constituted an ideal measure, the Berbers had no commercial and industrial crises. Would it not have been simpler to say that commerce and industry are the *conditio sine qua non* for commercial and industrial crises?

payments was hardly more prolific of war bulletins than of monetary theories.⁶⁹ The depreciation of bank notes and the rise of the market price of gold above its mint price caused some defenders of the Bank to revive the doctrine of the ideal measure of money. Lord *Castlereagh* found the classically confused expression for this confused notion when he declared that the standard of money is

"A SENSE OF VALUE IN REFERENCE TO CURRENCY AS COMPARED WITH COMMODITIES".^a

A few years after the Treaty of Paris⁷⁰ when the situation permitted the resumption of cash payments, the problem which Lowndes had broached during the reign of William III arose again in practically the same form. A huge national debt and a mass of private debts, fixed obligations, etc., which had accumulated in the course of over 20 years, were incurred in depreciated bank notes. Should they be repaid in bank-notes £4,672 10s. of which represented, not in name but in fact, 100 lbs. of 22-carat gold? *Thomas Attwood*, a Birmingham banker, acted like a Lowndes *redivivus*.^b He advocated that as many shillings should be returned to the creditors as they had nominally lent, but whereas according to the old monetary standard, say $\frac{1}{78}$ of an ounce of gold was known as a shilling, now perhaps $\frac{1}{90}$ of an ounce should be called a shilling. Attwood's supporters are known as the Birmingham school of "little shillingmen".³⁶ The quarrel about the ideal standard of money, which began in 1819, was still carried on in 1845 by Sir Robert Peel and Attwood, whose wisdom in so far as it concerns the function of money as a measure is fully summarised in the following quotation:

In his polemic with the Birmingham Chamber of Commerce, Sir Robert Peel asked, What will your pound note represent? What is a pound? What, conversely, is to be understood by the present standard of value? Is £3 17s. 10 $\frac{1}{2}$ d. an *ounce of gold*, or is it its *value*? If it be an *ounce of gold*, why not call things by their proper names, and, instead of saying pounds, shillings and pence, say ounces, pennyweights and grains? Then we revert to direct system of barter.... Or is it the *value*? If an ounce = £3 17s. 10 $\frac{1}{2}$ d., why was it worth at different times now £5 4s. now £3 17s. 9d?... The expression *pound* (£) has reference to value, but not to the value fixed in an unchangeable weight unit of gold. The term pound is the *ideal unit*.... *Labour* is the substance to which the production costs can be reduced and it gives the relative value to gold or iron. *Therefore, whatever the particular names of account used to express the daily or weekly labour of a man, such names express the value of the commodity produced.**

* *The Currency Question, the Gemini Letters*,³⁶ London, 1844, pp. 268-72 *passim*.

^a *Hansard's Parliamentary Debates*, Vol. 74, London, 1844, p. 725.— *Ed.*

^b Resurrected.— *Ed.*

The hazy notion about the ideal measure of money fades away in the last words and its real mental content becomes clear. Pound, shilling, etc., the names of account of money,^a are said to be names representing definite quantities of labour time. Since labour time is the substance and the inherent measure of value, the names thus indeed express the value relations themselves. In other words it is asserted that labour time is the real standard of money. Here we leave the Birmingham school and merely note in passing that the doctrine of the ideal measure of money has gained new importance in connection with the controversy over the convertibility or non-convertibility of bank notes. While the denomination of paper is based on gold or silver, the convertibility of the note, i.e. its exchangeability for gold or silver, remains an economic law regardless of what juridical law may say. For instance, a Prussian paper thaler, although legally inconvertible, would immediately depreciate if in everyday commerce it were worth less than a silver thaler, that is if it were not convertible in practice. The consistent advocates of inconvertible paper money in Britain, therefore, had recourse to the ideal standard of money. If the denominations of money, pound, shilling and so on, are names for a determinate amount of particles of value, of which sometimes more, sometimes less are either absorbed or lost by a commodity when it is exchanged for other commodities, then the value of an English £5 note, for instance, is just as little affected by its relation to gold as by its relation to iron and cotton. Since its designation would no longer equate the bank note in theory to a determinate quantity of gold or of any other commodity, its very concept would preclude the demand for its convertibility, that is for its equation in practice with a determinate quantity of a specific thing.

John Gray was the first to set forth the theory that labour time is the direct measure of money in a systematic way.* He proposes that a national central bank should ascertain through its branches the labour time expended in the production of various commodities. In exchange for the commodity, the producer would

* *John Gray, The Social System. A Treatise on the Principle of Exchange*, Edinburgh, 1831. Cf. the same author's *Lectures on the Nature and Use of Money*, Edinburgh, 1848. After the February [1848] Revolution, Gray sent a memorandum to the French Provisional Government in which he explains that France did not need an "ORGANISATION OF LABOUR" but an "ORGANISATION OF EXCHANGE", the plan for which was fully worked out in the monetary system he had invented. The worthy John had no inkling that sixteen years after the publication of *The Social System*, the ingenious Proudhon would be taking out a patent for the same invention.

^a The original has "gold".—*Ed.*

receive an official certificate of its value, i.e. a receipt for as much labour time as his commodity contains,* and this bank note of one labour week, one labour day, one labour hour, etc., would serve at the same time as an order to the bank to hand over an equivalent in any of the other commodities stored in its warehouses.** This is the basic principle, which is scrupulously worked out in detail and modelled throughout on existing English institutions. Gray says that under this system

“to sell for money may be rendered, at all times, precisely as easy as it now is to buy with money;... production would become the uniform and never-failing cause of demand”.***

The precious metals would lose their “privileged” position in comparison with other commodities and

“take their proper place in the market beside butter and eggs, and cloth and calico, and then the value of the precious metals will concern us just as little ... as the value of the diamond”.****

“Shall we retain our fictitious standard of value, gold, and thus keep the productive resources of the country in bondage? or, shall we resort to the natural standard of value, labour, and thereby set our productive resources free?”*****

Since labour time is the intrinsic measure of value, why use another extraneous standard as well? Why is exchange value transformed into price? Why is the value of all commodities computed in terms of an exclusive commodity, which thus becomes the adequate expression of exchange value, i.e. money? This was the problem which Gray had to solve. But instead of solving it, he assumed that commodities could be directly compared with one another as products of social labour. But they are only comparable as the things they are. Commodities are the direct products of isolated independent individual kinds of labour, and through their alienation in the course of individual exchange

* Gray, *The Social System etc.*, p. 63. “Money should be merely a receipt, an evidence that the holder of it has either contributed a certain value to the national stock of wealth, or that he has acquired a right to the said value from some one who has contributed to it.” [Marx quotes in English.]

** “An estimated value being previously put upon produce, let it be lodged in a bank, and drawn out again whenever it is required; merely stipulating, by common consent, that he who lodges any kind of property in the proposed National Bank, may take out of it an equal value of whatever it may contain, instead of being obliged to draw out the self-same thing that he put in.” L.c., pp. 67-68. [Marx quotes in English.]

*** L.c., p. 16.

**** Gray, *Lectures on Money etc.*, p. 182.

***** L.c., p. 169.

they must prove that they are general social labour, in other words, on the basis of commodity production, labour becomes social labour only as a result of the universal alienation of individual kinds of labour. But as Gray presupposes that the labour time contained in commodities is *immediately social* labour time, he presupposes that it is communal labour time or labour time of directly associated individuals. In that case, it would indeed be impossible for a specific commodity, such as gold or silver, to confront other commodities as the incarnation of universal labour and exchange value would not be turned into price; but neither would use value be turned into exchange value and the product into a commodity, and thus the very basis of bourgeois production would be abolished. But this is by no means what Gray has in mind—*goods are to be produced as commodities but not exchanged as commodities*. Gray entrusts the realisation of this pious wish to a national bank. On the one hand, society in the shape of the bank makes the individuals independent of the conditions of private exchange, and, on the other hand, it causes them to continue to produce on the basis of private exchange. Although Gray merely wants “to reform” the money evolved by commodity exchange, he is compelled by the intrinsic logic of the subject-matter to repudiate one condition of bourgeois production after another. Thus he turns capital into national capital,* and land into national property** and if his bank is examined carefully it will be seen that it not only receives commodities with one hand and issues certificates for labour supplied with the other, but that it directs production itself. In his last work, *Lectures on Money*, in which Gray seeks timidly to present his labour money as a purely bourgeois reform, he gets tangled up in even more flagrant absurdities.

Every commodity is immediately money; this is Gray's thesis which he derives from his incomplete and hence incorrect analysis of commodities. The “organic” project of “labour money” and “national bank” and “warehouses” is merely a fantasy in which a dogma is made to appear as a law of universal validity. The dogma that a commodity is immediately money or that the particular labour of a private individual contained in it is immediately social labour, does not of course become true because

* “The business of every country ought to be conducted on a national capital” (John Gray, *The Social System etc.*, p. 171). [Marx quotes in English.]

** “The land to be transformed into national property” (l.c., p. 298). [Marx quotes in English.]

a bank believes in it and conducts its operations in accordance with this dogma. On the contrary, bankruptcy would in such a case fulfil the function of practical criticism. The fact that labour money is a pseudo-economic term, which denotes the pious wish to get rid of money, and together with money to get rid of exchange value, and with exchange value to get rid of commodities, and with commodities to get rid of the bourgeois mode of production,—this fact, which remains concealed in Gray's work and of which Gray himself was not aware, has been bluntly expressed by several British socialists, some of whom wrote earlier than Gray and others later.* But it was left to M. *Proudhon* and his school to declare seriously that the degradation of *money* and the exaltation of *commodities* was the essence of socialism and thereby to reduce socialism to an elementary misunderstanding of the inevitable correlation existing between commodities and money.**

2. MEDIUM OF EXCHANGE

When, as a result of the establishing of prices, commodities have acquired the form in which they are able to enter circulation and gold has assumed its function as money, the contradictions latent in the exchange of commodities are both exposed and resolved by circulation. The real exchange of commodities, that is the social metabolic process, constitutes a transformation in which the dual nature of the commodity—commodity as use value and as exchange value—manifests itself; but the transformation of the commodity itself is, at the same time, epitomised in certain forms of money. To describe this transformation is to describe circulation. Commodities, as we have seen, constitute fully developed exchange value only when a world of commodities and consequently a really developed system of division of labour is presupposed; in the same manner circulation presupposes that acts of exchange are taking place everywhere and that they are being continuously renewed. It also presupposes that commodities enter into the process of exchange with a *determinate price*, in other words that in the course of exchange they *appear* to confront one another in a dual form—really as use values and nominally (in the price) as exchange values.

* See, e.g., W. Thompson, *An Inquiry into the Distribution of Wealth etc.*, London, 1824; Bray, *Labour's Wrongs and Labour's Remedy*, Leeds, 1839.

** Alfred Darimon, *De la réforme des banques*, Paris, 1856, can be regarded as a compendium of this melodramatic monetary theory.

The busiest streets of London are crowded with shops whose show cases display all the riches of the world, Indian shawls, American revolvers, Chinese porcelain, Parisian corsets, furs from Russia and spices from the tropics, but all of these worldly things bear odious, white paper labels with Arabic numerals and then laconic symbols £ s. d. This is how commodities are presented in circulation.

a. The Metamorphosis of Commodities

Closer examination shows that the circulation process comprises two distinct types of circuit. If commodities are denoted by C and money by M , the two circuits may be represented in the following way:

$$\begin{array}{c} C-M-C \\ M-C-M. \end{array}$$

In this section we are solely concerned with the first circuit, that is the one which directly expresses commodity circulation.

The circuit $C-M-C$ may be divided into the movement $C-M$, the exchange of commodities for money, or *sale*; the opposite movement $M-C$, the exchange of money for commodities, or *purchase*; and the unity of the two movements $C-M-C$, exchange of commodities for money so as to exchange money for commodities, in other words, *selling* in order to *purchase*. The outcome in which the transaction terminates is $C-C$, i.e. exchange of one commodity for another, actual exchange of matter.

$C-M-C$, when considered from the point of departure of the first commodity, represents its conversion into money and its reconversion from money into commodity; that is to say a movement in which at the outset the commodity appears as a particular use value, then sheds this form of existence and assumes that of exchange value or universal equivalent—which is entirely distinct from its natural form—finally it sheds this as well and emerges as a real use value which can serve particular needs. In this last form it drops out of the sphere of circulation and enters that of consumption. Thus to begin with, the whole circuit of $C-M-C$ represents the entire series of metamorphoses through which every individual commodity passes in order to become a direct use value for its owner. The first metamorphosis takes place in $C-M$, the first phase of the circuit; the second in

$M—C$, the other phase, and the entire circuit forms the *curriculum vitae* of the commodity. But the cycle $C—M—C$ represents the complete metamorphosis of an individual commodity only because it is at the same time an aggregate of definite partial metamorphoses of other commodities. For each metamorphosis of the first commodity is its transformation into another commodity and therefore the transformation of the second commodity into the first; hence it is a double transformation which is carried through during a single stage of the cycle. To start with, we shall separately examine each of the two phases of exchange into which the cycle $C—M—C$ is resolved.

$C—M$ or *sale*: C , the commodity, enters the sphere of circulation not just as a particular use value, e.g. a ton of iron, but as a use value with a definite price, say £3 17s. 10½d., or an ounce of gold. The price while on the one hand indicating the amount of labour time contained in the iron, namely its value, at the same time signifies the pious wish to convert the iron into gold, that is to give the labour time contained in the iron the form of universal social labour time. If this transformation fails to take place, then the ton of iron ceases to be not only a commodity but also a product; since it is a commodity only because it is not a use value for its owner, that is to say his labour is only really labour if it is useful labour for others, and it is useful for him only if it is abstract general labour. It is therefore the task of the iron or of its owner to find that location in the world of commodities where iron attracts gold. But if the sale actually takes place, as we assume in this analysis of simple circulation, then this difficulty, the *salto mortale* of the commodity, is surmounted. As a result of this alienation—that is its transfer from the person for whom it is a non-use value to the person for whom it is a use value—the ton of iron proves to be in fact a use value and its price is simultaneously realised, and merely imaginary gold is converted into real gold. The term “ounce of gold”, or £3 17s. 10½d., has now been replaced by an ounce of real gold, but the ton of iron has gone. The sale $C—M$ does not merely transform the commodity—which by means of the price was nominally turned into gold—really into gold, but gold, which as measure of value was only nominally money and in fact functioned only as the money name of commodities, is through the same process transformed into actual money.* As gold became nominally the universal equivalent,

* “Money is of two kinds: ideal and real; and it is used for two different purposes: to value things and to buy them. For valuation, ideal money is just as

because the values of all commodities were measured in terms of gold, so now, as a result of the universal alienation of commodities in exchange for it—and the sale $C—M$ is the procedure by which this universal alienation is accomplished—does it become the absolutely alienated commodity, i.e. real money. But gold becomes real money through sale, only because the exchange values of commodities expressed in prices were already converted into nominal gold.

During the sale $C—M$, and likewise during the purchase $M—C$, two commodities, i.e. units of exchange value and use value, confront each other; but in the case of the commodity exchange value exists merely nominally as its price, whereas in the case of gold, although it has real use value, its use value merely represents exchange value and is therefore merely a formal use value which is not related to any real individual need. The contradiction of use value and exchange-value is thus polarised at the two extreme points of $C—M$, so that with regard to gold the commodity represents use value whose nominal exchange value, the price, still has to be realised in gold; with regard to the commodity, on the other hand, gold represents exchange value whose formal use value still has to acquire a material form in the commodity. The contradictions inherent in the exchange of commodities are resolved only by reason of this duplication of the commodity so that it appears as commodity and gold, and again by way of the dual and opposite relation in which each extreme is nominal where its opposite is real, and real where its opposite is nominal, in other words they are resolved only by means of presenting commodities as bilateral polar opposites.

So far we have regarded $C—M$ as a sale, as the conversion of a commodity into money. But if we consider it from the other side, then the same transaction appears, on the contrary, as $M—C$, a purchase, the conversion of money into a commodity. A sale is inevitably and simultaneously its opposite, a purchase; it is the former if one looks at the transaction from one side and the latter if one sees it from the other. In other words, the difference between the transactions is in reality merely that in $C—M$ the initiative comes from the side of the commodity or of the seller while in $M—C$ it comes from the side of money or of the

good, as real money, and probably even better. The other use of money is to buy the very things for the pricing of which it serves.... Prices and contracts are estimated in ideal money and are realised in real money" (Galvani, l.c., p. 112 *et seq.*). [Marx quotes in Italian.]

purchaser. When we describe the first metamorphosis of the commodity, its transformation into money, as the result of the first phase of the circuit, we simultaneously presuppose that another commodity has already been converted into money and is therefore now in the second phase of the circuit, $M-C$. We are thus caught up in a vicious circle of presuppositions. This vicious circle is indeed circulation itself. If we do not regard M in $C-M$ as belonging to the metamorphosis of another commodity, then we isolate the act of exchange from the process of circulation. But if it is separated from the process, the phase $C-M$ disappears and there remain only two commodities which confront each other, for instance iron and gold, whose exchange is not a distinct part of the cycle but is direct barter. At the place where gold is produced, it is a commodity like any other commodity. Its relative value and that of iron or of any other commodity is there reflected in the quantities in which they are exchanged for one another. But this transaction is presupposed in the process of circulation, the value of gold is already given in the prices of commodities. It would therefore be entirely wrong to assume that *within the framework of circulation*, the relation of gold and commodities is that of direct barter and that consequently their relative value is determined by their exchange as simple commodities. It seems as though in the process of circulation gold were exchanged merely as a commodity for other commodities, but this illusion arises simply because a definite quantity of a given commodity is equalised by means of prices with a definite quantity of gold: that is it is compared with gold as money, the universal equivalent, and *consequently* it can be directly exchanged for gold. In so far as the price of a commodity is *realised* in gold, the commodity is exchanged for gold as a commodity, as a particular materialisation of labour time; but in so far as it is the *price* of the commodity that is realised in gold, the commodity is exchanged for gold as money and not as a commodity, i.e. for gold as the general materialisation of labour time. But the quantity of gold for which the commodity is exchanged in the process of circulation is in both cases determined not by means of exchange, but the exchange is determined by the price of the commodity, by its exchange value calculated in terms of gold.*

* This does not, of course, prevent the market price of commodities from rising above or falling below their value. But this consideration lies outside the sphere of simple circulation and belongs to quite a different sphere to be examined later, in which context we shall discuss the relation of value and market price.

Within the process of circulation gold seems to be always acquired as the result of a sale $C—M$. But since $C—M$, the sale, is simultaneously $M—C$, a purchase, it is evident that while C , the commodity which begins the process, undergoes its first metamorphosis, the other commodity which confronts it as M from the opposite extreme undergoes its second metamorphosis and accordingly passes through the second phase of the circuit while the first commodity is still in the first phase of its cycle.

The outcome of the first stage of circulation, of the sale, provides money, the point of departure of the second stage. The first form of the commodity has now been replaced by its golden equivalent. This outcome may to begin with involve a pause, since the commodity has now assumed a specific durable form. The commodity which was not a use value in the hands of its owner exists now in a form in which it is always useful because it can always be exchanged, and it depends on circumstances when and at which point in the world of commodities it will again be thrown into circulation. The golden chrysalis state forms an independent phase in the life of the commodity, in which it can remain for a shorter or longer period. The separation and independence of the acts of purchase and sale is a general feature of the labour which creates exchange value, whereas in barter the exchange of one discrete use value is directly tied to the exchange of another discrete use value.

The *purchase*, $M—C$, is the reverse movement to $C—M$ and at the same time the second or final metamorphosis of the commodity. Regarded as gold or as the general equivalent, the commodity can be directly expressed in terms of the use values of all other commodities, all of which through their prices seek gold as their hereafter, and simultaneously they indicate the key note which must be sounded so that their bodies, the use values, should change over to the money side, while their soul, the exchange value, is turned into gold. The general result of the alienation of commodities is the absolutely alienated commodity. The conversion of gold into commodities has no qualitative limit but only a quantitative limit, the fact that the amount of gold, or the value it represents, is limited. Everything can be obtained with ready money. Whereas the commodity realises its own price and the use value of someone else's money through its alienation as a use value in the movement $C—M$, it realises its own use value and the price of the other commodity through its alienation as an exchange value in the movement $M—C$. Just as by the realisation of its price, the commodity simultaneously turns gold into real money,

so by its retransformation it converts gold into its (the commodity's) own merely transitory money form. Because commodity circulation presupposes an advanced division of labour and therefore also a diversity of wants on the part of the individual, a diversity bearing an inverse relation to the narrow scope of his own production, the purchase $M-C$ will at times consist of an equation with one commodity as the equivalent, and at other times of a series of commodity equivalents determined by the buyer's needs and the amount of money at his disposal. Just as a sale must at the same time be a purchase, so the purchase must at the same time be a sale; $M-C$ is simultaneously $C-M$, but in this case gold or the purchaser takes the initiative.

Returning to the complete circuit $C-M-C$, we can see that in it one commodity passes through the entire series of its metamorphoses. But at the same time as this commodity begins the first phase of its circuit and undergoes the first metamorphosis, another commodity commences the second phase of the circuit, passes through its second metamorphosis and drops out of circulation; the first commodity, on the other hand, enters the second phase of the circuit, passes through its second metamorphosis and drops out of circulation, while a third commodity enters the sphere of circulation, passes through the first phase of its cycle and accomplishes the first metamorphosis. Thus the total circuit $C-M-C$ representing the complete metamorphosis of a commodity is simultaneously the end of a complete metamorphosis of a second commodity and the beginning of a complete metamorphosis of a third commodity; it is therefore a series without beginning or end. To demonstrate this and to distinguish the commodities we shall use different symbols to denote C in the two extremes, e.g. $C'-M-C''$. Indeed, the first term $C'-M$ presupposes that M is the outcome of another $C-M$, and is accordingly itself only the last term of the circuit $C-M-C'$, while the second term $M-C''$ implies that it will result in $C''-M$, and constitutes the first term of the circuit $C''-M-C'''$, and so on. It is moreover evident, that, although M is the outcome of a single sale, the last term $M-C$ may take the form of $M-C' + M-C'' + M-C''' +$ and so forth; in other words it may be divided into numerous purchases, i.e. into numerous sales and hence numerous first terms of new complete metamorphoses of commodities. While in this way the complete metamorphosis of a single commodity forms not only a link of just one sequence of metamorphoses without beginning or end, but of many such sequences, the circulation of the world of commodities—since

every individual commodity goes through the circuit $C—M—C—$ constitutes an infinitely intricate network of such series of movements, which constantly end and constantly begin afresh at an infinite number of different points. But each individual sale or purchase stands as an independent isolated transaction, whose complementary transaction, which constitutes its continuation, does not need to follow immediately but may be separated from it temporally and spatially. Because every particular cycle $C—M$ or $M—C$ representing the transformation of one commodity into use value and of another into money, i.e. the first and second phase of the circuit, forms a separate interval for both sides, and since on the other hand all commodities begin their second metamorphosis, that is turn up at the starting point of the circuit's second phase, in the form of gold, the general equivalent, a form common to them all, in the real process of circulation any $M—C$ may follow any particular $C—M$, i.e. the second section of the life cycle of any commodity may follow the first section of the life cycle of any other commodity. For example, A sells iron for £2, and thus $C—M$ or the first metamorphosis of the commodity iron has taken place, but for the time being A does not buy anything else. At the same time B, who had sold two quarters of wheat for £6 two weeks ago, buys a coat and trousers from Moses and Son with the same £6, and thereby completes $M—C$ or the second metamorphosis of the commodity wheat. The two transactions $M—C$ and $C—M$ appear to be parts of the same sequence only because as M [money or] gold, all commodities look alike and gold does not look any different whether it represents transformed iron or transformed wheat. In the real process of circulation $C—M—C$, therefore, represents an exceedingly haphazard coincidence and succession of motley phases of various complete metamorphoses. The actual process of circulation *appears*, therefore, not as a complete metamorphosis of the commodity, i.e. not as its movement through opposite phases, but as a mere accumulation of numerous purchases and sales which chance to occur simultaneously or successively. The process accordingly loses its distinct form, especially as each individual transaction, e.g. a sale, is simultaneously its opposite, a purchase, and *vice versa*. On the other hand, the metamorphoses in the world of commodities *constitute* the process of circulation and the former must therefore be reflected in the total movement of circulation. This reflection will be examined in the next section. Here we shall merely observe that the C at each of the two extremes of the circuit $C—M—C$ has a different formal relation to M . The first C is a particular

commodity which is compared with money as the universal commodity, whereas in the second phase money as the universal commodity is compared with an individual commodity. The formula $C—M—C$ can therefore be reduced to the abstract logical syllogism $P—U—I$, where particularity forms the first extreme, universality characterises the common middle term and individuality signifies the final extreme.

The commodity owners entered the sphere of circulation merely as guardians of commodities. Within this sphere they confront one another in the antithetical roles of buyer and seller, one personifying a sugar-loaf, the other gold. Just as the sugar-loaf becomes gold, so the seller becomes a buyer. These distinctive social characters are, therefore, by no means due to individual human nature as such, but to the exchange relations of persons who produce their goods in the specific form of commodities. So little does the relation of buyer and seller represent a purely individual relationship that they enter into it only in so far as their individual labour is negated, that is to say, turned into money as *non-individual* labour. It is therefore as absurd to regard buyer and seller, these bourgeois economic types, as eternal social forms of human individuality, as it is preposterous to weep over them as signifying the abolition of individuality.* They are an essential expression of individuality arising at a particular stage of the social process of production. The antagonistic nature of bourgeois production is, moreover, expressed in the antithesis of buyer and seller in such a superficial and formal manner that this antithesis exists already in pre-bourgeois social formations, for it requires

* The following extract from M. Isaac Péreire's *Leçons sur l'industrie et les finances*, Paris, 1832, shows that delicate spirits can be deeply hurt even by the quite superficial aspect of antagonism which is represented by purchase and sale. The fact that the same Isaac is the inventor and dictator of the *Crédit mobilier*⁷¹ and as such a notorious wolf of the Paris stock exchange points to the real significance of such sentimental criticism of political economy. M. Péreire, at that time an apostle of St. Simon, says: "Since individuals are isolated and separated from one another, whether in their labour or their consumption, they exchange the products of their respective occupations. The necessity of exchanging things entails the necessity of determining their relative value. The ideas of value and exchange are therefore closely linked and in their present form both are expressions of individualism and antagonism.... The value of products is determined only because there is sale and purchase, in other words, because there is antagonism between different members of society. Preoccupation with price and value exists only where there is sale and purchase, that is to say, where every individual is compelled to *fight* in order to obtain the things necessary for the maintenance of his existence" (l.c., pp. 2, 3 *passim*). [Marx quotes in French.]

merely that the relations of individuals to one another should be those of commodity owners.

An examination of the outcome of the circuit $C—M—C$ shows that it dissolves into the exchange of $C—C$. Commodity has been exchanged for commodity, use value for use value, and the transformation of the commodity into money, or the commodity as money, is merely an intermediary stage which helps to bring about this metabolism. Money emerges thus as a mere *medium of exchange* of commodities, not however as a medium of exchange in general, but a medium of exchange adapted to the process of circulation, i.e. *a medium of circulation*.*

If, because the process of circulation of commodities ends in $C—C$ and therefore appears as barter merely mediated by money, or because $C—M—C$ in general does not only fall apart into two isolated cycles but is simultaneously their dynamic unity, the conclusion were to be drawn that only the unity and not the separation of purchase and sale exists, this would display a manner of thinking the criticism of which belongs to the sphere of logic and not of political economy. The division of exchange into purchase and sale not only destroys locally evolved primitive, traditionally pious and sentimentally absurd obstacles standing in the way of social metabolism, but it also represents the general fragmentation of the associated factors of this process and their constant confrontation, in short it contains the general possibility of commercial crises, essentially because the contradiction of commodity and money is the abstract and general form of all contradictions inherent in the bourgeois mode of labour. Although circulation of money can occur therefore without crises, crises cannot occur without circulation of money. This simply means that where labour based on individual exchange has not even got as far as the formation of money, it is naturally still less able to produce phenomena that presuppose a full development of the bourgeois process of production. This gives some measure of the degree of profundity of a criticism which proposes to remove the “maladies” of bourgeois production by abolishing the “privileges” of precious metals and by introducing a so-called rational monetary system. A proposition reputed to be exceedingly clever may on the other hand serve as an example of economic

* “Money is only the medium and the agency, whereas commodities that benefit life are the aim and purpose.” Boisguillebert, *Le détail de la France*, 1697, in Eugène Daire’s *Economistes financiers du XVIII^e siècle*, Vol. I, Paris, 1843, p. 210. [Marx quotes in French.]

apologetics. *James Mill*, the father of the well-known English economist *John Stuart Mill*, says:

There can never be a lack of buyers for all commodities. Whoever offers a commodity for sale wants to obtain another in exchange for it, and is therefore a buyer through the mere fact of being a seller. Thus, the buyers and sellers of all commodities taken together must, through a metaphysical necessity, balance each other. Hence if there are more sellers than buyers of one commodity, there must be more buyers than sellers of another commodity.*

Mill establishes equilibrium by reducing the process of circulation to direct barter, but on the other hand he insinuates buyer and seller, figures derived from the process of circulation,—into direct barter. Using Mill's confusing language one may say that there are times when it is impossible to sell all commodities, for instance in London and Hamburg during certain stages of the commercial crisis of 1857/58 there were indeed more buyers than sellers of *one* commodity, i.e. *money*, and more sellers than buyers as regards *all other forms of money*, i.e. commodities. The metaphysical equilibrium of purchases and sales is confined to the fact that every purchase is a sale and every sale a purchase, but this gives poor comfort to the possessors of commodities who unable to make a sale cannot accordingly make a purchase either.**

* A pamphlet by William Spence entitled *Britain Independent of Commerce* was published in London in November 1807; its thesis was further elaborated by William Cobbett in his *Political Register* under the more militant heading "Perish Commerce". Against this James Mill wrote his *Defence of Commerce*,⁷² which appeared in 1808; in that work he already advances the argument which is also contained in the passage quoted above from his *Elements of Political Economy*. This ingenious invention has been appropriated by J. B. Say, and used in his polemic against Sismondi and Malthus on the question of commercial crises,⁷³ and since it was not clear which new idea this comical *prince de la science*—whose merit consists rather in the impartiality with which he consistently misinterpreted his contemporaries Malthus, Sismondi and Ricardo—has contributed to political economy, continental admirers have trumpeted him abroad as the discoverer of the invaluable proposition about a metaphysical equilibrium of purchases and sales.

** The way in which economists describe the different aspects of the commodity may be seen from the following examples:

"With money in possession, we have but one exchange to make in order to secure the object of desire, while with other surplus products we have two, the first of which (securing the money) is infinitely more difficult than the second" (G. Opdyke, *A Treatise on Political Economy*, New York, 1851, pp. 287-88).

"The superior saleableness of money is the exact effect or natural consequence of the less saleableness of commodities" (Thomas Corbet, *An Inquiry into the Causes and Modes of the Wealth of Individuals, etc.*, London 1841, p. 117).

"Money has the quality of being always exchangeable for what it measures" (Bosanquet, *Metallic, Paper, and Credit Currency, etc.*, London, 1842, p. 100).

"Money can always buy other commodities, whereas other commodities can not always buy money" (Thomas Tooke, *An Inquiry into the Currency Principle*, Second

The separation of sale and purchase makes possible not only commerce proper, but also numerous *pro forma* transactions, before the final exchange of commodities between producer and consumer takes place. It thus enables large numbers of parasites to invade the process of production and to take advantage of this separation. But this again means only that money, the universal form of labour in bourgeois society, makes the development of the inherent contradictions *possible*.

b. *The Circulation of Money*

In the first instance real circulation consists of a mass of random purchases and sales taking place simultaneously. In both purchase and sale commodities and money confront each other always in the same way; the seller represents the commodity, the buyer the money. As a means of circulation money therefore appears always as a *means of purchase*, and this obscures the fact that it fulfils different functions in the antithetical phases of the metamorphosis of commodities.

Money passes into the hands of the seller in the same transaction which transfers the commodity into the hands of the buyer. Commodity and money thus move in opposite directions, and this change of places—in the course of which the commodity crosses over to one side and money to the other—occurs simultaneously at an indefinite number of points along the entire surface of bourgeois society. But the first move of the commodity in the sphere of circulation is also its last move.* No matter whether the commodity changes its position because gold is attracted by it ($C-M$) or because it is attracted by gold ($M-C$), in consequence of the single move, the single change of place, it falls out of the sphere of circulation into that of consumption. Circulation is a perpetual movement of commodities, though always of different commodities, and each commodity makes but one move. Each commodity begins the second phase of its circuit not as the same commodity, but as a different commodity, i.e. gold. The movement of the metamorphosed commodity is thus

Ed., London, 1844, p. 10). [Marx quotes from Opdyke, Corbet, Bosanquet and Tooke in English.]

* A commodity may be several times bought and sold again. It circulates, in this case, not as a mere commodity, but fulfils a function which does not yet exist from the standpoint of simple circulation and of the simple antithesis of commodity and money.

the movement of gold. The same coin or the identical bit of gold which in the transaction $C—M$ changed places with a commodity becomes in turn the starting point of $M—C$, and thus for the second time changes places with another commodity. Just as it passed from the hands of B , the buyer, into those of A , the seller, so now it passes from the hands of A , who has become a buyer, into those of C . The changes in the form of a commodity, its transformation into money and its retransformation from money, in other words the movement of the total metamorphosis of a commodity, accordingly appear as the extrinsic movement of a single coin which changes places twice, with two different commodities. However scattered and fortuitous the simultaneous purchases and sales may be, a buyer is always confronted by a seller in actual circulation, and the money which takes the place of the commodity sold must already have changed places once with another commodity before reaching the hands of the buyer. On the other hand, sooner or later the money will pass again from the hands of the seller who has become a buyer into those of a new seller, and its repeated changes of place express the interlocking of the metamorphoses of commodities. The same coins therefore proceed—always in the opposite direction to the commodities moved—from one point of the circuit to another; some coins move more frequently, others less frequently, thus describing a longer or shorter curve. The different movements of one and the same coin can follow one another only temporally, just as conversely the multiplicity and fragmentation of the purchases and sales are reflected in the simultaneous and spatially concurrent changes of place of commodity and money.

The simple form of commodity circulation, $C—M—C$, takes place when money passes from the hands of the buyer into those of the seller and from the seller who has become a buyer into the hands of a new seller. This concludes the metamorphosis of the commodity and hence the movement of money in so far as it is the expression of this metamorphosis. But since there are new use values produced continuously in the form of commodities, which must therefore be thrown continuously afresh into the sphere of circulation, the circuit $C—M—C$ is renewed and repeated by the same commodity owners. The money they have spent as buyers returns to them when they once more become sellers of commodities. The perpetual renewal of commodity circulation is reflected in the fact that over the entire surface of bourgeois society money not only circulates from one person to another but that at the same time it describes a number of distinct small

circuits, starting from an infinite variety of points and returning to the same points, in order to repeat the movement afresh.

As the change of form of the commodity appears as a mere change in place of money, and the continuity of the movement of circulation belongs entirely to the monetary side—because the commodity always makes only one step in the direction opposite to that of money, money however invariably making the second step for the commodity to complete the motion begun by the commodity—so the entire movement *appears* to be initiated by money, although during the sale the commodity causes the money to move, thus bringing about the circulation of the money in the same way as during the purchase the money brings about the circulation of the commodity. Since moreover money always confronts commodities as a *means of purchase* and as such causes commodities to move merely by realising their prices, the entire movement of circulation appears to consist of money changing places with commodities by realising their prices either in separate transactions which occur simultaneously, side by side, or successively when the same coin realises the prices of different commodities one after another. If, for example, one examines $C—M—C'—M—C''—M—C'''$, etc., and disregards the qualitative aspects, which become unrecognisable in actual circulation, there emerges only the same monotonous operation. After realising the price of C , M successively realises the prices of C' , C'' , etc., and the commodities C' , C'' , C''' , etc., invariably take the place vacated by money. It thus appears that money causes the circulation of commodities by realising their prices. While it serves to realise prices, money itself circulates continuously, sometimes moving merely to a different place, at other times tracing a curve or describing a small cycle in which the points of departure and of return are identical. As a medium of circulation it has a circulation of its own. The movement and changing forms of the circulating commodities thus appear as the movement of money mediating the exchange of commodities, which are in themselves immobile. The movement of the circulation process of commodities is therefore represented by the movement of money as the medium of circulation, i.e. by the *circulation of money*.

Just as commodity owners presented the products of individual labour as products of social labour, by transforming a thing, i.e. gold, into the direct embodiment of labour time in general and therefore into money, so now their own universal movement by which they bring about the exchange of the material elements of their labour confronts them as the specific movement of a thing,

i.e. as the circulation of gold. The social movement is for the commodity owners, on the one hand, an external necessity and, on the other, merely a formal intermediary process enabling each individual to obtain different use values of the same total value as that of the use value which he has thrown into circulation. The commodity begins to function as a use value when it leaves the sphere of circulation, whereas the use value of money as a means of circulation consists in its very circulation. The movement of the commodity in the sphere of circulation is only an insignificant factor, whereas perpetual rotation within this sphere becomes the function of money. The specific function which it fulfils within circulation gives money as the medium of circulation a new and distinctive aspect, which now has to be analysed in more detail.

First of all, it is evident that the circulation of money is an infinitely divided movement, for it reflects the infinite fragmentation of the process of circulation into purchases and sales, and the complete separation of the complementary phases of the metamorphosis of commodities. It is true that a recurrent movement, real circular motion, takes place in the small circuits of money in which the point of departure and the point of return are identical; but in the first place, there are as many points of departure as there are commodities, and their indefinite multitude balks any attempt to check, measure and compute these circuits. The time which passes between the departure from and the return to the starting point is equally uncertain. It is, moreover, quite irrelevant whether or not such a circuit is described in a particular case. No economic fact is more widely known than that somebody may spend money without receiving it back. Money starts its circuit from an endless multitude of points and returns to an endless multitude of points, but the coincidence of the point of departure and the point of return is fortuitous, because the movement $C-M-C$ does not necessarily imply that the buyer becomes a seller again. It would be even less correct to depict the circulation of money as a movement which radiates from one centre to all points of the periphery and returns from all the peripheral points to the same centre. The so-called circuit of money, as people imagine it, simply amounts to the fact that the appearance of money and its disappearance, its perpetual movement from one place to another, is everywhere visible. When considering a more advanced form of money used to mediate circulation, e.g. bank notes, we shall find that the conditions governing the issue of money determine also its reflux. But as regards simple money circulation it is a matter of chance whether a particular buyer becomes a seller once again.

Where actual circular motions are taking place continuously in the sphere of simple money circulation, they merely reflect the more fundamental processes of production, for instance, with the money which the manufacturer receives from his banker on Friday he pays his workers on Saturday, they immediately hand over the larger part of it to retailers, etc., and the latter return it to the banker on Monday.

We have seen that money simultaneously realises a given sum of prices comprising the motley purchases and sales which coexist in space, and that it changes places with each commodity only once. But, on the other hand, in so far as the movements of complete metamorphoses of commodities and the concatenation of these metamorphoses are reflected in the movement of money, the same coin realises the prices of various commodities and thus makes a larger or smaller number of circuits. Hence, if we consider the process of circulation in a country during a definite period, for instance a day, then the amount of gold required for the realisation of prices and accordingly for the circulation of commodities is determined by two factors: on the one hand, the sum total of prices and, on the other hand, the average number of circuits which the individual gold coins make. The number of circuits or the velocity of money circulation is in its turn determined by, or simply reflects, the average velocity of the commodities passing through the various phases of their metamorphoses, the speed with which the metamorphoses constituting a chain follow one another, and the speed with which new commodities are thrown into circulation to replace those that have completed their metamorphoses. Whereas during the determination of prices the exchange value of all commodities is nominally turned into a quantity of gold of the same value and in the two separate transactions, $M-C$ and $C-M$, the same value exists twice, on the one hand, in the shape of commodities and, on the other, in the form of gold; yet gold as a medium of circulation is determined not by its isolated relation to individual static commodities, but by its dynamic existence in the fluid world of commodities. The function of gold is to represent the transformation of commodities by its changes of place, in other words, to indicate the speed of their transformation by the speed with which it moves from one point to another. Its function in the process as a whole thus determines the actual amount of gold in circulation, or the actual quantity which circulates.

Commodity circulation is the prerequisite of money circulation; money, moreover, circulates commodities which have prices, that is

commodities which have already been equated nominally with definite quantities of gold. The determination of the prices of commodities presupposes that the value of the quantity of gold which serves as the standard measure or the value of gold, is given. According to this assumption, the quantity of gold required for circulation is in the first place determined therefore by the sum of the commodity prices to be realised. This sum, however, is in its turn determined by the following factors: 1. the price level, the relative magnitude of the exchange values of commodities in terms of gold, and 2. the quantity of commodities circulating at definite prices, that is the number of purchases and sales at given prices.* If a quarter of wheat costs 60s., then twice as much gold is required to circulate it or to realise its price as would be required if it cost only 30s. Twice as much gold is needed to circulate 500 quarters at 60s. as is needed to circulate 250 quarters at 60s. Finally only half as much gold is needed to circulate 10 quarters at 100s. as is needed to circulate 40 quarters at 50s. It follows therefore that the quantity of gold required for the circulation of commodities can fall despite rising prices, if the mass of commodities in circulation decreases faster than the total sum of prices increases, and conversely the amount of means of circulation can increase while the mass of commodities in circulation decreases provided their aggregate prices rise to an even greater extent. Thus excellent investigations carried out in great detail by Englishmen have shown that in England, for instance, the amount of money in circulation grows during the early stages of a grain shortage, because the aggregate price of the smaller supply of grain is larger than was the aggregate price of the bigger supply of grain, and for some time the other commodities continue to circulate as before at their old prices. The amount of money in circulation decreases, however, at a later stage of the grain shortage, because along with the grain either fewer commodities are sold at their old prices, or the same amount of commodities is sold at lower prices.

* The amount of money is a matter of indifference "provided there is enough of it to maintain the prices determined by the commodities". Boisguillebert, *Le détail de la France*, p.209. [Marx quotes in French.] "If the circulation of commodities of four hundred millions required a currency of forty millions, and ... this proportion of one-tenth was the due level, ... then, if the value of commodities to be circulated increased to four hundred and fifty millions, from natural causes ... the currency, in order to continue at its level, must be increased to forty-five millions." William Blake, *Observations on the Effects Produced by the Expenditure of Government, etc.*, London, 1823, p. 80.

But the quantity of money in circulation is, as we have seen, determined not only by the sum of commodity prices to be realised, but also by the velocity with which money circulates, i.e. the speed with which this realisation of prices is accomplished during a given period. If in one day one and the same sovereign makes ten purchases, each consisting of a commodity worth one sovereign, so that it changes hands ten times, it transacts the same amount of business as ten sovereigns each of which makes only one circuit a day.* The velocity of circulation of gold can thus make up for its quantity: in other words, the stock of gold in circulation is determined not only by gold functioning as an equivalent alongside commodities, but also by the function it fulfils in the movement of the metamorphoses of commodities. But the velocity of currency can make up for its quantity only to a certain extent, for an endless number of separate purchases and sales take place simultaneously at any given moment.

If the aggregate prices of the commodities in circulation rise, but to a smaller extent than the velocity of currency increases, then the volume of money in circulation will decrease. If, on the contrary, the velocity of circulation decreases at a faster rate than the total price of the commodities in circulation, then the volume of money in circulation will grow. A general fall in prices accompanied by an increase in the quantity of the medium of circulation and a general rise in prices accompanied by a decrease in the quantity of the medium of circulation are among the best documented phenomena in the history of prices. But the causes occasioning a rise in the level of prices and at the same time an even larger rise in the velocity of currency, as also the converse development, lie outside the scope of an investigation into simple circulation. We may mention by way of illustration that in periods of expanding credit the velocity of currency increases faster than the prices of commodities, whereas in periods of contracting credit the velocity of currency declines faster than the prices of commodities. It is a sign of the superficial and formal character of simple money circulation that the quantity of means of circulation is determined by factors—such as the amount of commodities in circulation, prices, increases or decreases of prices, the number of purchases and sales taking place simultaneously, and the velocity of currency—all of which are contingent on the metamorphosis

* “It is the velocity of the circulation of money and not the quantity of the metals, that causes the amount of money to be large or small” (Galvani, l.c., p. 99). [Marx quotes in Italian.]

proceeding in the world of commodities, which is in turn contingent on the general nature of the mode of production, the size of the population, the relation of town and countryside, the development of the means of transport, the more or less advanced division of labour, credit, etc., in short on circumstances which lie *outside* the framework of simple money circulation and are merely mirrored in it.

If the velocity of circulation is given, then the quantity of the means of circulation is simply determined by the prices of commodities. Prices are thus high or low not because more or less money is in circulation, but there is more or less money in circulation because prices are high or low. This is one of the principal economic laws, and the detailed substantiation of it based on the history of prices is perhaps the only achievement of the post-Ricardian English political economy. Empirical data show that, despite temporary fluctuations, and sometimes very intense fluctuations,* over longer periods the level of metallic currency or the volume of gold and silver in circulation in a particular country may remain on the whole stable, deviations from the average level amounting merely to small oscillations. This phenomenon is simply due to the contradictory nature of the factors determining the volume of money in circulation. Changes occurring simultaneously in these factors neutralise their effects and everything remains as it was.

The law that, if the speed of circulation of money and the sum total of the commodity prices are given, the amount of the medium of circulation is determined, can also be expressed in the following way: if the exchange values of commodities and the average speed of their metamorphoses are given, then the quantity of gold in circulation depends on its own value. Thus, if the value of gold, i.e. the labour time required for its production, were to increase or to decrease, then the prices of commodities would rise

* An example of a remarkable fall of the metallic currency below its average level occurred in England in 1858 as the following passage from the London *Economist* shows: "From the nature of the case" (i.e. owing to the fragmentation of simple circulation) "very exact data cannot be procured as to the amount of cash that is fluctuating in the market, and in the hands of the not banking classes. But, perhaps, the activity or the inactivity of the mints of the great commercial nations is one of the most likely indications in the variations of that amount. Much will be manufactured when it is wanted; and little when little is wanted.... At the English mint the coinage was in 1855: £9,245,000; 1856: £6,476,000; 1857: £5,293,858. During 1858 the mint had scarcely anything to do." *Economist*, July 10, 1858. [Marx quotes in English.] But at the same time about eighteen million pounds sterling were lying in the bank vaults.

or fall in inverse proportion and, provided the velocity remained unchanged, this general rise or fall in prices would necessitate a larger or smaller amount of gold for the circulation of the same amount of commodities. The result would be similar if the previous standard of value were to be replaced by a more valuable or a less valuable metal. For instance, when, in deference to its creditors and impelled by fear of the effect the discovery of gold in California and Australia might have, Holland replaced gold currency by silver currency, 14 to 15 times more silver was required than formerly was required of gold to circulate the same volume of commodities.

Since the quantity of gold in circulation depends upon two variable factors, the total amount of commodity price and the velocity of circulation, it follows that it must be possible to reduce and expand the quantity of metallic currency; in short, in accordance with the requirements of the process of circulation, gold, as means of circulation, must sometimes be put into circulation and sometimes withdrawn from it. We shall see later how these conditions are realised in the process of circulation.

c. Coins. Tokens of Value

Money functioning as a medium of circulation assumes a specific shape, it becomes a *coin*. In order to prevent its circulation from being hampered by technical difficulties, gold is minted according to the standard of the money of account. Coins are pieces of gold whose shape and imprint signify that they contain weights of gold as indicated by the names of the money of account, such as pound sterling, shilling, etc. Both the establishing of the mint price and the technical work of minting devolve upon the State. Coined money assumes a *local and political character*, it uses different national languages and wears different national uniforms, just as does money of account. Coined money circulates therefore in the *internal* sphere of circulation of commodities, which is circumscribed by the boundaries of a given community and separated from the *universal* circulation of the world of commodities.

But the only difference between gold in the form of bullion and gold in the form of coin is that between the denomination of the coin and denomination of its metal weight. What appears as a difference of denomination in the latter case, appears as a difference of shape in the former. Gold coins can be thrown into

the crucible and thus turned again into gold *sans phrase*, just as conversely gold bars have only to be sent to the mint to be transformed into coin. The conversion and reconversion of one form into the other appears as a purely technical operation.

In exchange for 100 pounds or 1,200 ounces troy of 22-carat gold one receives £4,672¹/₂ or 4,672¹/₂ gold sovereigns from the English mint, and if one puts these sovereigns on one side of a pair of scales and 100 pounds of gold bars on the other, the two will balance. This proves that the sovereign is simply a quantity of gold—with a specific shape and a specific imprint—the weight of which is denoted by this name in the English monetary scale. The 4,672¹/₂ gold sovereigns are thrown into circulation at different points and, once in the current, they make a certain number of moves each day, some sovereigns more and others less. If the average number of moves made by one ounce of gold during a day were ten, then the 1,200 ounces of gold would realise a total of commodity prices amounting to 12,000 ounces or 46,725 sovereigns. An ounce of gold, no matter how one may twist and turn it, will never weigh ten ounces. But here in the process of circulation, one ounce does indeed amount to ten ounces. In the process of circulation a coin is equal to the quantity of gold contained in it multiplied by the number of moves it makes. In addition to its actual existence as an individual piece of gold of a certain weight, the coin thus acquires a nominal existence which arises from the function it performs. But whether the sovereign makes one or ten moves, in each particular purchase or sale it nevertheless acts merely as a single sovereign. The effect is the same as in the case of a general who on the day of battle replaces ten generals by appearing at ten different places at the crucial time, but remains the same general at each point. The nominalisation of the medium of circulation, which arises as a result of the replacement of quantity by velocity, concerns only the functioning of coins within the process of circulation but does not affect the status of the individual coins.

But the circulation of money is an external movement and the sovereign, although *non olet*,^a keeps mixed company. The coin, which comes into contact with all sorts of hands, bags, purses, pouches, tills, chests and boxes, wears away, leaves a particle of gold here and another there, thus losing increasingly more of its intrinsic content as a result of abrasion sustained in the course of its worldly career. While in use it is getting used up. Let us

^a It does not smell (Vespasian).— *Ed.*

consider a sovereign at a moment when its original solid features are as yet hardly impaired.

"A baker who receives a brand-new sovereign straight from the bank today, and pays it away to the miller tomorrow, does not pay the same veritable sovereign; it is lighter than when he received it..."*

"It being obvious that the coinage, in the very nature of things, must be for ever, unit by unit, falling under depreciation by the mere action of ordinary and unavoidable abrasion. It is a physical impossibility at any time, even for a single day, utterly to eliminate light coins from circulation."**

Jacob estimates that of the £380 million which existed in Europe in 1809, £19 million had completely disappeared as a result of abrasion by 1829, that is in the course of 20 years.*** Whereas the commodity having taken its first step, bringing it into the sphere of circulation, drops out of it, the coin, after making a few steps in the sphere of circulation, represents a greater metal content than it actually possesses. The longer a coin circulates at a given velocity, or the more rapidly it circulates in a given period of time, the greater becomes the divergence between its existence as a coin and its existence as a piece of gold or silver. What remains is *magni nominis umbra*,^a the body of the coin is now merely a shadow. Whereas originally circulation made the coin heavier, it now makes it lighter, but in each individual purchase or sale it still passes for the original quantity of gold. As a *pseudo-sovereign*, or pseudo-gold, the sovereign continues to perform the function of a legal gold coin. Although friction with the external world causes other entities to lose their idealism, the coin becomes increasingly ideal as a result of practice, its golden or silver substance being reduced to a mere pseudo-existence. This second idealisation of metal currency, that is, the disparity between its nominal content and its real content, brought about by the process of circulation itself, has been taken advantage of both by governments and individual adventurers who debased the coinage in a variety of ways. The entire history of the monetary system from the early

* Dodd, *The Curiosities of Industry etc.*, London, 1854 [p. 16].

** *The Currency Question Reviewed etc.* By a Banker, Edinburgh, 1845, p. 69 etc. "If a slightly worn écu were to be considered to be worth somewhat less than a quite new one, circulation would be continually checked, and every payment would provide an occasion for dispute" (G. Garnier, *Histoire de la monnaie*, tome I, p. 24). [Marx quotes in French.]

*** W. Jacob, *An Historical Inquiry into the Production and Consumption of the Precious Metals*, London, 1831, Vol. II, Chapter XXVI [p. 322].

^a The mere shadow of a mighty name (Lucanus, "De bello civili", *Pharsalia*, I, 135).—*Ed.*

Middle Ages until well into the eighteenth century is a history of such bilateral and antagonistic counterfeiting, and Custodi's voluminous collection of works of Italian economists is largely concerned with this subject.

But the "ideal" existence of gold within the confines of its function comes into conflict with its real existence. In the course of circulation some gold coins have lost more of their metal content, others less, and one sovereign is now indeed worth more than another. Since they are however equally valid while they function as coin—the sovereign that weighs a quarter of an ounce is valued no more highly than the sovereign which only represents a quarter of an ounce—some unscrupulous owners perform surgical operations on sovereigns of standard weight to achieve the same result artificially which circulation has brought about spontaneously in the case of lighter coins. Sovereigns are clipped and debased and the surplus gold goes into the melting pot. When $4,672\frac{1}{2}$ gold sovereigns placed on the scales weigh on the average only 800 ounces instead of 1,200, they will buy only 800 ounces of gold on the gold market: in other words, the market price of gold has risen above the mint price. All sovereigns, even those retaining the standard weight, would be worth less as coin than in the shape of bars. Sovereigns of standard weight would be reconverted into bars, a form in which a greater quantity of gold has a greater value than a smaller quantity of gold. When the decline of the metal content has affected a sufficient number of sovereigns to cause a permanent rise of the market price of gold over its mint price, the coins will retain the same names of account but these will henceforth stand for a smaller quantity of gold. In other words, the standard of money will be changed, and henceforth gold will be minted in accordance with this new standard. Thus, in consequence of its idealisation as a medium of circulation, gold in its turn will have changed the legally established relation in which it functioned as the standard of price. A similar revolution would be repeated after a certain period of time; gold both as the standard of price and the medium of circulation in this way being subject to continuous changes, so that a change in the one aspect would cause a change in the other and vice versa. This accounts for the phenomenon mentioned earlier, namely that, as the history of all modern nations shows, the same monetary titles continued to stand for a steadily diminishing metal content. The contradiction between gold as coin and gold as the standard of price becomes also the contradiction between gold as coin and gold as the universal equivalent, which circulates not only within the boun-

daries of a given territory but also on the world market. As a measure of value gold has always retained its full weight, because it has served only nominally as gold. When serving as an equivalent in the separate transaction $C—M$, gold reverts from movement immediately to a state of rest; but when it serves as a coin its natural substance comes into constant conflict with its function. The transformation of gold sovereigns into nominal gold cannot be entirely prevented, but legislation attempts to preclude the establishment of nominal gold as coin by withdrawing it from circulation when the coins in question have lost a certain percentage of their substance. According to English law, for instance, a sovereign which has lost more than 0.747 grain of weight is no longer legal tender. Between 1844 and 1848, 48 million gold sovereigns were weighed by the Bank of England, which possesses scales for weighing gold invented by Mr. Cotton. This machine is not only able to detect a difference between the weights of two sovereigns amounting to one-hundredth of a grain, but like a rational being it flings the light-weight coin onto a board from which it drops into another machine that cuts it into pieces with oriental cruelty.

Under these conditions, however, gold coins would not be able to circulate at all unless they were confined to a definite sphere of circulation where they wear out less quickly. In so far as a gold coin in circulation is worth a quarter of an ounce, whereas it weighs only a fifth of an ounce, it has indeed become a mere token or symbol for one-twentieth of an ounce of gold, and in this way the process of circulation converts all gold coins to some extent into mere tokens or symbols representing their substance. But a thing cannot be its own symbol. Painted grapes are no symbol of real grapes, but are imaginary grapes. Even less is it possible for a light-weight sovereign to be the symbol of a standard-weight sovereign, just as an emaciated horse cannot be the symbol of a fat horse. Since gold thus becomes a symbol of itself but cannot serve as such a symbol it assumes a symbolic existence—quite separate from its own existence—in the shape of silver or copper counters in those spheres of circulation where it wears out most rapidly, namely where purchases and sales of minute amounts go on continuously. A certain proportion of the total number of gold coins, although not always the same coins, perpetually circulate in these spheres. This proportion of gold coins is replaced by silver or copper tokens. Various commodities can thus serve as coin alongside gold, although only one specific commodity can function as the measure of value and therefore

also as money within a particular country. These subsidiary means of circulation, for instance silver or copper tokens, represent definite fractions of gold coins within the circulation. The amount of silver or copper these tokens themselves contain is, therefore, not determined by the value of silver or copper in relation to that of gold, but is arbitrarily established by law. They may be issued only in amounts not exceeding those in which the small fractions of gold coin they represent would constantly circulate, either as small change for gold coin of higher denominations or to realise correspondingly low prices of commodities. The silver tokens and copper tokens will belong to distinct spheres of retail trade. It is self-evident that their velocity of circulation stands in inverse ratio to the price they realise in each individual purchase and sale, or to the value of the fraction of the gold coin they represent. The relatively insignificant total amount of subsidiary coins in circulation indicates the velocity with which they perpetually circulate, if one bears in mind the huge volume of retail trade daily transacted in a country like England. A recently published parliamentary report^a shows, for instance, that in 1857 the English Mint coined gold to the amount of £4,859,000 and silver having a nominal value of £373,000 and a metal value of £363,000. In the ten-year period ending December 31, 1857, the total amount of gold coined came to £55,239,000 and that of silver to only £2,434,000. The nominal value of copper coins issued in 1857 was only £6,720, while the value of the copper contained in them was £3,492; of this total £3,136 was issued as pennies, £2,464 as halfpennies and £1,120 as farthings. The total nominal value of the copper coin struck during the last ten years came to £141,477, and their metal value to £73,503. Just as gold coin is prevented from perpetually functioning as coin by the statutory provision that on losing a certain quantity of metal it is demonetised, so conversely by laying down the price level which they can legally realise silver and copper counters are prevented from moving into the sphere of gold coin and from establishing themselves as money. Thus for example in England, copper is legal tender for sums up to 6d. and silver for sums up to 20s. The issue of silver and copper tokens in quantities exceeding the requirements of their spheres of circulation would not lead to a rise in commodity-prices but to the accumulation of these tokens in the hands of retail traders, who would in the end be forced to sell them as metal. In 1798, for instance, English copper coins to the

^a *The Economist*, No. 763, April 10, 1858, p. 401.—*Ed.*

amounts of £20, £30 and £50, spent by private people, had accumulated in the tills of shopkeepers and, since their attempts to put the coins again into circulation failed, they finally had to sell them as metal on the copper market.*

The metal content of the silver and copper tokens, which represent gold coin in distinct spheres of home circulation, is determined by law; but when in circulation they wear away, just as gold coins do, and, because of the velocity and constancy of their circulation, they are reduced even faster to a merely imaginary, or shadow existence. If one were to establish that silver and copper tokens also, on losing a certain amount of metal, should cease to function as coin, it would be necessary to replace them in turn in certain sections of their own sphere of circulation by some other symbolic money, such as iron or lead; and in this way the representation of one type of symbolic money by other types of symbolic money would go on for ever. The needs of currency circulation itself accordingly compel all countries with a developed circulation to ensure that silver and copper tokens function as coin independently of the percentage of metal they lose. It thus becomes evident that they are, by their very nature, symbols of gold coin not because they are made of silver or copper, not because they have value, but they are symbols in so far as they have no value.

Relatively worthless things, such as *paper*, can function as symbols of gold coins. Subsidiary coins consist of metal, silver, copper, etc., tokens principally because in most countries the less valuable metals circulated as money—e.g. silver in England, copper in the ancient Roman Republic, Sweden, Scotland, etc.—before the process of circulation reduced them to the status of small coin and put a more valuable metal in their place. It is in the nature of things moreover that the monetary symbol which directly arises from metallic currency should be, in the first place, once again a metal. Just as the portion of gold which would constantly have to circulate as small change is replaced by metal tokens, so the portion of gold which as coin remains always in the sphere of home circulation, and must therefore circulate perpetually, can be replaced by tokens without intrinsic value. The level below which the volume of currency never falls is established in each country by experience. What was originally an insignificant divergence of the nominal content from the actual metal content

* David Buchanan, *Observations on the Subjects Treated of in Doctor Smith's Inquiry on the Wealth of Nations etc.*, Edinburgh, 1814, p. 31.

of metallic currency can therefore reach a stage where the two things are completely divorced. The names of coins become thus detached from the substance of money and exist apart from it in the shape of worthless scraps of paper. In the same way as the exchange value of commodities is crystallised into gold money as a result of exchange, so gold money in circulation is sublimated into its own symbol, first in the shape of worn gold coin, then in the shape of subsidiary metal coin, and finally in the shape of worthless counters, scraps of paper, mere *tokens of value*.

But the gold coin gave rise first to metallic and then to paper substitutes only because it continued to function as a coin despite the loss of metal it incurred. It circulated not because it was worn, but it was worn to a symbol because it continued to circulate. Only in so far as in the process of circulation gold currency becomes a mere token of its own value can mere tokens of value be substituted for it.

In so far as the circuit $C—M—C$ is the dynamic unity of the two aspects $C—M$ and $M—C$, which directly change into each other, or in so far as the commodity undergoes the entire metamorphosis, it evolves its exchange value into price and into money, but immediately abandons these forms again to become once more a commodity, or rather a use value. The exchange value of the commodity thus acquires *only a seemingly independent existence*. We have seen, on the other hand, that gold, when it functions only as specie, that is when it is perpetually in circulation, does indeed represent merely the interlinking of the metamorphoses of commodities and *their ephemeral existence as money*. Gold realises the price of one commodity only in order to realise that of another, but it never appears as exchange value in a state of rest or even a commodity in a state of rest. The reality which in this process the exchange value of commodities assumes, and which is expressed by gold in circulation, is merely the reality of an electric spark. Although it is real gold, it functions merely as apparent gold, and in this function therefore a token of itself can be substituted for it.

The token of value, say a piece of paper, which functions as a coin, represents the quantity of gold indicated by the name of the coin, and is thus a *token of gold*. A definite quantity of gold as such does not express a value relation, nor does the token which takes its place. The gold token represents value in so far as a definite quantity of gold, because it is objectified labour time, possesses a definite value. But the amount of value which the token represents depends in each case upon the value of the quantity of

gold represented by it. As far as commodities are concerned, the token of value represents the *reality of their price* and constitutes a *signum pretii*^a and a token of their value only because their value is expressed in their price. In the circuit $C-M-C$, in so far as it expresses merely the dynamic unity of the two metamorphoses or the direct transformation of one metamorphosis into the other—and this is how it appears in the sphere of circulation, within which the token of value operates—the exchange value of commodities assumes in the price merely a nominal existence and in money merely an imaginary or symbolic existence. Exchange value thus appears to be something *purely* conceptual or an imagined entity but possessing no *reality* except in the commodities, in so far as a definite amount of labour time is objectified in them. The token of value therefore *seems* to represent the value of commodities *directly*, since it appears to be not a token of gold but a token of the exchange value which exists solely in the commodity and is merely expressed in the price. But the appearance is deceptive. The token of value is directly only a *token of price*, that is a *token of gold*, and only indirectly a token of the value of the commodity. Gold, unlike Peter Schlemihl, has not sold its shadow, but uses its shadow as a means of purchase. Thus the token of value is effective only when in the process of exchange it signifies the price of one commodity compared with that of another or when it *represents gold* with regard to every commodity owner. First of all custom turns a certain, relatively worthless object, a piece of leather, a scrap of paper, etc., into a token of the material of which money consists, but it can maintain this position only if its function as a symbol is guaranteed by the general intention of commodity owners, in other words, if it acquires a legal conventional existence and hence a legal rate of exchange. Paper money issued by the state and given a legal rate is an advanced form of the *token of value*, and the only kind of paper money which directly arises from metallic currency or from simple commodity circulation itself. *Credit money* belongs to a more advanced stage of the social process of production and conforms to very different laws. Symbolic paper money indeed does not differ at all from subsidiary metal coin except in having a wider sphere of circulation. Even the merely technical development of the standard of price, or of the mint price, and later the external transformation of gold bars into gold coin led to state intervention and consequently to a visible separation of internal circulation

^a Sign of price.—*Ed.*

from the general circulation of commodities, this division being completed by the transformation of coin into a token of value. Money as a simple medium of circulation can after all acquire an independent existence only within the sphere of internal circulation.

Our exposition has shown that gold in the shape of coin, that is tokens of value divorced from gold substance itself, originates in the process of circulation itself and does not come about by arrangement or state intervention. Russia affords a striking example of a spontaneously evolved token of value. At a time when hides and furs served as money in that country, the contradiction between the perishable and unwieldy material and its function as a medium of circulation led to the custom of substituting small pieces of stamped leather for it; these pieces thus became money orders payable in hides and furs. Later they were called kopeks and became mere tokens representing fractions of the silver ruble and as such were used here and there until 1700, when Peter the Great ordered their replacement by small copper coins issued by the State.* In antiquity writers, who were able to observe only the phenomena of metallic currency, among them Plato** and Aristotle,*** already understood that gold coin

* Henry Storch, *Cours d'économie politique etc.* avec des notes par J. B. Say, Paris, 1823, tome IV, p. 79. Storch published his work in French in St. Petersburg, J. B. Say immediately brought out a reprint in Paris, supplemented by so-called notes, which in fact contain nothing but platitudes. Storch's reaction to the annexation of his work by the "prince de la science" was not at all polite (see his *Considérations sur la nature du revenu national*, Paris, 1824).

** Plato, *De Republica*, l. II. "The coin is a token of exchange" (*Opera omnia etc.*, ed. G. Stallbaumius, London, 1850, p. 304). [Marx quotes in Greek.] Plato analyses only two aspects of money, i.e. money as a standard of value and a token of value; apart from the token of value circulating within the country he calls for another token of value serving in the commerce of Greece with other countries (cf. book 5 of his *Laws*).

*** Aristoteles, *Ethica Nicomachea*, l. V, c. 8 [p. 98]. "But money has become by convention a sort of representative of demand; and this is why it has the name 'money' [νόμισμα]—because it exists not by nature but by 'law' [νόμος], and it is in our power to change it and make it useless." [The English translation is from Aristotle, *Ethica Nicomachea*, Oxford, 1925, 1133a.] [Here and below Marx quotes from Aristotle in Greek.] Aristotle's conception of money was considerably more complex and profound than that of Plato. In the following passage he describes very well how as a result of barter between different communities the necessity arises of turning a specific commodity, that is a substance which has itself value, into money. "When the inhabitants of one country became more dependent on those of another, and they imported what they needed, and exported what they had too much of, money necessarily came into use ... and hence men agreed to employ in their dealings with each other something which was intrinsically useful

is a symbol or token of value. Paper money with a legal rate of exchange arises early in countries such as China, which have not evolved a credit system.* Later advocates of paper money also refer expressly to the transformation of the metal coin into a token of value which is brought about by the circulation process itself. Such references occur in the works of Benjamin Franklin** and Bishop Berkeley.***

How many reams of paper cut into fragments can circulate as money? In this form the question is absurd. Worthless tokens become tokens of value only when they represent gold within the process of circulation, and they represent it only to the amount of gold which would circulate as coin, an amount which depends on the value of gold if the exchange value of the commodities and

and easily applicable to the purposes of life, for example, iron, silver and the like." (Aristoteles, *De Republica*, l. I, c. 9, l.c. [p. 14]. [The English translation is from Aristotle, *Politica*, by Benjamin Jowett, Oxford, 1966, 1257^a.) Michel Chevalier, who has either not read or not understood Aristotle, quotes this passage to show that according to Aristotle the medium of circulation must be a substance which is itself valuable. Aristotle, however, states plainly that money regarded simply as medium of circulation is merely a conventional or legal entity, as even its name (*νόμισμα*) indicates, and its use value as specie is in fact only due to its function and not to any intrinsic use value. "Others maintain that coined money is a mere sham, a thing not natural, but conventional only, because, if the users substitute another commodity for it, it is worthless, and because it is not useful as a means to any of the necessities of life." (Aristoteles, *De Republica* [p. 15]. [The English translation is from Aristotle, *Politica*, 1257^b.])

* Sir John Mandeville, *Voyages and Travels*, London, 1705, p. 105: "This Emperor (of Cattay or China) may dispense ols muche as he wile withouten estymacion. For he despendenthe not, nor makethe no money, but of lether emprendeth, or of papyre. And when that money hath ronne so longe that it begynethe to waste, then men beren it to the Emperoures Tresorrie, and then they taken newe Money for the old. And that money gothe thorge out all the contree, and thorge out all his Provynces... They make no money nouter of Gold nor of Sylver", and Mandeville adds, "therefore he may despende ynew and outrageously." [Marx quotes in English.]

** Benjamin Franklin, *Remarks and Facts Relative to the American Paper Money*, 1764, p. 348, l.c.: "At this very time, even the silver money in England is obliged to the legal tender for part of its value; that part which is the difference between its real weight and its denomination. Great part of the shillings and sixpences now current are by wearing become 5, 10, 20, and some of the sixpences even 50%, too light. For this difference between the *real* and the *nominal* you have no intrinsic value; you have not so much as paper, you have nothing. It is the legal tender, with the knowledge that it can easily be repassed for the same value, that makes three pennyworth of silver pass for a sixpence." [Marx quotes in English.]

*** Berkeley, l.c. [p. 3]. "Whether the denominations being retained, although the bullion were gone ... might not nevertheless ... a circulation of commerce (be) maintained?"

the velocity of their metamorphoses are given. The number of pieces of paper with a denomination of £5 which could be used in circulation would be one-fifth of the number of pieces of paper with a denomination of £1, and if all payments were to be transacted in shilling notes, then twenty times more shilling notes than pound notes would have to circulate. If gold coin were represented by notes of different denomination, e.g. £5 notes, £1 notes and 10s. notes, the number of the different types of tokens of value needed would not just be determined by the quantity of gold required in the sphere of circulation as a whole, but by the quantity needed in the sphere of circulation of each particular type of note. If £14 million were the level below which the circulation of a country never fell (this is the presupposition of English Banking legislation, not however with regard to coin but to credit money), then 14 million pieces of paper, each a token of value representing £1, could circulate. If the value of gold decreased or increased because the labour time required for its production had fallen or risen, then the number of pound notes in circulation would increase or decrease in inverse ratio to the change in the value of gold, provided the exchange value of the same mass of commodities remained unchanged. Supposing gold were superseded by silver as the standard of value and the relative value of silver to gold were 1:15, then 210 million pound notes would have to circulate henceforth instead of 14 million, if from now on each piece of paper was to represent the same amount of silver as it had previously represented of gold. The number of pieces of paper is thus determined by the quantity of gold currency which they represent in circulation, and as they are tokens of value only in so far as they take the place of gold currency, their value is simply determined by their *quantity*. Whereas, therefore, the quantity of gold in circulation depends on the prices of commodities, the value of the paper in circulation, on the other hand, depends solely on its own quantity.

The intervention of the State which issues paper money with a legal rate of exchange—and we speak only of this type of paper money—seems to invalidate the economic law. The State, whose mint price merely provided a definite weight of gold with a name and whose mint merely imprinted its stamp on gold, seems now to transform paper into gold by the magic of its imprint. Because the pieces of paper have a legal rate of exchange, it is impossible to prevent the State from thrusting any arbitrarily chosen number of them into circulation and to imprint them at will with any monetary denomination such as £1, £5, or £20. Once the notes

are in circulation it is impossible to drive them out, for the frontiers of the country limit their movement, on the one hand, and, on the other hand, they lose all value, both use value and exchange value, *outside* the sphere of circulation. Apart from their function they are useless scraps of paper. But this power of the State is mere illusion. It may throw any number of paper notes of any denomination into circulation but its control ceases with this mechanical act. As soon as the token of value or paper money enters the sphere of circulation it is subject to the inherent laws of this sphere.

Let us assume that £14 million is the amount of gold required for the circulation of commodities and that the State throws 210 million notes each called £1 into circulation: these 210 million would then stand for a total of gold worth £14 million. The effect would be the same as if the notes issued by the State were to represent a metal whose value was one-fifteenth that of gold or that each note was intended to represent one-fifteenth of the previous weight of gold. This would have changed nothing but the nomenclature of the standard of prices, which is of course purely conventional, quite irrespective of whether it was brought about directly by a change in the monetary standard or indirectly by a increase in the number of paper notes issued in accordance with a new lower standard. As the name pound sterling would now indicate one-fifteenth of the previous quantity of gold, all commodity prices would be fifteen times higher and 210 million pound notes would now be indeed just as necessary as 14 million had previously been. The decrease in the quantity of gold which each individual token of value represented would be proportional to the increased aggregate value of these tokens. The rise of prices would be merely a reaction of the process of circulation, which forcibly placed the tokens of value on a par with the quantity of gold which they are supposed to replace in the sphere of circulation.

One finds a number of occasions in the history of the debasement of currency by English and French governments when the rise in prices was not proportionate to the debasement of the silver coins. The reason was simply that the increase in the volume of currency was not proportional to its debasement; in other words, if the exchange value of commodities was in future to be evaluated in terms of the lower standard of value and to be realised in coins corresponding to this lower standard, then inadequate number of coins with lower metal content had been issued. This is the solution of the difficulty which was not resolved

by the controversy between Locke and Lowndes. The rate at which a token of value—whether it consists of paper or bogus gold and silver is quite irrelevant—can take the place of definite quantities of gold and silver calculated according to the mint price depends on the number of tokens in circulation and by no means on the material of which they are made. The difficulty in grasping this relation is due to the fact that the two functions of money—as a standard of value and a medium of circulation—are governed not only by conflicting laws, but by laws which appear to be at variance with the antithetical features of the two functions. [As regards its function^a] as a standard of value, when money serves solely as money of account and gold merely as nominal gold, it is the physical material used which is the crucial factor. Exchange values expressed in terms of silver, or as silver prices, look of course quite different from exchange values expressed in terms of gold, or as gold prices. On the other hand, when it functions as a medium of circulation, when money is not just imaginary but must be present as a real thing side by side with other commodities, its material is irrelevant and its quantity becomes the crucial factor. Although whether it is a pound of gold, of silver or of copper is decisive for the standard measure, mere number makes the coin an adequate embodiment of any of these standard measures, quite irrespective of its own material. But it is at variance with common sense that in the case of purely imaginary money everything should depend on the physical substance, whereas in the case of the corporeal coin everything should depend on a numerical relation that is nominal.

The rise or fall of commodity prices corresponding to an increase or decrease in the volume of paper notes—the latter where paper notes are the sole medium of circulation—is accordingly merely a forcible assertion by the process of circulation of a law which was mechanically infringed by extraneous action; i.e. the law that the quantity of gold in circulation is determined by the prices of commodities and the volume of tokens of value in circulation is determined by the amount of gold currency which they replace in circulation. The circulation process will, on the other hand, absorb or as it were digest any number of paper notes, since, irrespective of the gold title borne by the token of value when entering circulation, it is compressed to a token of the quantity of gold which could circulate instead.

^a These words are missing in the original. Marx added them in his own copy.—*Ed.*

In the circulation of tokens of value all the laws governing the circulation of real money seem to be reversed and turned upside down. Gold circulates because it has value, whereas paper has value because it circulates. If the exchange value of commodities is given, the quantity of gold in circulation depends on its value, whereas the value of paper tokens depends on the number of tokens in circulation. The amount of gold in circulation increases or decreases with the rise or fall of commodity prices, whereas commodity prices seem to rise or fall with the changing amount of paper in circulation. The circulation of commodities can absorb only a certain quantity of gold currency, the alternating contraction and expansion of the volume of money in circulation manifesting itself accordingly as an inevitable law, whereas any amount of paper money seems to be absorbed by circulation. The State which issues coins even $\frac{1}{100}$ of a grain below standard weight debases gold and silver currency and therefore upsets its function as a medium of circulation, whereas the issue of worthless pieces of paper which have nothing in common with metal except the denomination of the coinage is a perfectly correct operation. The gold coin obviously represents the value of commodities only after the value has been assessed in terms of gold or expressed as a price, whereas the token of value seems to represent the value of commodities directly. It is thus evident that a person who restricts his studies of monetary circulation to an analysis of the circulation of paper money with a legal rate of exchange must misunderstand the inherent laws of monetary circulation. These laws indeed appear not only to be turned upside down in the circulation of tokens of value but even annulled; for the movements of paper money, when it is issued in the appropriate amount, are not characteristic of it as token of value, whereas its specific movements are due to infringements of its correct proportion to gold, and do not directly arise from the metamorphosis of commodities.

3. MONEY

Money as distinguished from coin is the result of the circuit $C-M-C$ and constitutes the starting point of the circuit $M-C-M$, that is the exchange of money for commodities so as to exchange commodities for money. In the form $C-M-C$ it is the commodity that is the beginning and the end of the transaction; in the form $M-C-M$ it is money. Money mediates

the exchange of commodities in the first circuit, the commodity mediates the evolution of money into money in the second circuit. Money, which serves solely as a medium in the first circuit, appears as the goal of circulation in the second, whereas the commodity, which was the goal in the first circuit, appears simply as a means in the second. Because money itself is already the result of the circuit $C—M—C$, the result of circulation appears to be also its point of departure in the form $M—C—M$. The exchange of material is the content of $C—M—C$, whereas the real content of the second circuit, $M—C—M$, is the commodity in the form in which it emerged from the first circuit.

In the formula $C—M—C$ the two extremes are commodities of the same value, which are at the same time however qualitatively different use values. Their exchange, $C—C$, is real exchange of material. On the other hand, in the formula $M—C—M$ both extremes are gold and moreover gold of the same value. But it seems absurd to exchange gold for commodities in order to exchange commodities for gold, or if one considers the final result $M—M$, to exchange gold for gold. But if one translates $M—C—M$ into the formula—to *buy* in order to *sell*, which means simply to exchange gold for gold with the aid of an intermediate movement, one will immediately recognise the predominant form of bourgeois production. Nevertheless, in real life people do not buy in order to sell, but they buy at a low price in order to sell at a high price. They exchange money for commodities in order then to exchange these for a larger amount of money, so that the extremes M, M are quantitatively different, even if not qualitatively. This quantitative difference presupposes the *exchange of non-equivalents*, whereas commodities and money as such are merely antithetical forms of the commodity, in other words, different forms of existence of the same value. Money and commodity in the circuit $M—C—M$ therefore imply more advanced relations of production, and within simple circulation the circuit is merely a reflection of movement of a more complex character. Hence money as distinct from the medium of circulation must be derived from $C—M—C$, the immediate form of commodity circulation.

Gold, i.e. the specific commodity which serves as standard of value and medium of circulation, becomes *money* without any special effort on the part of society. Silver has not become money in England, where it is neither the standard of value nor the predominant medium of circulation, similarly gold ceased to be money in Holland as soon as it was deposed from its position of

standard of value. In the first place, a commodity in which the functions of standard of value and medium of circulation are united accordingly becomes money, or the unity of standard of value and medium of circulation is money. But as such a unity gold in its turn possesses an independent existence which is distinct from these two functions. As the standard of value gold is merely nominal money and nominal gold; purely as a medium of circulation it is symbolic money and symbolic gold, but in its simple metallic corporeality gold is money or money is real gold.

Let us for a moment consider the commodity gold, that is money, in a state of rest and its relations with other commodities. All prices of commodities signify definite amounts of gold; they are thus merely notional gold or notional money, i.e. *symbols of gold*, just as, on the other hand, money considered as a token of value appeared to be merely a symbol of the prices of commodities.* Since all commodities are therefore merely notional money, money is the only real commodity. Gold is *the material aspect of abstract wealth* in contradistinction to commodities which only represent the independent form of exchange value, of universal social labour and of abstract wealth. So far as use value is concerned, each commodity represents only one element of physical wealth, only one separate facet of wealth, through its relation to a particular need. But money satisfies any need since it can be immediately turned into the object of any need. Its own use value is realised in the endless series of use values which constitute its equivalents. All the physical wealth evolved in the world of commodities is contained in a latent state in this solid piece of metal. Thus whereas the prices of commodities represent gold, the universal equivalent or abstract wealth, the use value of gold represents the use value of all commodities. Gold is, *therefore, the material symbol of physical wealth*. It is the *précis de toutes les choses***^a (Boisguillebert),¹⁴ the compendium of social wealth. As regards its form, it is the direct incarnation of universal labour, and as regards its content the quintessence of all concrete labour. It is universal wealth in an individual form.** Functioning as a medium of circulation, gold suffered all manner of injuries, it was clipped and even reduced to a purely symbolical scrap of paper.

* "Not only are precious metals tokens of things ... but alternatively things ... are also tokens of gold and silver." A. Genovesi, *Lezioni di Economia Civile*, 1765, in Custodi, *Parte Moderna*, t. VIII, p. 281. [Marx quotes in Italian.]

** Petty: Gold and silver are "UNIVERSAL WEALTH". *Political Arithmetick*, p. 242.

^a "Summary of all things."—*Ed.*

Its golden splendour is restored when it serves as money. The servant becomes the master.* The mere underling becomes the god of commodities.**

a. Hoarding

Gold as money was in the first place divorced from the medium of circulation because the metamorphosis of the commodity was interrupted and the commodity remained in the form of a golden chrysalis. This happens whenever a sale is not immediately turned into a purchase. The fact that gold as money assumed an independent existence is thus above all a tangible expression of the separation of the process of circulation or of the metamorphosis of commodities into two discrete and separate transactions which exist side by side. The coin itself becomes money as soon as its movement is interrupted. In the hands of the seller who receives it in return for a commodity it is money, and not coin; but when it leaves his hands it becomes a coin once more. Everybody sells the particular commodity which he produces, but he buys all other commodities that he needs as a social being. How often he appears on the market as a seller depends on the labour time required to produce his commodity, whereas his appearance as a buyer is determined by the constant renewal of his vital requirements. In order to be able to buy without selling, he must have sold something without buying. The circuit $C-M-C$ is indeed the dynamic unity of sale and purchase only in so far as it

* E. Misselden, *Free Trade, Or, the Means to Make Trade Flourish*, London, 1622. "The natural matter of Commerce is Merchandise, WHICH MERCHANTS FROM THE END OF TRADE HAVE STILED COMMODITIES. The artificial matter of commerce is money, which has obtained the title of SINEWES OF WARRE AND OF STATE... Money, though it be in nature and time after merchandise, YET FOR AS MUCH AS IT IS NOW IN USE HAS BECOME THE CHIEFE" (p. 7). He compares the position of commodity and money with that of the descendants of "Old Jacob", who "blessing his Grandchildren, crost his hands, and laid his right hand on the younger, and his left hand on the elder" (l.c.).⁷⁵ Boisguillebert, *Dissertation sur la nature des richesses*: "Thus the slave of commerce has become its master.... The misery of the peoples is due to the fact that the slave has been turned into a master or rather into a tyrant" (pp. 395, 399). [Marx quotes in French.]

** Boisguillebert, l.c. "These metals (gold and silver) have been turned into an idol, and disregarding the goal and purpose they were intended to fulfil in commerce, i.e. to serve as pledge in exchange and reciprocal transfer, they were allowed to abandon this service almost entirely in order to be transformed into *divinities* to whom more goods, valuables and even human beings were sacrificed and continue to be sacrificed, than were ever sacrificed to the false divinities even in blind antiquity..." (p. 395). [Marx quotes in French.]

is simultaneously the continuous process of their separation. So that money as coin may flow continuously, coin must continuously congeal into money. The continual movement of coin implies its perpetual stagnation in larger or smaller amounts in reserve funds of coin which arise everywhere within the framework of circulation and which are at the same time a condition of circulation. The formation, distribution, dissolution and re-formation of these funds constantly changes; existing funds disappear continuously and their disappearance is a continuous fact. This unceasing transformation of coin into money and of money into coin was expressed by Adam Smith when he said that, in addition to the particular commodity he sells, every commodity owner must always keep in stock a certain amount of the general commodity with which he buys. We have seen that $M—C$, the second member of the circuit $C—M—C$, splits up into a series of purchases, which are not effected all at once but successively over a period of time, so that one part of M circulates as coin, while the other part remains at rest as money. In this case, money is in fact only *suspended coin* and the various component parts of the coinage in circulation appear, constantly changing, now in one form, now in another. The first transformation of the medium of circulation into money constitutes therefore merely a technical aspect of the circulation of money.*

The first spontaneously evolved form of wealth consists of an overplus or excess of products, i.e. of the portion of products which are not directly required as use values, or else of the possession of products whose use value lies outside the range of mere necessity. When considering the transition from commodity to money, we saw that at a primitive stage of production it is this overplus or excess of products which really forms the sphere of commodity exchange. Superfluous products become exchangeable products or commodities. The adequate form of this surplus is

* *Boisguillebert* suspects that the first immobilisation of the *perpetuum mobile*, i.e. the negation of its function as the medium of circulation, will immediately render it independent in relation to commodities. Money, he says, must be “in continual movement, which is only the case so long as it is mobile, but as soon as it becomes immobile all is lost” (*Boisguillebert, Le détail de la France*, p. 213). [Marx quotes in French.] What he overlooks is that this inactivity is the prerequisite of its movement. What he actually wants is that the value form^a of commodities should be a quite insignificant aspect of their metabolism, but should never become an end in itself.

^a The original has “exchange value” instead of “value form”; changed in Marx’s own copy.—*Ed.*

gold and silver, the first form in which wealth as abstract social wealth is kept. It is not only possible to store commodities in the form of gold and silver, i.e. in the material shape of money, but gold and silver constitute wealth in preserved form. Every use value fulfils its function while it is being consumed, that is destroyed, but the use value of gold as money is to represent exchange value, to be the embodiment of universal labour time as an amorphous raw material. As amorphous metal exchange value possesses an imperishable form. Gold or silver as money thus immobilised constitutes a *hoard*. In the case of nations with purely metallic currency, such as the ancients, hoarding becomes a universal practice extending from the individual to the State, which guards its State hoard. In Asia and Egypt, during their early period, these hoards were in the custody of kings and priests and served mainly as evidence of their power. In Greece and Rome the creation of State hoards became a principle of public policy, for excess wealth in this form is always safe and can be used at any moment. The rapid transfer of such hoards by conquerors from one country to another and their sudden effusion in part into the sphere of circulation are characteristics of the economy of antiquity.

As *objectified labour time* gold is a pledge for its own magnitude of value, and, since it is the embodiment of *universal* labour time, its continuous function as exchange value is vouched for by the process of circulation. The simple fact that the commodity owner is able to retain his commodities in the form of exchange value, or to retain the exchange value as commodities, makes the exchange of commodities, in order to recover them transformed into gold, the specific motive of circulation. The metamorphosis of commodities $C-M$ takes place for the sake of their metamorphosis, for the purpose of transforming particular physical wealth into general social wealth. Change of form—instead of exchange of matter—becomes an end in itself. Exchange value, which was merely a form, is turned into the content of the movement. Commodities remain wealth, that is commodities, only while they keep within the sphere of circulation, and they remain in this liquid state only in so far as they ossify into silver and gold. They remain liquid as the crystallisation of the process of circulation. But gold and silver establish themselves as money only in so far as they do not function as means of circulation. They become money as non-means of circulation.^a The withdrawal of commodities from

^a Underlined in Marx's own copy.—*Ed.*

circulation in the form of gold is thus the only means of keeping them continuously in circulation.

The owner of commodities can recover as money from circulation only as much as he put into it in the form of commodities. Looked at from the standpoint of the circulation of commodities, the first condition of hoarding is constant selling, the incessant throwing of commodities into circulation. On the other hand, money as a medium of circulation constantly disappears in the process of circulation itself, since it is all the time being realised in use values and dissolved in ephemeral enjoyments. It must, therefore, be withdrawn from the stream of circulation; in other words, commodities must be retained in the first stage of their metamorphosis in order to prevent money from functioning as means of purchase. The owner of commodities who has now become a hoarder of money must sell as much as possible and buy as little as possible, as even old Cato preached—*patrem familias vendacem, non emacem esse*.^a Parsimony is the negative pre-condition of hoarding, just as industry is its positive pre-condition. The smaller the proportion that is withdrawn from circulation as an equivalent for the commodities [thrown into it] consisting of particular commodities or use values, the larger the proportion that consists of money or exchange value.* The appropriation of wealth in its general form therefore implies renunciation of the material reality of wealth. Hence the motive power of hoarding is *avarice*, which desires not commodities as use values, but exchange value as a commodity. So as to take possession of superfluous wealth in its general form, particular needs must be treated as luxuries and superfluities. For instance, in 1593 the Cortes sent a petition to Philip II, which among other matters contains the following passage:

“The Cortes of Valladolid requested Your Majesty in 1586 not to permit the further importation into this kingdom of candles, glassware, jewellery, knives and similar articles coming from abroad, which, though they are of no use to human life, have to be exchanged for gold, as though the Spaniards were *Indians*.”^b

The hoarder of money scorns the worldly, temporal and ephemeral enjoyments in order to chase after the eternal treasure

* “The more the stock is increased in wares, the more it decreases IN TREASURE.”
E. Misselden, l.c., p. 23.

^a The head of the family should be eager to sell, not eager to buy. Cato the Elder, *De re rustica*, II, 7.—*Ed.*

^b Sempéré, *Considérations sur les causes de la grandeur et de la décadence de la monarchie espagnole*, Vol. I, pp. 275-76.—*Ed.*

which can be touched neither by moths nor by rust, and which is wholly celestial and wholly mundane.

In the above-quoted work Misselden writes:

“The general remote cause of our want of gold is the great excess of this Kingdom in consuming the commodities of foreign countries, which prove to us DISCOMMODITIES, rather than COMMODITIES, in hindering us of so much treasure, which otherwise would be brought in, in lieu of those toys. We consume amongst us a great abundance of the wines of Spain, of France, of the Rhine, of the Levant, the raisins of Spain, the corinths of the Levant, the lawns (a sort of fine linen) and cambrics of Hannault, 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.”*

Wealth in the shape of gold and silver is imperishable because exchange value is represented by an indestructible metal and especially because gold and silver are prevented from functioning as means of circulation and thus from becoming a merely transient monetary aspect of commodities. The perishable content is thus sacrificed to the non-perishable form.

“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 to one that bestows it on clothes; even in this case there is always an advantage to the Commonwealth, because clothes do not altogether perish so 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, etc.; but most of all, in bringing gold and silver into the country; because those things alone are not only not perishable, but are esteemed for wealth at all times, and everywhere; whereas all other things are wealth, but *pro hic et nunc*.”**

An outward expression of the desire to withdraw money from the stream of circulation and to save it from the social exchange of matter is the *burying* of it, so that social wealth is turned into an imperishable subterranean hoard with an entirely furtive private relationship to the commodity owner. Doctor Bernier, who spent some time at Aurangzeb’s court at Delhi, relates that merchants, especially non-Moslem heathens, in whose hands nearly the entire commerce and all money are concentrated—secretly bury their money deep in the ground,

“being held in thrall to the belief that the gold and silver they hide during their lifetime will serve them in the next world after their death”***

* E. Misselden, l.c., pp. 11-13 *passim*.

** Petty, *Political Arithmetick*, p. 196.

*** François Bernier, *Voyages contenant la description des états du Grand Mogol*, Paris edition of 1830, t. 1, cf. pp. 312-14.

^a At a particular place and a particular time.—*Ed.*

Incidentally, in so far as the hoarder of money combines asceticism with assiduous diligence he is intrinsically a Protestant by religion and still more a Puritan.

"It cannot be denied that buying and selling are necessary practices, which cannot be dispensed with and may surely be used in a Christian manner, especially as regards things that serve necessity and honour; for thus the patriarchs also bought and sold cattle, wool, corn, butter, milk and other goods. These are gifts of God, which He produces from the soil and shares among men. But foreign trade, which brings merchandise from Calicut and India and other places—merchandise such as exquisite silks and jewellery and spices, which are only for ostentation and serve no need—and drains money from the country and the people, should not be permitted if we had a government and princes. But I do not want to write of this now, for I think that, eventually, when we have no more money, it will cease of itself, just as finery and gluttony; for all writing and preaching will be in vain until we are compelled by necessity and poverty."*

Even in advanced bourgeois societies hoards of money are buried at times of upheaval in the social exchange of matter. This is an attempt to save social cohesion—for the commodity owner this cohesion is represented by the commodity and the adequate embodiment of the commodity is money—in its compact form

* Doctor Martin Luther, *Bücher vom Kaufhandel und Wucher*, 1524. Luther writes in the same passage: "God has brought it about that we Germans must thrust our gold and silver into foreign countries making all the world rich while we ourselves remain beggars. England would surely have less gold if Germany refused to take her cloth, and the King of Portugal, too, would have less, if we refused to take his spices. If you calculate how much money is extracted, without need or cause, from the German territories during one fair at Frankfurt, you will wonder how it comes about that even a single farthing is still left in Germany. Frankfurt is the silver and gold drain through which everything that arises and grows, that is minted or struck here flows out of the German land; if the hole were plugged, one would not hear the present complaint that there is everywhere sheer debt and no money, that the entire country and all the towns are despoilt by usury. But never mind things will nevertheless continue in this way: we Germans have to remain Germans, we do not desist unless we have to" [pp. 4-5.]

In the above-quoted work *Misselden* wants gold and silver to be retained at all events within the bounds of Christendom: "The other foreign remote causes of the want of money, are the trades maintained out of Christendom to Turkey, Persia and the East Indies, which trades are maintained for the most part with ready money, yet in a different manner from the trades of Christendom within itself. For although the trades within Christendom are driven with ready monies, yet those monies are still contained and continued within the bounds of Christendom. There is indeed a fluxus and refluxus, a flood and ebb of the monies of Christendom traded within itself; for sometimes there is more in one part of Christendom, sometimes there is less in another, as one country wants and another abounds: It comes and goes, and whirls about the circle of Christendom, but is still contained within the compass thereof. But the money that is traded out of Christendom into the parts aforesaid is continually issued out and never returns again" [pp. 19-20].

from the social movement. The social *nervus rerum*^a is buried alongside the body whose sinews they are.

If the hoard were not constantly in tension with circulation, it would now simply be a heap of useless metal, its monetary soul would have disappeared and nothing but burnt-out ashes of circulation, its *caput mortuum*,^b would remain. Money, i.e. exchange value which has assumed an independent existence, is by nature the embodiment of abstract wealth; but, on the other hand, any given sum of money is a quantitatively finite magnitude of value. The quantitative delimitation of exchange value conflicts with its qualitative universality, and the hoarder regards the limitation as a restriction, which in fact becomes also a qualitative restriction, i.e. the hoard is turned into a merely limited representation of material wealth. Money as the universal equivalent may be directly expressed, as we have seen, in terms of an equation, in which it forms one side while the other side consists of an endless series of commodities. The degree in which the realisation of exchange value approaches such an infinite series, in other words, how far it corresponds to the concept of exchange value, depends on its magnitude. After all, movement of exchange value as such, as an automaton, can only be expansion of its quantitative limits. But in passing one set of quantitative limits of the hoard new restrictions are set up, which in turn must be abolished. What appears as a restriction is not a particular limit of the hoard, but any limitation of it. The formation of hoards therefore has no intrinsic limits, no bounds in itself, but is an unending process, each particular result of which provides an impulse for a new beginning. Although the hoard can only be increased by being preserved, on the other hand it can only be preserved by being increased.

Money is not just *an* object of the passion for enrichment, it is *the* object of it. This urge is essentially *auri sacra fames*.^c The passion for enrichment by contrast with the urge to acquire particular material wealth, i.e. use values, such as clothes, jewellery, herds of cattle, etc., becomes possible only when general wealth as such is represented by a specific thing and can thus be retained as a particular commodity. Money therefore appears both as the object and the source of the desire for riches.* The

* "But from money first springs avarice ... this grows by stages into a kind of

^a Literally: the nerve of things; figuratively: motive power of all things.— *Ed.*

^b Worthless residue.— *Ed.*

^c The accursed greed for gold (Virgil, *Aeneid*, III, 57).— *Ed.*

underlying reason is in fact that exchange value as such becomes the goal, and consequently also an expansion of exchange value. Avarice clings to the hoard and does not allow money to become a medium of circulation, but greed for gold preserves the monetary soul of the hoard and maintains it in constant tension with circulation.

The activity which amasses hoards is, on the one hand, the withdrawal of money from circulation by constantly repeated sales, and, on the other, simple piling up, *accumulation*. It is indeed only in the sphere of simple circulation, and specifically in the form of hoards, that accumulation of wealth as such takes place, whereas the other so-called forms of accumulation, as we shall see later, are quite improperly, and only by analogy with simple accumulation of money, regarded as accumulation. All other commodities are accumulated either as use values, and in this case the manner of their accumulation is determined by the specific features of their use value. Storing of corn, for example, requires special equipment; collecting sheep makes a person a shepherd; accumulation of slaves and land necessitates relations of domination and servitude, and so on. Unlike the simple act of piling up, the formation of stocks of particular types of wealth requires special methods and develops special traits in the individual. Or wealth in the shape of commodities may be accumulated as exchange value, and in this case accumulation becomes a commercial or specifically economic operation. The one concerned in it becomes a corn merchant, a cattle-dealer, and so forth. Gold and silver constitute money not as the result of any activity of the person who accumulates them, but as crystals of the process of circulation which takes place without his assistance. He need do nothing but put them aside, piling one lot upon another, a completely senseless activity, which if applied to any other commodity would result in its devaluation.*

madness, no longer merely avarice but a positive hunger for gold." (Plinius, *Historia naturalis*, l. XXXIII, c. III.) [The English translation is from Pliny, *Natural History*, Vol. IX, Book XXXIII, pp. 39-49, London, 1952.] [Marx quotes in Latin.]

* Horace, therefore, knows nothing of the philosophy of hoarding treasures, when he says (*Satir.*, 1. II, *Satir.* 3): "If a man were to buy harps, and soon as bought were to pile them together, though feeling no interest in the harp or any Muse; if, though no cobbler, he did the same with shoes, knives and lasts; with ships' sails, though set against a trader's life—everyone would call him crazy and mad, and rightly too. How differs from these the man who hoards up silver and gold, though he knows not how to use his store, and fears to touch it as though hallowed?" [Horace, *Satires, Epistles, Ars Poetica*, London, 1942, p. 163.] [Marx quotes in Latin.]

Our hoarder is a martyr to exchange value, a holy ascetic seated at the top of a metal column. He cares for wealth only in its social form, and accordingly he hides it away from society. He wants commodities in a form in which they can always circulate and he therefore withdraws them from circulation. He adores exchange value and he consequently refrains from exchange. The liquid form of wealth and its petrification, the elixir of life and the philosophers' stone are wildly mixed together like an alchemist's apparitions. His imaginary boundless thirst for enjoyment causes him to renounce all enjoyment. Because he desires to satisfy all social requirements, he scarcely satisfies the most urgent physical wants. While clinging to wealth in its metallic corporeality the hoarder reduces it to a mere chimera. But the accumulation of money for the sake of money is in fact the barbaric form of production for the sake of production, i.e. the development of the productive powers of social labour beyond the limits of customary requirements. The less advanced is the production of commodities, the more important is hoarding—the first form in which exchange value assumes an independent existence as money—and it therefore plays an important role among ancient nations, in Asia up to now, and among contemporary agrarian nations, where exchange value has not yet penetrated all relations of production. Before, however, examining the specific economic function that hoarding fulfils in relation to metallic currency, let us note another form of hoarding.

Gold and silver articles, quite irrespective of their aesthetic properties, can be turned into money, since the material of which they consist is the material of money, just as gold coins and gold bars can be transformed into such articles. Since gold and silver are the material of abstract wealth, their employment as concrete use values is the most striking manifestation of wealth, and although at certain stages of production the commodity owner hides his treasures, he is impelled to show to other commodity

Mr. Senior knows more about the subject:

"Money seems to be the only object for which the desire is universal; and it is so, because money is *abstract wealth*. Its possessor may satisfy at will his requirements whatever they may be." *Principes fondamentaux de l'économie politique*, traduit par le Comte Jean Arrivabene, Paris, 1836, p. 221. [Marx quotes in French. The English passage is taken from Senior, *Political Economy*, 1850, p. 27.] And Storch as well: "As money represents all other forms of wealth, one needs only to accumulate it in order to obtain all other kinds of wealth that exist on earth" (l.c., t. II, p. 135).

owners that he is a *rico hombre*,^a whenever he can safely do so. He bedecks himself and his house with gold.* In Asia, and India in particular, where the formation of hoards does not play a subordinate part in the total mechanism of production, as it does in bourgeois economy, but where this form of wealth is still considered a final goal, gold and silver articles are in fact merely hoards in an aesthetic form. The law in mediaeval England treated gold and silver articles simply as a kind of treasure-hoard, since the rough labour applied to them added little to their value. They were intended to be thrown again into circulation and the fineness of the metal of which they were made was therefore specified in the same way as that of coin. The fact that increasing wealth leads to an increased use of gold and silver in the form of luxury articles is such a simple matter that ancient thinkers clearly understood it,** whereas modern economists put forward the incorrect proposition that the use of silver and gold articles increases not in proportion to the rise in wealth but in proportion to the fall in the value of precious metals. There is therefore always a flaw in their otherwise accurate explanations regarding the use of Californian and Australian gold, for according to their views the increased employment of gold as raw material is not justified by a corresponding fall in its value. As a result of the fight between the American colonies and Spain⁷⁶ and the interruption of mining by revolutions, the average annual output of precious metals decreased by more than one-half between 1810 and 1830. The amount of coin circulating in Europe decreased by almost one-sixth in 1829 as compared with 1809. Although the output thus decreased and the production costs (provided they changed at all) increased, nevertheless an exceptionally rapid rise in the use of precious metals as articles of luxury took place in England even during the war and on the continent following the Treaty of Paris.⁷⁰ Their use increased with the growth of wealth in general.*** It may be regarded as a general law that the conversion

* How little the inner man of the individual owner of commodities has changed even when he has become civilised and turned into a capitalist is for instance proved by a London representative of an international banking house who displayed a framed £100,000 note as an appropriate family coat of arms. The point in this case is the derisory and supercilious air with which the note looks down upon circulation.

** See the passage from Xenophon quoted later.

*** Jacob, l.c., Vol. II, ch. 25 and 26.

^a Rich man.—Ed.

of gold and silver coin into luxury goods predominates in times of peace, while their reconversion into bars and also into coin only predominates in turbulent periods.* How considerable a proportion of the gold and silver stock exists in the shape of luxury articles compared with the amount used as money is shown by the fact that in 1829, according to Jacob, the ratio was as 2 to 1 in England, while in Europe as a whole and America, 25 per cent more precious metal was used in luxury goods than in coins.

We have seen that the circulation of money is merely a manifestation of the metamorphosis of commodities, or of the transformation which accompanies the social exchange of matter. The total quantity of money in circulation must therefore perpetually increase or decrease in accordance with the varying aggregate price of the commodities in circulation, that is in accordance, on the one hand, with the volume of their metamorphoses which take place simultaneously and, on the other hand, with the prevailing velocity of their transformation. This is only possible provided that the proportion of money in circulation to the total amount of money in a given country varies continuously. Thanks to the formation of hoards this condition is fulfilled. If prices fall or the velocity of circulation increases, then the money ejected from the sphere of circulation is absorbed by the reservoirs of hoarders; if prices rise or the velocity of circulation decreases, then these hoards open and a part of them streams back into circulation. The solidification of circulating money into hoards and the flowing of the hoards into circulation is a continuously changing and oscillating movement, and the prevalence of the one or the other trend is solely determined by variations in the circulation of commodities. The hoards thus act as channels for the supply or withdrawal of circulating money, so that the amount of money circulating as coin is always just adequate to the immediate requirements of circulation. If the total volume of circulation suddenly expands and the fluid unity of sale and purchase predominates, so that the total amount of prices to be realised grows even faster than does the velocity of circulation of money, then the hoards dwindle visibly; whenever an abnormal stagnation prevails in the movement as a whole, that is when the separation of sale from purchase predominates, then the medium

* "In times of great agitation and insecurity, especially during internal commotions or invasions, gold and silver articles are rapidly converted into money; whilst, during periods of tranquillity and prosperity, money is converted into plate and jewellery" (l.c., Vol. II, p. 357). [Marx quotes in English.]

of circulation solidifies into money to a remarkable extent and the reservoirs of the hoarders are filled far above their average level. In countries which have purely metallic currency or are at an early stage of development of production, hoards are extremely fragmented and scattered throughout the country, whereas in advanced bourgeois countries they are concentrated in the reservoirs of banks. Hoards must not be confused with reserve funds of coin, which form a constituent element of the total amount of money always in circulation, whereas the active relation of hoard and medium of circulation presupposes that the total amount of money decreases or increases. As we have seen, gold and silver articles also act both as channels for the withdrawal of precious metals and latent sources of supply. Under ordinary circumstances only the former function plays an important role in the economy of metallic currency.*

b. Means of Payment

Up to now two forms of money which differ from the medium of circulation have been considered, namely *suspended coin* and *hoard*. The first form, the temporary transformation of coins into money, reflects the fact that in a certain sphere of circulation, the second term of $C—M—C$, that is $M—C$, the purchase, must

* In the following passage *Xenophon* discusses money and hoard, two specific and distinct aspects of money: "Of all operations with which I am acquainted, this is the only one in which no sort of jealousy is felt at a further development of the industry ... the larger the quantity of ore discovered and the greater the amount of silver extracted, the greater the number of persons ready to engage in the operation.... No one when he has got sufficient furniture for his house dreams of making further purchases on this head, but of silver no one ever yet possessed so much that he was forced to cry 'Enough'. On the contrary, if ever anybody does become possessed of an immoderate amount he finds as much pleasure in digging a hole in the ground and hoarding it as an actual employment of it.... When a state is prosperous there is nothing which people so much desire as silver. The men want money to expend on beautiful armour and fine horses, and houses and sumptuous paraphernalia of all sorts. The women betake themselves to expensive apparel and ornaments of gold. Or when states are sick, either through barrenness of corn and other fruits, or through war, the demand for current coin is even more imperative (whilst the ground lies unproductive), to pay for necessaries or military aid." (*Xenophon, De Vectigalibus*, c. IV [transl. by H. G. Dakyns, London, 1892, Vol. II, pp. 335-36].) [Marx quotes in Greek.] In Ch. 9, Book I of his *De Republica*, Aristotle sets forth the two circuits of circulation $C—M—C$ and $M—C—M$, which he calls "economics" and "Chrematistics", and their differences. The two forms under the names $\delta\iota\lambda\eta$ and $\kappa\acute{\epsilon}\rho\delta\omicron\varsigma$ are contrasted with each other by the Greek tragedians, especially Euripides.

break up into a series of successive purchases. Hoarding, however, is either simply due to the separation of the transaction $C-M$ which does not proceed to $M-C$, or it is merely an independent development of the first metamorphosis of commodities, money, or the alienated form of existence of all commodities as distinct from means of circulation, which represents the always saleable form of the commodity. Coin held in reserve and hoards constitute money only as non-means of circulation, and are non-means of circulation merely because they do not circulate. The distinctive form of money which we now consider circulates or enters circulation, but does not function as means of circulation. Money as means of circulation was always means of purchase, but now it does not serve in that capacity.

When as a result of hoarding money becomes the embodiment of abstract social wealth and the material representative of physical wealth, this aspect of money acquires specific functions within the process of circulation. When money circulates simply as a means of circulation and hence as a means of purchase, this presupposes that commodity and money confront each other simultaneously; in other words, that the same value is available twice, as a commodity in the hands of the seller at one pole, and as money in the hands of the buyer at the other pole. The simultaneous existence of the two equivalents at opposite poles and their simultaneous change of place, or their mutual alienation, presupposes in its turn that seller and buyer enter into relation with each other only as owners of actually existing equivalents. But the metamorphosis of commodities, in the course of which the various distinct forms of money are evolved, transforms the commodity owners as well or alters the social role they play in relation to one another. In the course of the metamorphosis of commodities the keeper of commodities changes his skin as often as the commodity undergoes a change or as money appears in a new form. Commodity owners thus faced each other originally simply as commodity owners; then one of them became a seller, the other a buyer; then each became alternately buyer and seller; then they became hoarders and finally rich men. Commodity owners emerging from the process of circulation are accordingly different from those entering the process. The different forms which money assumes in the process of circulation are in fact only crystallisations of the transformation of commodities, a transformation which is in its turn only the objective expression of the changing social relations in which commodity owners conduct their exchange. New relations of intercourse arise in the process of circulation, and commodity

owners, who represent these changed relations, acquire new economic characteristics. In the same way as within the sphere of internal circulation money becomes nominal, and a mere piece of paper representing gold is able to function as money, so a buyer or seller who comes forward as a mere representative of money or commodities, namely one who represents future money or future commodities, is enabled by the same process to operate as a real buyer or seller.

All the distinct forms evolved by gold as money are merely manifestations of aspects latent in the metamorphosis of commodities, but these aspects did not assume a separate form in the simple circulation of money, in money as it appears as coin and the circuit $C—M—C$ as a dynamic unity, or else they emerged merely as potentialities, as did for example the interruption of the metamorphosis of commodities. We have seen that in the course of the transaction $C—M$ the commodity as a real use value and nominal exchange value is brought into relation with money as a real exchange value and only nominal use value. By alienating the commodity as use value the seller realises its exchange value and the use value of money. In contrast, by alienating money as exchange value, the buyer realises its use value and the price of the commodity. Commodity and money, accordingly, change places. The active process of this bilateral polar antithesis is in its turn separated while it is being carried through. The seller actually alienates the commodity but realises its price in the first place only nominally. He has sold the commodity at its price, but the price will only be realised at a predetermined later date. The buyer buys as the representative of future money, whereas the seller sells as the owner of a commodity available here and now. On the one hand, the seller actually hands over the commodity as use value without actually realising its price; on the other hand, the buyer actually realises his money in the use value of the commodity without actually handing over the money as exchange value. Just as formerly money was represented by a token of value, so now it is symbolically represented by the buyer himself. Just as formerly the value-token as a universal symbol entailed a State guarantee and a legal rate, so now the buyer as a personal symbol gives rise to private, legally enforceable, contracts among commodity owners.

Conversely, in the transaction $M—C$, money as a real means of purchase may be alienated, thus realising the price of the commodity before the use value of the money is realised, or before the commodity is handed over. This happens, for instance,

in the well-known form of advance-payment; also in the form of payment used by the English government to buy opium from Indian ryots, and is largely used by foreign merchants living in Russia to buy goods produced in that country. In these cases, however, money functions only in the familiar form of means of purchase and therefore requires no new definition,* or any further discussion. With regard to the changed form which the two transactions $M-C$ and $C-M$ assume here, we shall only note that the purely conceptual distinction of purchase and sale as it appears directly in circulation becomes now a real distinction, since there is only money in one case and only commodity in the other; in each of them, however, only the extreme is actually available from which the initiative comes. Both forms, moreover, have in common the fact that in each of them one equivalent exists only by common decision of buyer and seller, a decision which is mutually binding and is given a distinct legal form.

Seller and buyer become creditor and debtor. Whereas the commodity owner as the guardian of a hoard was a rather comical figure, he now becomes terrifying, because he regards, not himself, but his neighbour as the embodiment of a definite sum of money, and turns his neighbour and not himself into a martyr to exchange value. The former believer becomes a creditor,^a and turns from religion to jurisprudence.

“I STAY HERE ON MY BOND!”^b

In the changed form of $C-M$, in which the commodity is actually on hand and the money is merely represented, money functions first as the measure of value. The exchange value of the commodity is assessed in money as its measure, but the exchange value assessed by contract, that is the price, exists not merely in the mind of the seller, but is also the measure of the liabilities of the buyer. Secondly, money functions here as means of purchase, although it is merely its future existence which casts its shadow before it, for it causes the commodity to move from the hands of the seller into those of the buyer. On the settlement day of the

* Of course capital, too, is advanced in the form of money and it is possible that the money advanced is capital advanced, but this aspect does not lie within the scope of simple circulation.

^a In German a pun on the words “der Gläubige”, the believer, and “der Gläubiger”, the creditor.—*Ed.*

^b Shakespeare, *The Merchant of Venice*, Act IV, Scene 1.—*Ed.*

contract, money enters circulation, for it moves from the hands of the former buyer into those of the former seller. But it does not come into the sphere of circulation as means of circulation or means of purchase. It fulfilled these functions before it existed, and it appears on the scene after ceasing to perform these functions. It enters circulation as the only adequate equivalent of the commodity, as the absolute embodiment of exchange value, as the last word of the exchange process, in short as money, and moreover as money functioning as the *universal means of payment*. Money functioning as means of payment appears to be the absolute commodity, but it remains within the sphere of circulation, not outside it as with the hoard. The difference between means of purchase and means of payment becomes very conspicuous, and unpleasantly so, at times of commercial crises.*

The conversion of products into money in the sphere of circulation appears originally simply as an individual necessity for the commodity owner when his own product does not constitute use value for himself, but has still to become a use value through alienation. In order to make payment on the contractual settlement day, however, he must already have sold commodities. The evolution of the circulation process thus turns selling into a social necessity for him, quite irrespective of his individual needs. As a former buyer of commodities he is forced to become a seller of other commodities so as to obtain money, not as a means of purchase, but as a means of payment, as the absolute form of exchange value. The conversion of commodities into money as a final act, or the first metamorphosis of commodities as the ultimate goal, which in hoarding appeared to be the whim of the commodity owner, has now become an economic function. The motive and the content of selling for the sake of payment constitutes the content of the circulation process, a content arising from its very form.

In this type of sale, the commodity moves from one position to another, although its first metamorphosis, its conversion into money, is deferred. On the buyer's side, however, the second metamorphosis is carried through, i.e. money is reconverted into commodities, before the first metamorphosis has taken place, i.e. before the conversion of the commodities into money. In this case, therefore, the first metamorphosis appears to take place later than

* Luther emphasises the distinction which exists between means of purchase and means of payment. [Note in author's copy.]

the second. Hence money, the form of the commodity in its first metamorphosis, acquires a new distinctive aspect. Money, that is the independent development of exchange value, is no longer an intermediary phase of commodity circulation, but its final result.

No proof in detail is needed to show that such *purchases on credit*, in which the two poles of the transaction are separated in time, evolve spontaneously on the basis of simple circulation of commodities. At first it happens that in the course of circulation certain commodity owners confront one another repeatedly as buyers and sellers. Such repeated occurrences do not remain merely accidental, but commodities may, for example, be ordered for a future date at which they are to be delivered and paid for. The sale in this case takes place only nominally, i.e. juridically, without the actual presence of commodities and money. The two forms of money, means of circulation and means of payment, are here still identical, since on the one hand commodities and money change places simultaneously, and on the other, money does not purchase commodities but realises the price of commodities previously sold. Moreover, owing to the specific nature of a number of use values they are really alienated not by being in fact handed over but only by being leased for a definite period. For example, when one sells the use of a house for a month, its use value is delivered only at the expiration of the month, although the house changes hands at the beginning of the month. Because in this case the actual transfer of the use value and its real alienation are separated in time, the realisation of its price also takes place later than the date on which it changes hands. Finally, owing to differences in the period and length of time required for the production of different commodities, one producer comes to the market as a seller before the other can act as a buyer, and if the same commodity owners repeatedly buy and sell one another's products, the two aspects of the transaction are separated according to the conditions of production of their commodities. This gives rise to relations of creditor and debtor among commodity owners. These relations can be fully developed even before the credit system comes into being, although they are the natural basis of the latter. It is evident however that the evolution of the credit system, and therefore of the bourgeois mode of production in general, causes money to function increasingly as a means of payment to the detriment of its function both as a means of purchase and even more as an element of hoarding. For instance in England, coin is almost entirely confined to the sphere of retail trade and to petty transactions between producers and

consumers, whereas money as means of payment predominates in the sphere of large commercial transactions.*

Money as the universal means of payment becomes the *universal commodity* of contracts, though at first only within the sphere of commodity circulation.** But as this function of money develops, all other forms of payment are gradually converted into payments in money. The extent to which money functions as the exclusive means of payment indicates how deep-seated and widespread the domination of production by exchange value is.***

The volume of money in circulation as means of payment is first of all determined by the amount of payments due, that is by the aggregate prices of the commodities which have been sold, not of the commodities that are to be sold as is the case with simple money circulation. But the amount thus determined is subject to modification by two factors: first by the velocity with which a coin repeats the same operation, or the number of payments which constitute a dynamic chain of payments. A pays B, then B pays C

* Despite Mr. Macleod's doctrinaire priggishness about definitions, he misinterprets the most elementary economic relations to such an extent that he asserts that money in general arises from its most advanced form, that is means of payment. He says *inter alia* that since people do not always require each other's services at the same time and to the same value, "there would remain a certain difference or amount of service due from the first to the second—debt". [Here and below Marx quotes from Macleod in English. The owner of this debt may need the services of a third person who does not immediately require his services, and "transfers to the third the debt due to him from the first". The "evidence of debts changes so hands—currency. ...when a person received an obligation expressed by metallic currency, he is able to command the services not only of the original debtor, but of the whole of the industrious community." [H. D.] Macleod, *The Theory and Practice of Banking etc.*, Vol. I, London, 1855, Ch. I [pp. 23, 24, 29].

** Bailey, l.c., p. 3. "Money is the general commodity of contracts, or that in which the majority of bargains about property, to be completed at a future time, are made." [Marx quotes in English.]

*** Senior (l.c., pp. 116, 117) says: "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 values." On the contrary, gold, silver, etc., become universal means of payment, because they have become money, that is the independent embodiment of exchange value. It is precisely when the stability of the value of money, mentioned by Mr. Senior, is taken into account, i.e. in periods when force of circumstances establishes money as the universal means of payment, that people become aware of variations in the value of money. Such a period was the Elizabethan age in England, when, because of the manifest depreciation of the precious metals, an Act was shepherded through Parliament by Lord Burleigh and Sir Thomas Smith to compel the universities of Oxford and Cambridge to provide for the payment of one-third of the rent of their lands in wheat and malt.

and so on. The velocity with which the same coin can act repeatedly as means of payment depends, on the one hand, on the interconnection of the commodity owners' relations as creditors and debtors, in which the same commodity owner who is a creditor in relation to one person is a debtor in relation to another, and so forth; and on the other hand, on the period of time separating the various dates on which payments are due. The series of payments, or of first metamorphoses carried out subsequently, is qualitatively different from the series of metamorphoses represented by the movement of money as means of circulation. The second series does not only appear in temporal succession, but it *comes into being* in this way. A commodity is turned into money, then into a commodity again, thus making it possible for another commodity to be turned into money, and so on: in other words, a seller becomes a buyer and another commodity owner thereby becomes a seller. This sequence arises fortuitously in the course of commodity exchange itself. But the fact that the money which A pays to B is then used by B to pay C, and then by C to pay D, etc., and that moreover payments rapidly succeed one another—this external relation is but a manifestation of a previously existing social relation. The same coin passes through various hands not because it acts as means of payment; but it is passed on as means of payment because these hands have already been joined. A far more extensive integration of the individual into the process of circulation is accordingly signified by the velocity of money as means of payment, than by the velocity of money as coin or means of purchase.

The aggregate of prices of simultaneous, and therefore spatially coexisting, purchases and sales is the limit beyond which the velocity of currency cannot be substituted for its volume. But this barrier does not exist when money functions as means of payment. If payments falling due simultaneously are concentrated at one place, which occurs at first spontaneously at the large foci of commodity circulation, then payments offset one another like negative and positive quantities: A who has to pay B may receive a payment from C at the same time, and so on. The amount of money required as means of payment thus depends not on the aggregate amount of payments which are due to be made simultaneously, but on the degree of their concentration and on the size of the balance left over after the negative and positive amounts have been offset against one another. Special devices for this type of balancing arise even if no credit system has been evolved, as was the case in ancient Rome. But consideration of

them is no more relevant here than is consideration of the usual settlement dates, which in every country become established among people of certain social strata. Here we shall merely note that scholarly investigations of the specific influence exerted by these dates on the periodic variations in the quantity of money in circulation have been undertaken only in recent times.

When payments cancel one another as positive and negative quantities, no money need actually appear on the scene. Here money functions merely as measure of value with respect to both the price of the commodity and the size of mutual obligations. Apart from its nominal existence, exchange value does not therefore acquire an independent existence in this case, even in the shape of a token of value, in other words money becomes purely ideal money of account. Money functioning as means of payment thus contains a contradiction: on the one hand, when payments balance, it acts merely as a nominal measure; on the other hand, when actual payments have to be made, money enters circulation not as a transient means of circulation, but as the static aspect of the universal equivalent, as the absolute commodity, in short, as money. Where chains of payments and an artificial system for adjusting them have been developed, any upheaval that forcibly interrupts the flow of payments and upsets the mechanism for balancing them against one another suddenly turns money from the nebulous chimerical form it assumed as measure of value into hard cash or means of payment. Under conditions of advanced bourgeois production, when the commodity owner has long since become a capitalist, knows his Adam Smith and smiles superciliously at the superstition that only gold and silver constitute money or that money is after all the absolute commodity as distinct from other commodities—money then suddenly appears not as the medium of circulation but once more as the only adequate form of exchange value, as a unique form of wealth just as it is regarded by the hoarder. The fact that money is the sole incarnation of wealth manifests itself in the actual devaluation and worthlessness of all physical wealth, and not in purely imaginary devaluation as for instance in the monetary system. This particular phase of world market crises is known as monetary crisis. The *summum bonum*, the sole form of wealth for which people clamour at such times, is money, hard cash, and compared with it all other commodities—just because they are use values—appear to be useless, mere baubles and toys, or as our Doctor Martin Luther says, mere finery and gluttony. This sudden transformation of the credit system into a monetary system adds theoretical dismay

to the actually existing panic, and the agents of the circulation process are overawed by the impenetrable mystery surrounding their own relations.*

Payments in their turn necessitate reserve funds, accumulations of money as means of payment. The formation of reserve funds, unlike hoarding, no longer seems an activity extraneous to circulation, or, as in the case of coin reserves, a purely technical stagnation of coin; on the contrary money has to be gradually accumulated so as to be available at definite dates in the future when payments become due. Although with the development of bourgeois production, therefore, the abstract form of hoarding regarded as enrichment decreases, the form of hoarding necessitated by the exchange process itself increases; a part of the wealth which generally accumulates in the sphere of commodity circulation being drawn into reserve funds of means of payment. The more advanced is bourgeois production the more these funds are restricted to the indispensable minimum. Locke's work on the lowering of the rate of interest** contains interesting information about the size of these funds in his time. It shows how substantial a proportion of the money in circulation in England was absorbed by the reserves of means of payment precisely during the period when banking began to develop.

The law regarding the quantity of money in circulation as it emerged from the examination of simple circulation of money is significantly modified by the circulation of means of payment. If the velocity of circulation of money, both as means of circulation and as means of payment, is given, then the aggregate amount of money in circulation during a particular period is determined by the total amount of commodity prices to be realised [plus] the total amount of payments falling due during this period minus the payments that balance one another. This does not affect at all the general principle that the amount of money in circulation depends

* *Boisguillebert*, who wishes to prevent bourgeois relations of production from being pitted against the bourgeoisie themselves, prefers to consider those forms of money in which money appears as a purely nominal or transitory phenomenon. Previously he regarded means of circulation from this point of view and now means of payment. He fails to notice, however, the sudden transformation of the nominal form of money into external reality, and the fact that even the purely conceptual measure of value latently contains hard cash. Boisguillebert says, wholesale trade—in which, after “the appraisal of the commodities” [Marx quotes in French], exchange is accomplished without the intervention of money—shows that money is simply an aspect of the commodities themselves. *Le détail de la France*, p. 210.

** Locke, *Some Considerations on the Lowering of Interest*, pp. 17, 18.

upon commodity prices, for the aggregate amount of payments is itself determined by the prices laid down in the contracts. It is however quite obvious that the aggregate prices of the commodities in circulation during a definite period, say a day, are by no means commensurate with the volume of money in circulation on the same day, even if the velocity of circulation and the economic methods of payment are assumed to remain unchanged, since a certain quantity of commodities is in circulation whose prices will only be realised in money at a later date, and a certain amount of money in circulation corresponds to commodities which have left the sphere of circulation a long time ago. This amount of money depends in its turn on the value of the payments that fall due on this day, although the relevant contracts were concluded at widely varying dates.

We have seen that changes in the value of gold and silver do not affect their functions as measure of value and money of account. But with regard to hoarded money these changes are of decisive importance, since with the rise or fall in the value of gold and silver the value of the hoard of gold or silver will rise or fall. Such changes are of even greater importance for money as means of payment. The payment is effected at a date subsequent to the sale of the commodities; that is to say, money performs two different functions at two different periods, acting first as a measure of value, and then as the means of payment appropriate to this measure. If meanwhile a change has occurred in the value of the precious metals, or in the labour time needed for their production, the same quantity of gold or silver will have a greater or smaller value when it functions as means of payment than at the time it served as measure of value, when the contract was signed. The function which a specific commodity, such as gold or silver, performs as money, or as exchange value that has assumed an independent form, comes here into conflict with the nature of the specific commodity, whose value depends on variations in its production costs. It is well known that the fall in the value of precious metals in Europe gave rise to a great social revolution, just as the ancient Roman Republic at an early stage of its history experienced a reverse revolution caused by a rise in the value of copper, the metal in which the debts of the plebeians were contracted. Even without further examination of the influence which fluctuations in the value of precious metals exert on the system of bourgeois economy, it is clear that a fall in the value of precious metals favours debtors at the expense of creditors, while a rise in their value favours creditors at the expense of debtors.

c. World Money

Gold becomes money, as distinct from coin, first by being withdrawn from circulation and hoarded, then by entering circulation as a non-means of circulation, finally however by breaking through the barriers of domestic circulation in order to function as universal equivalent in the world of commodities. It thus becomes *world money*.

In the same way as originally the commonly used weights of precious metals served as measures of value, so on the world market the monetary denominations are reconverted into corresponding denominations of weight. Just as amorphous crude metal (*aes rude*) was the original form of means of circulation, and originally the coined form was simply the official indication of metallic weight, so precious metal serving as world coin discards its specific shape and imprint and reverts to neutral bullion form; that is when national coins, such as Russian imperials, Mexican thalers and English sovereigns, circulate abroad their titles become unimportant and what counts is only their substance. Finally, as international money the precious metals once again fulfil their original function of means of exchange: a function which, like commodity exchange itself, originated at points of contact between different primitive communities and not in the interior of the communities. Money functioning as world money reverts to its original natural form. When it leaves domestic circulation, money sheds the particular forms occasioned by the development of exchange within particular areas, or the local forms assumed by money as measure of price—specie, small change, and token of value.

We have seen that only one commodity serves as a measure of value in the internal circulation of any country. But since in one country gold performs this function, in another silver, a double standard of value is recognised on the world market, and all functions of money are duplicated. The translation of the values of commodities from gold prices into silver prices and vice versa always depends on the relative value of the two metals; this relative value varying continuously and its determination appearing accordingly as a continuous process. Commodity owners in every sphere of domestic circulation are compelled to use gold and silver alternately for foreign commerce thus exchanging the metal current as money within the country for the metal which they happen to require as money in a foreign country. Every nation thus employs both gold and silver as world money.

Gold and silver in the sphere of international commodity circulation appear not as means of circulation but as *universal means of exchange*. The universal means of exchange acts however merely as *means of purchase* and *means of payment*, two forms which we have already described, but their relations are reversed on the world market. When in the sphere of internal circulation money was used as coin, i.e. as the intermediary link in the dynamic unity $C-M-C$ or as the merely transitory form of exchange value during the perpetual motion of commodities—it functioned exclusively as means of purchase. The reverse is the case on the world market. Here gold and silver act as means of purchase if the interchange is only unilateral and therefore purchase and sale are separated. For example, the border trade at Kyakhta is in fact and according to treaty stipulations⁷⁷ barter, in which silver is only used as a measure of value. The war of 1857-58⁷⁸ induced the Chinese to sell without buying. Thereupon silver suddenly appeared as means of purchase. In deference to the letter of the treaty, the Russians turned French five-franc coins into crude silver articles which were used as means of exchange. Silver has always served as means of purchase for Europe and America, on the one side, and Asia, where it congeals into hoards, on the other. Precious metals, moreover, serve as international means of purchase when the usual equilibrium in the interchange of products between two nations is suddenly disturbed, e.g. when a bad harvest compels one of them to buy on an extraordinary scale. Precious metals, finally, are used as international means of purchase by the gold and silver producing countries, where they are direct products and also commodities, and not a converted form of commodities. With the development of commodity exchange between different national spheres of circulation, the function which world money fulfils as *means of payment* for settling international balances develops also.

International circulation, like domestic circulation, requires a constantly changing amount of gold and silver. Part of the accumulated hoards is consequently used by every nation as a reserve fund of world money, a fund which is sometimes diminished, sometimes replenished according to fluctuations in commodity exchange.* In addition to particular movements of

* "The accumulated money is added to the sum which, to be really in circulation and satisfy the possibilities of trade, departs and *leaves the sphere of circulation itself*" (G. R. Carli, Note on Verri's *Meditazioni sulla Economia Politica*, Vol. XV, p. 162, Custodi, l.c.). [Marx quotes in Italian.]

world money which flows backwards and forwards between national^a spheres of circulation, there is a general movement of world money; the points of departure being the sources of production, from which gold and silver flow in various directions to all the markets of the world. Thus gold and silver as commodities enter the sphere of world circulation and in proportion to the labour time contained in them they are exchanged for commodity equivalents before reaching the area of domestic circulation. They accordingly already have a definite value when they turn up in these areas. Their relative value on the world market is therefore uniformly affected by every fall or rise in their production costs and is quite independent of the degree to which gold or silver is absorbed by the various national spheres of circulation. One branch of the stream of metal which is caught up in a particular area of the world of commodities immediately enters the domestic circulation of money as replacement of worn-out coins; another is diverted into various reservoirs where coin, means of payment and world money accumulate; a third is used to make luxury articles and the rest, finally, is turned simply into hoards. Where the bourgeois mode of production has reached an advanced stage the formation of hoards is reduced to the minimum needed by the different branches of the circulation process for the free action of their mechanism. Under these conditions hoards as such consist only of wealth lying idle, unless they represent a temporary surplus in the balance of payments, the result of an interruption in the interchange of products and therefore commodities congealed in their first metamorphosis.

Just as in theory gold and silver as money are universal commodities, so world money is the appropriate form of existence of the universal commodity. In the same proportion as all commodities are exchanged for gold and silver these become the transmuted form of all commodities and hence universally exchangeable commodities. They are realised as embodiments of universal labour time in the degree that the interchange of the products of concrete labour becomes world-wide. They become universal equivalents in proportion to the development of the series of particular equivalents which constitute their spheres of exchange. Because the exchange value of commodities is universally developed in international circulation, it appears transformed into gold and silver as world money. Since as a result of their versatile industry and all-embracing commerce the nations of

^a The original has "international"; changed by Marx in his own copy.—*Ed.*

commodity owners have turned gold into adequate money, they regard industry and commerce merely as means enabling them to withdraw money in the form of gold and silver from the world market. Gold and silver as world money are therefore both the products of the universal circulation of commodities and the means to expand its scope. Just as the alchemists, who wanted to make gold, were not aware of the rise of chemistry, so commodity owners, chasing after a magical form of the commodity, are not aware of the sources of world industry and world trade that are coming into being. Gold and silver help to create the world market by anticipating its existence in their concept of money. Their magical effect is by no means confined to the infancy of bourgeois society, but is the inevitable consequence of the inverted way in which their own social labour appears to the representatives of the world of commodities; a proof of this being the remarkable influence which the discovery of gold in various new areas exerted on international trade in the middle of the nineteenth century.

As money develops into world money, so the commodity owner becomes a cosmopolitan. The cosmopolitan relations of men to one another originally comprise only their relations as commodity owners. Commodities as such are indifferent to all religious, political, national and linguistic barriers. Their universal language is price and their common bond is money. But together with the development of world money as against national coins, there develops the commodity owner's cosmopolitanism, a cult of practical reason, in opposition to the traditional religious, national and other prejudices which impede the metabolic process of mankind. The commodity-owner realises that nationality "IS BUT THE GUINEA'S STAMP", since the same amount of gold that arrives in England in the shape of American EAGLES is turned into sovereigns, three days later circulates as napoleons in Paris and may be encountered as ducats in Venice a few weeks later. The sublime idea in which for him the whole world merges is that of a market, the *world market*.*

* Montanari, *Della Moneta* (1683), p. 40: "Intercourse between nations has spread across the whole globe to such an extent that one could say all the world has virtually become a single city in which a permanent fair of all commodities is taking place, so that everyone, without leaving his home, can, by means of money, obtain and enjoy everything produced by the earth, the animals and human industry. A marvellous invention!" [Marx quotes in Italian.]

4. THE PRECIOUS METALS

The process of bourgeois production initially takes possession of metallic currency as an existing and ready-made instrument, which, although it has been gradually transformed, always retains nevertheless its basic structure. The question why gold and silver, and not other commodities, serve as the material of money lies outside the confines of the bourgeois system. We shall therefore do no more than summarise the most important aspects.

Because universal labour time itself can only display quantitative differences, the object to be recognised as its specific embodiment must be able to express purely quantitative differences, thus presupposing identical, homogeneous quality. This is the first condition for the functioning of a commodity as a measure of value. If, for instance, one evaluates all commodities in terms of oxen, hides, corn, etc., one has in fact to measure them in ideal average oxen, average hides, etc., since there are qualitative differences between one ox and another, one lot of corn and another, one hide and another. Gold and silver, on the other hand, as simple substances are always uniform and consequently equal quantities of them have equal values.* Another condition that has to be fulfilled by the commodity which is to serve as universal equivalent and that follows directly from its function of representing purely quantitative differences, is its divisibility into any desired number of parts and the possibility of combining these again, so that money of account can be represented in palpable form too. Gold and silver possess these qualities to an exceptional degree.

As means of circulation gold and silver have an advantage over other commodities in that their high specific gravity—representing considerable weight in a relatively small space—is matched by their economic specific gravity, in containing much labour time, i.e. considerable exchange value, in a relatively small volume. This facilitates transport, transfer from one hand to another, from one country to another, enabling gold and silver suddenly to appear and just as suddenly to disappear—in short these qualities impart physical mobility, the *sine qua non* of the commodity that is to serve as the *perpetuum mobile* of the process of circulation.

* “A peculiar feature of metals is that in them alone all relations are reduced to a single one, namely their quantity, for they have not been endowed by nature with any difference of quality either in their internal composition or in their external form and structure” (Galvani, l.c., pp. 126-27). [Marx quotes in Italian.]

The high specific value of precious metals, their durability, relative indestructibility, the fact that they do not oxidise when exposed to the air and that gold in particular is insoluble in acids other than *aqua regia*—all these physical properties make precious metals the natural material for hoarding. Peter Martyr, who was apparently a great lover of chocolate, remarks, therefore, of the sacks of cocoa which in Mexico served as a sort of money:

“O blessed money which furnishes mankind with a sweet and nutritious beverage and protects its innocent possessors from the infernal disease of avarice, since it cannot be long hoarded, nor hidden underground!” (*De orbe nova*.⁷⁹)

Metals in general owe their great importance in the direct process of production to their use as instruments of production. Gold and silver, quite apart from their scarcity, cannot be utilised in this way because, compared with iron and even with copper (in the hardened state in which the ancients used it), they are very soft and, therefore, to a large extent lack the quality on which the use value of metals in general depends. Just as the precious metals are useless in the direct process of production, so they appear to be unnecessary as means of subsistence, i.e. as articles of consumption. Any quantity of them can thus be placed at will within the social process of circulation without impairing production and consumption as such. Their individual use value does not conflict with their economic function. Gold and silver, on the other hand, are not only negatively superfluous, i.e. dispensable objects, but their aesthetic qualities make them the natural material for pomp, ornament, glamour, the requirements of festive occasions, in short, the positive expression of supra-abundance and wealth. They appear, so to speak, as solidified light raised from a subterranean world, since all the rays of light in their original composition are reflected by silver, while red alone, the colour of the highest potency, is reflected by gold. Sense of colour, moreover, is the most popular form of aesthetic perception in general. The etymological connection between the names of precious metals and references to colour in various Indo-European languages has been demonstrated by Jakob Grimm (see his *Geschichte der deutschen Sprache*).

Finally the fact that it is possible to transform gold and silver from coin into bullion, from bullion into articles of luxury and vice versa, the advantage they have over other commodities of not being confined to the particular useful form they have once been given makes them the natural material for money, which must constantly change from one form into another.

Nature no more produces money than it does bankers or a rate of exchange. But since in bourgeois production, wealth as a fetish must be crystallised in a particular substance gold and silver are its appropriate embodiment. Gold and silver are not by nature money, but money consists by its nature of gold and silver. Gold or silver as crystallisation of money is, on the one hand, not only the product of the circulation process but actually its sole stable product; gold and silver are, on the other hand, finished primary products, and they directly represent both these aspects, which are not distinguished by specific forms. The universal products of the social process, or the social process itself considered as a product, is a particular natural product, a metal, which is contained in the earth's crust and can be dug up.*

We have seen that gold and silver cannot comply with the demand that as money they should have an invariable value. Their value is nevertheless more stable than that of other commodities on the average, as even Aristotle noted.^a Apart from the general effect of an appreciation or depreciation of the precious metals, variations in the relative value of gold and silver are of particular importance, since both are used side by side as monetary material on the world market. The purely economic reasons of such changes in value—conquests and other political upheavals, which exerted a substantial influence on the value of metals in antiquity, have merely a local and temporary effect—must be attributed to changes in the labour time required for the production of these metals. This labour time itself will depend on the relative scarcity of natural deposits and the difficulties involved in procuring them in a purely metallic state. Gold is in fact the first metal that man discovered. On the one hand, it occurs in Nature in pure crystalline form, as a separate substance not chemically combined with other substances, or in a virgin state, as the alchemists said; on the other hand, Nature herself performs the technical work by washing gold on a large scale in rivers. Only the crudest labour is required on the part of man for extracting gold either from rivers or from alluvial deposits; whereas production of silver requires

* In the year 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 of gold; and so great was the consequent rush to the "DIGGINGS" and the number of hands attracted from agriculture so great, that in the next year the country was visited by famine (see M. G. Körner, *Abhandlung von dem Alterthume des böhmischen Bergwerks*, Schneeberg, 1758 [p. 37 *et seq.*]).⁸⁰

^a Aristotle, *Ethica Nicomachea*, Book V, Ch. 8, § 14.—*Ed.*

mining and in general a relatively high level of technical development. The value of silver is therefore originally higher than that of gold, although it is absolutely less scarce. Strabo's statement that an Arabian tribe gave ten pounds of gold for one pound of iron, and two pounds of gold for one pound of silver, is by no means incredible.⁸¹ But the value of silver tends to fall in relation to that of gold, as the productive powers of social labour develop and consequently the product of simple labour becomes more expensive compared with that of complex labour, and with the earth's crust being increasingly opened up the original surface-sources of gold are liable to be exhausted. Finally, at a given stage of development of technology and of the means of communication, the discovery of new territories containing gold or silver plays an important role. The ratio of gold to silver in ancient Asia was 6 to 1 or 8 to 1; the latter ratio was prevalent in China and Japan even in the early nineteenth century; 10 to 1, the ratio obtaining in Xenophon's time, can be regarded as the average ratio of the middle period of antiquity. The working of the Spanish silver mines by Carthage and later by Rome exerted a rather similar influence on the ancient world to that of the discovery of the American mines on modern Europe. During the era of the Roman emperors, 15 or 16 to 1 can be taken as the rough average, although the value of silver in Rome often sank even lower. During the following period reaching from the Middle Ages to modern times, a similar movement which begins with a relative depreciation of gold and ends with a fall in the value of silver takes place. The average ratio in the Middle Ages, as in Xenophon's time, was 10 to 1, and as a result of the discovery of mines in America the ratio once again becomes 16 or 15 to 1. The discovery of gold in Australia, California and Colombia will probably lead to another fall in the value of gold.*

* The relative value of gold and silver up to now has not been affected by the Australian and other discoveries. Michel Chevalier's contention that the opposite is the case is worth no more than the socialism of this ex-St.-Simonist. Quotations on the London market show, indeed, that between 1850 and 1858 the average price of silver in terms of gold was nearly 3 per cent higher than in the period between 1830 and 1850; but this rise was simply due to the demand of Asian countries for silver. Silver prices between 1852 and 1858 change in different years and months *solely* in accordance with this *demand* and by no means in accordance with the supply of gold from the newly discovered sources. The following is a summary of silver prices in terms of gold quoted on the London market:

C. THEORIES OF THE MEDIUM
OF CIRCULATION AND OF MONEY

Just as in the sixteenth and seventeenth centuries, when modern bourgeois society was in its infancy, nations and princes were driven by a general greed for gold to embark on crusades to distant lands* in quest of the golden grail,⁸² so the first interpreters of the modern world, the originators of the monetary system—the mercantile system is merely a variant of it—declared that gold and silver i.e. money, alone constitutes wealth. They quite correctly stated that the vocation of bourgeois society was the making of money, and hence, from the standpoint of simple commodity circulation, the formation of permanent hoards which neither moths nor rust could destroy. It is no refutation of the monetary system to point out that a ton of iron whose price is £3 has the same value as £3 in gold. The point at issue is not the magnitude of the exchange value, but its adequate form. As to the special attention paid by the monetary and mercantile systems to international trade and to individual branches of national labour that lead directly to international trade, which are regarded by them as the only real source of wealth or of money, one has to remember that in those times national production was for the most part still carried on within the framework of feudal forms and served as the immediate source of subsistence for the producers themselves. Most products did not become commodities; they were accordingly neither converted into money nor entered at all into the general process of the social exchange of matter; hence they did not appear as objectification of universal abstract labour and did not indeed constitute bourgeois wealth. Money as the end and object of circulation represents exchange

Price of an Ounce of Silver

Year	March	July	November
1852	60 ¹ / ₈ pence	60 ¹ / ₄ pence	61 ⁷ / ₈ pence
1853	61 ³ / ₈ "	61 ¹ / ₂ "	61 ⁷ / ₈ "
1854	61 ⁷ / ₈ "	61 ³ / ₄ "	61 ¹ / ₂ "
1855	60 ⁷ / ₈ "	61 ¹ / ₂ "	60 ⁷ / ₈ "
1856	60	61 ¹ / ₄ "	62 ¹ / ₈ "
1857	61 ³ / ₄ "	61 ⁵ / ₈ "	61 ¹ / ₂ "
1858	61 ⁵ / ₈ "		

* "Gold is a wonderful thing. Its owner is master of everything he desires. Gold can even enable souls to enter paradise" (*Columbus* in a letter from Jamaica written in 1503). [Note in Marx's own copy.]

value or abstract wealth, not any physical element of wealth, as the determining purpose and driving motive of production. It was consistent with the rudimentary stage of bourgeois production that those misunderstood prophets should have clung to the solid, palpable and glittering form of exchange value, to exchange value in the form of the universal commodity as distinct from all particular commodities. The sphere of commodity circulation was the strictly bourgeois economic sphere at that time. They therefore analysed the whole complex process of bourgeois production from the standpoint of that basic sphere and confused money with capital. The unceasing fight of modern economists against the monetary and mercantile systems is mainly provoked by the fact that the secret of bourgeois production, i.e. that it is dominated by exchange value, is divulged in a naively brutal way by these systems. Although drawing the wrong conclusions from this, Ricardo observes somewhere that, even during a famine, corn is imported because the corn-merchant thereby makes money, and not because the nation is starving. Political economy errs in its critique of the monetary and mercantile systems when it assails them as mere illusions, as utterly wrong theories, and fails to notice that they contain in a primitive form its own basic presuppositions. These systems, moreover, remain not only historically valid but retain their full validity within certain spheres of the modern economy. At every stage of the bourgeois process of production when wealth assumes the elementary form of commodities, exchange value assumes the elementary form of money, and in all phases of the production process wealth for an instant reverts again to the universal elementary form of commodities. The specific functions of gold and silver as money, in contradistinction to their functions as means of circulation and in contrast with all other commodities, are not abolished even in the most advanced bourgeois economy, but merely restricted; the monetary and mercantile systems accordingly remain valid. The catholic fact that gold and silver as the direct embodiment of social labour, and therefore as the expression of abstract wealth, confront other profane commodities, has of course violated the protestant *point d'honneur*^a of bourgeois economists, and from fear of the prejudices of the monetary system, they lost for a long time any sense of discrimination towards the phenomena of money circulation, as the following account will show.

It was quite natural that, by contrast with the monetary and

^a Code of honour.—Ed.

mercantile systems, which knew money only as a crystalline product of circulation, classical political economy in the first instance should have understood the fluid form of money, that is the form of exchange value which arises and vanishes within the metamorphosis of commodities. Because commodity circulation is looked at exclusively in the form $C-M-C$, and this in its turn solely as the dynamic unity of sale and purchase, the specific aspect of money as means of circulation is upheld against its specific aspect as money. If the function of means of circulation in serving as coin is isolated, then, as we have seen, it becomes a value token. But since classical political economy was at first confronted with metallic currency as the predominant form of currency, it regarded metallic money as coin, and coin as a mere token of value. In accordance with the law relating to the circulation of value tokens, the proposition is then advanced that the prices of commodities depend on the volume of money in circulation, and not that the volume of money in circulation depends on the prices of commodities. This view is more or less clearly outlined by Italian economists of the seventeenth century; it is sometimes accepted, sometimes repudiated by Locke, and firmly set forth in *The Spectator* (in the issue of 19 October 1711) as well as in the works of *Montesquieu* and *Hume*.³ Since *Hume* is by far the most important exponent of this theory in the eighteenth century, we shall begin our survey to him.

Under certain conditions, an increase or decrease in the quantity of either specie in circulation, or tokens of value in circulation, seems to have a *similar* effect upon commodity prices. If there is a fall or rise in the *value* of gold and silver, in which the exchange value of commodities is measured as price, then prices rise or fall because a change has taken place in their standard of value; and an increased or diminished amount of gold and silver is in circulation as coin because the prices have risen or fallen. The observable phenomenon, however, is that with an increasing or diminishing volume of means of circulation, prices change while the exchange value of commodities remains constant. If, on the other hand, the amount of value tokens in circulation falls below the requisite level, or rises above it, then it is forcibly reduced to that level by a fall or rise of commodity prices. The effect in both cases appears to be brought about by the same cause, and *Hume* holds fast to this appearance.

Any scholarly investigation of the relation between the volume

³ See this volume, pp. 164 and 243.—*Ed.*

of means of circulation and movements in commodity prices must assume that the value of the monetary material is given. Hume, however, considers exclusively periods when revolutionary changes in the value of the precious metals take place, that is revolutions in the standard of value. The rise in commodity prices that occurred simultaneously with the increase in the amount of specie consequent upon the discovery of the American mines forms the historical background of his theory, and its practical motive was the polemic that he waged against the monetary and mercantile systems. It is, of course, quite possible to increase the supply of precious metals while their costs of production remain unchanged. On the other hand, a decrease in their value, that is in the labour time required to produce them, will in the first place be attested only by an increase in their supply. Hume's disciples accordingly stated subsequently that the diminished value of the precious metals was reflected in the growing volume of means of circulation, and the growing volume of the means of circulation was reflected in increased commodity prices. But there is in reality an increase only in the prices of exported commodities which are exchanged for gold and silver as commodities and not as means of circulation. The price of those commodities, which are measured in gold and silver of reduced value, thus rises in relation to all other commodities whose exchange value continues to be measured in gold and silver in accordance with the scale of their former production costs. Such a dual evaluation of exchange values of commodities in a given country can of course occur only temporarily; gold and silver prices must be adjusted to correspond with the exchange values themselves, so that finally the exchange values of all commodities are assessed in accordance with the new value of monetary material. This is not the place for either a description of this process or an examination of the ways in which the exchange value of commodities prevails within the fluctuations of market prices. Recent critical investigations of the movement of commodity prices during the sixteenth century have conclusively demonstrated that in the early stages of the evolution of the bourgeois mode of production, such adjustment proceeds only very gradually, extending over long periods, and does not by any means keep in step with the increase of ready money in circulation.* Quite inappropriate are references—in vogue among Hume's disciples—to rising prices in ancient Rome brought about

* Incidentally, Hume admits that the adjustment takes place gradually, although this does not accord with his principle. See David Hume, *Essays and Treatises on Several Subjects*, Vol. I, London, 1777, p. 300.

by the conquest of Macedonia, Egypt and Asia Minor. The sudden and forcible transfer of hoarded money from one country to another is a specific feature of the ancient world; but the temporary lowering of the production costs of precious metals achieved in a particular country by the simple method of plunder does not affect the inherent laws of money circulation, any more than, for instance, the distribution of Egyptian and Sicilian corn free of charge in Rome affects the general law which regulates corn prices. For a detailed analysis of the circulation of money, Hume, like all other eighteenth-century writers, lacked the necessary material, i.e. on the one hand a reliable history of commodity prices, and on the other hand, official and continuous statistics regarding the expansion and contraction of the medium of circulation, the influx or withdrawal of precious metals, etc., in other words material which on the whole only becomes accessible when banking is fully developed. The following propositions summarise Hume's theory of circulation. 1. Commodity prices in a given country are determined by the amount of money (real or token money) existing therein. 2. The money circulating in a given country represents all commodities which are in that country. As the amount of money grows, each unit represents a correspondingly larger or smaller proportion of the things represented. 3. If the volume of commodities increases, then their prices fall or the value of money rises. If the amount of money increases, then, on the contrary, commodity prices rise and the value of money falls.*

"The dearness of everything," says Hume, "from plenty of money, is a disadvantage to any established commerce, as it enables the poorer states to undersell the richer in all foreign markets."** "It can have no effect, either good or bad, taking a nation within itself, whether much or little coin is available for payment or representation of commodities; any more than it would make an alteration on a merchant's books, if, instead of the Arabian method of notation, which requires few characters, he should make use of the Roman, which requires a great many. Nay, the greater quantity of money, like the Roman characters, is rather inconvenient, and requires greater trouble both to keep and transport it."***

If this example were to prove anything, Hume would have to show that in a *given* system of notation the quantity of characters employed does not depend on the numerical value, but that on the contrary the numerical value is determined by the quantity of characters employed. It is quite true that there is no advantage in evaluating or "counting" commodity values in gold or silver of

* Cf. Steuart, l.c., Vol. I, pp. 394-400.

** David Hume, l.c., p. 300.

*** David Hume, l.c., p. [302-]303.

diminished value; and as the aggregate value of the commodities in circulation increased, therefore, nations invariably decided that it was more convenient to count in silver than in copper, and in gold than in silver. In the proportion that nations grew richer, they turned the less valuable metals into subsidiary coin and the more valuable metals into money. Hume, moreover, forgets that in order to calculate values in terms of gold and silver, neither gold nor silver need be "present". Money of account and means of circulation are for him identical phenomena and he regards both as COIN.^a Because a change in the value of the standard of value, i.e. of the precious metals which function as money of account, causes a rise or fall in commodity prices, and hence, provided the velocity of circulation remains unchanged, an increase or decrease in the volume of money in circulation, Hume infers that increases or decreases of commodity prices are determined by the quantity of money in circulation. Hume could have deduced from the closing down of European mines that not only the quantity of gold and silver grew during the sixteenth and seventeenth centuries, but that simultaneously their production costs diminished. Along with the volume of imported American gold and silver commodity prices rose in Europe in the sixteenth and seventeenth centuries; commodity prices are consequently in every country determined by the volume of gold and silver which the country contains. This was the first "necessary consequence" drawn by Hume.* Prices in the sixteenth and seventeenth centuries did not rise in step with the increased amount of precious metals; more than half a century elapsed before *any* change at all was noticeable in the prices of commodities, and even after this a considerable time elapsed before the prices of commodities in general were revolutionised, that is before the exchange values of commodities were generally estimated according to the diminished value of gold and silver. Hume—who quite contrary to the principles of his own philosophy uncritically turns unilaterally interpreted facts into general propositions—concludes that, in consequence, the price of commodities or the value of money is determined not by the absolute amount of money present in a country, but rather by the amount of gold and silver actually in circulation; in the long run, however, all the gold and silver present in the country must be

* David Hume, l.c., p. 303.

^a In the original, the English word is given in brackets after its German equivalent.—*Ed.*

absorbed as coin in the sphere of circulation.* It is clear, that, if gold and silver themselves have value, quite irrespective of all other laws of circulation, only a definite quantity of gold and silver can circulate as the equivalent of a given aggregate value of commodities. Thus, if without reference to the total value of commodities, all the gold and silver that happens to be in the country must participate as means of circulation in the exchange of commodities, then gold and silver have no intrinsic value and are indeed not real commodities. This is Hume's third "necessary consequence". According to Hume, commodities without price and gold and silver without value enter the process of circulation. He, therefore, never mentions the value of commodities and the value of gold, but speaks only of their reciprocal quantity. Locke had already said that gold and silver have a purely imaginary or conventional value; this was the first blunt opposition to the contention of the monetary system that only gold and silver have genuine value. The fact that gold and silver are money only as the result of the function they perform in the social process of exchange is thus taken to mean that their specific value and hence the magnitude of their value is due to their social function.** Gold and silver are thus things without value, but in the process of circulation, in which they *represent commodities*, they acquire a fictitious value. This process turns them not into money but into value: a value that is determined by the proportion of their own volume to the volume of commodities, for the two volumes must balance. Although then, according to Hume, gold and silver enter the world of commodities as non-commodities, as soon as they function as coin he transforms them into plain commodities, which are exchanged for other commodities by simple barter. Provided the world of commodities consisted of a single commodity, e.g. one million quarters of corn, it would be quite simple to imagine that, if two million ounces of gold existed, one quarter of corn

* "It is evident, that the prices do not so much depend on the absolute quantity of commodities, and that of money, which are in a nation, as on that of the commodities, which can or may come to market, and of the money which circulates. If the coin be locked up in chests, it is the same thing with regard to prices, as if it were annihilated; if the commodities be hoarded in magazines and granaries, a like effect follows. As the money and commodities, in these cases, never meet, they cannot affect each other. The whole (of prices) at last reaches a *just proportion with the new quantity of specie which is in the kingdom*" (l.c., pp. 307, 308, 303). [Marx quotes in English.]

** See *Law and Franklin* on the *surplus value* which gold and silver are said to acquire from the function they perform as money. *Forbonnais* too. [Note in Marx's own copy.]

would be exchanged for two ounces of gold or, if twenty million ounces of gold existed, one quarter would be exchanged for twenty ounces of gold; the price of the commodity and the value of money would thus rise or fall in inverse ratio to the available quantity of money.* But the world of commodities consists of an infinite variety of use values, whose relative value is by no means determined by their relative quantities. How then does Hume envisage this exchange of commodities for gold? He confines himself to the vague abstract conception that every commodity being a portion of the total volume of commodities is exchanged for a commensurate portion of the existing volume of gold. The dynamic movement of commodities—a movement, which originates in the contradiction of exchange value and use value contained in the commodities, which is reflected in the circulation of money and epitomised in the various distinct aspects of the latter—is thus obliterated and replaced by an imaginary mechanical equalisation of the amount of precious metals present in a particular country and the volume of commodities simultaneously available.

Sir James Stewart begins his investigation of specie and money with a detailed criticism of Hume and Montesquieu.** He is indeed the first to ask whether the amount of money in circulation is determined by the prices of commodities, or the prices of commodities determined by the amount of money in circulation. Although his exposition is tarnished by his fantastic notion of the measure of value, by his inconsistent treatment of exchange value in general and by arguments reminiscent of the mercantile system, he discovers the essential aspects of money and the general laws of circulation of money, because he does not mechanically place commodities on one side and money on the other, but really deduces its various functions from different moments in commodity exchange.

“The uses of money in internal circulation may be comprehended under two general heads: payment of what one owes and buying what one has occasion for; the one and the other may be called by the general term of **READY-MONEY DEMANDS**^a... Now the state of trade, manufactures, modes of living, and the customary expense of the inhabitants, when taken all together, regulate and

* This invention can actually be found in Montesquieu's works. [Note in Marx's own copy.]

** Stewart, l.c., Vol. I, p. 394 *et seq.*

^a In the original, the English words are given in brackets after their German equivalents.—*Ed.*

determine what we may call the mass of ready-money demands, that is, of alienation. To operate this multiplicity of payments, a certain proportion of money is necessary. This proportion again may increase or diminish according to circumstances; although the quantity of alienation should continue the same... Anyway the circulation of a country can only absorb a determinate quantity of money.”*

“The market price of a commodity is determined by the complicated operations of DEMAND AND COMPETITION”,^a which are quite independent of the quantity of gold and silver in the country. What then will become of the gold and silver not needed as coin? It will be hoarded up in treasures or converted into luxury articles. If the amount of gold and silver falls below the level required for circulation, they are replaced by symbolic money or other expedients. If a favourable rate of exchange brings a superfluity of money into the country, and at the same time cuts off the demands [of trade] for sending it abroad, it frequently falls into coffers; where it becomes as useless as if it were in the mine.”**

The second law discovered by *Steuart* is that currency based on credit returns to its point of departure. Finally he analyses the consequences produced by the diversity in the rate of interest obtaining in different countries on the export and import of precious metals. The last two aspects are mentioned here only for the sake of a complete picture, since they are remote from our subject, namely simple circulation.*** Symbolical money or credit

* James Steuart, l.c., Vol. II, pp. 377-79 *passim*.

** L.c., pp. 379-80 [and 397-407] *passim*.

*** “The additional coin will be locked up, or converted into plate... As for the paper money, so soon as it has served the first purpose of supplying the demand of him who borrowed it, it will return upon the debtor in it and become realised... Let the specie of a country, therefore, be augmented or diminished in ever so great a proportion, commodities will still rise and fall according to the principles of demand and competition, and these will constantly depend upon the inclinations of those who have property or any kind of equivalent whatsoever to give, but never upon the quantity of coin they are possessed of... Let it” (i.e. the quantity of specie in a country) “be ever so low, while there is real property of any denomination in the country, and a competition to consume in those who possess it, prices will be high, by the means of barter, symbolical money, mutual prestations, and a *thousand* other inventions... If this country has a communication with other nations, there must be a proportion between the prices of many kinds of merchandise there and elsewhere, and a sudden augmentation or diminution of the specie, supposing it could *of itself* operate the effects of raising or sinking prices, would be *restrained* in its operation by foreign competition” (l.c., Vol. I, pp. 400-01). “The circulation of every country must be in proportion to the industry of the inhabitants producing the commodities which come to market... If the coin of a country, therefore, falls below the proportion of the produce of industry offered to sale, inventions, like symbolical money, will be fallen upon, to provide for an equivalent for it. But if the specie be found above the proportion of industry, it will have no effect in raising

^a In the original, the English words are given in brackets after their German equivalents.—*Ed.*

money—Steuart does not yet distinguish these two forms of money—can function as means of purchase and means of payment in place of the precious metals in domestic circulation, but not on the world market. Paper notes are consequently MONEY OF THE SOCIETY, whereas gold and silver are MONEY OF THE WORLD.^a*

It is a characteristic of nations with an “historical” development, in the sense given to this term by the Historical School of Law,⁸³ that they always forget their own history. Thus although during this half century the issue of the relation between commodity prices and the quantity of currency has agitated Parliament continuously and has caused thousands of pamphlets, large and small, to be published in England, Steuart remained even more of “a dead dog” than Spinoza appeared to be to Moses Mendelssohn in Lessing’s time. Even the most recent historiographer of “CURRENCY”, Maclaren, makes Adam Smith the inventor of Steuart’s theory, and Ricardo the inventor of Hume’s theory.** Whereas Ricardo improves upon Hume’s theory, Adam Smith records the results of Steuart’s research as dead facts. The Scottish proverb that if one has gained a little it is often easy to gain much, but the difficulty is to gain a little, has been applied by *Adam Smith* to intellectual wealth as well, and with meticulous care he accordingly keeps the sources secret to which he is indebted for the little,

prices, nor will it enter into circulation: *it will be hoarded up in treasures...* Whatever be the quantity of money in a nation, in correspondence with the rest of the world, there never can remain, *in circulation*, but the quantity nearly proportional to the consumption of the rich and to the labour and industry of the poor inhabitants” and this proportion is not determined “by the quantity of money actually in the country” (l.c., pp. 407-08 *passim*). “All nations will endeavour to throw their ready money, not necessary for their own circulation, into that country where the interest of money is high with respect to their own” (l.c., Vol. II, p. 5). “The richest nation in Europe may be the poorest in circulating specie” (l.c., Vol. II, p. 6). [Marx quotes in English. Note in Marx’s own copy:] See polemic against Steuart in Arthur Young’s work [*Political Arithmetic*].

* Steuart, l.c., Vol. II, p. 370. Louis Blanc transforms the “MONEY OF THE SOCIETY”, which simply means internal, national money, into socialist money, which means nothing at all, and quite consistently turns John Law into a socialist. (See the first volume of his *History of the French Revolution*.)

** Maclaren, l.c., p. 43 et seq. A German writer (Gustav Julius), who died prematurely, was induced by patriotism to oppose the old Büsch as an authority to the Ricardian school. The honourable Büsch has translated Steuart’s brilliant English into the Low-German dialect of Hamburg and distorted the original whenever it was possible. [J. G. Büsch, *Abhandlung vom dem Geldumlauf, in anhalten der Rücksicht auf die Staatswirtschaft und Handlung*.]

^a In the original, the English words are given in brackets after their German equivalents.—*Ed.*

which he turns indeed into much. More than once he prefers to take the sharp edge off a problem when the use of precise definitions might have forced him to settle accounts with his predecessors. This is, for instance, the case with the theory of money. Adam Smith tacitly accepts Steuart's theory by relating that a part of gold and silver available in a country is used as coin, a part is accumulated as reserve funds for merchants in countries which have no banks and as bank reserves in countries with a credit system, a part serves as a stock for the adjustment of international payments, and a part is converted into luxury articles. He quietly eliminates the question about the amount of coin in circulation by quite improperly regarding money as a simple commodity.* This not entirely artless slip of Adam Smith was with much pomposity fashioned into a dogma** by his vulgariser, the insipid *J. B. Say*, whom the French have designated *prince de la science*, just as Johann Christoph Gottsched calls his Schönaich a Homer and Pietro Aretino calls himself *terror principum* and *lux mundi*.^a The tension caused by the struggle against the illusions of the mercantile system prevented Adam Smith, moreover, from objectively considering the phenomena of metallic currency, whereas his views on credit money are original and profound. Just as the palaeontological theories of the eighteenth century inevitably contain an undercurrent which arises from a critical or an apologetic consideration of the biblical tradition of the Deluge, so behind the façade of all monetary theories of the eighteenth century a hidden struggle is waged against the monetary system, the spectre which stood guard over the cradle of bourgeois political economy and still cast its heavy shadow over legislation.

Investigations of monetary matters in the nineteenth century were stimulated directly by phenomena attending the circulation of bank notes, rather than by those of metallic currency. The latter was merely referred to for the purpose of discovering the

* This is inaccurate. In some passages Smith formulates the law correctly. [Note in Marx's own copy.]

** The distinction between "CURRENCY" and "MONEY", i.e. between means of circulation and money, does not therefore occur in the *Wealth of Nations*. Misled by the apparent ingenuousness of Adam Smith, who had studied Hume and Steuart closely, honest Maclaren observes: "The theory of the dependence of prices on the extent of the currency had not, as yet, attracted attention; and Doctor Smith, like Mr. Locke" (Locke's views vary) "considers metallic money nothing but a commodity" (Maclaren, l.c., p. 44). [Marx quotes in English.]

^a Terror of the princes and the light of the world.—Ed.

laws governing the circulation of bank notes. The suspension of cash payments by the Bank of England in 1797, the rise in price of many commodities which followed, the fall in the mint price of gold below its market price, and the depreciation of bank notes especially after 1809⁶⁹ were the immediate practical occasion for a party contest within Parliament and a theoretical encounter outside it, both waged with equal passion. The historical background of the debate was furnished by the evolution of paper money in the eighteenth century, the fiasco of Law's bank,⁸⁴ the growing volume of value tokens which was accompanied by a depreciation of provincial bank notes of the British colonies in North America from the beginning to the middle of the eighteenth century; after which came the legally imposed paper money, the CONTINENTAL BILLS issued by the American Government^a during the War of Independence, and finally the French assignats, an experiment conducted on an even larger scale. Most English writers of that period confuse the circulation of bank notes, which is determined by entirely different laws, with the circulation of value tokens or of government bonds which are legal tender and, although they pretend to explain the phenomena of this forced currency by the laws of metallic currency, in reality they derive the laws of metallic currency from the phenomena of the former. We omit the numerous writers whose works appeared between 1800 and 1809 and turn at once to Ricardo, because he not only summarises his predecessors and expresses their ideas with greater precision, but also because monetary theory in the form he has given it has dominated British banking law up to the present time. Like his predecessors, Ricardo confuses the circulation of bank notes or of credit money with the circulation of simple tokens of value. The fact which dominates his thought is the depreciation of paper money and the rise in commodity prices that occurred simultaneously. The printing presses in Threadneedle Street⁸⁵ which issue paper notes played the same role for Ricardo as the American mines played for Hume; and in one passage Ricardo explicitly equates these two causes. His first writings, which deal only with monetary matters, originated at a time when a most violent controversy raged between the Bank of England, which was backed by the Ministers and the war party, and its adversaries around whom were grouped the parliamentary opposition, the Whigs and the peace party. These writings appeared as the direct forerunners of the famous Report of the Bullion Committee of

^a In German, "central Government"; at that time, the Continental Congress.— *Ed.*

1810, which adopted Ricardo's ideas.* The odd fact that Ricardo and his supporters, who maintained that money was merely a token of value, were called BULLIONISTS^a was due not only to the name of the Committee but also to the content of Ricardo's theory. Ricardo restated and further elaborated the same ideas in his work on political economy, but he has nowhere examined money as such in the way in which he has analysed exchange value, profit, rent, etc.

To begin with, Ricardo determines the value of gold and silver, like the value of all other commodities, by the quantity of labour time objectified in them.** The value of other commodities is measured in terms of gold and silver as commodities of a determinate value.*** The quantity of means of circulation employed in a country is thus determined by the value of the standard of money on the one hand, and by the aggregate of the exchange values of commodities on the other. This quantity is modified by the economy with which payments are effected.**** Since, therefore, the quantity in which money of a given value can be circulated is determined, and within the framework of circulation its value manifests itself only in its quantity, money within the sphere of circulation can be replaced by simple value tokens, provided that these are issued in the amount determined by the value of money. Moreover

“a currency is in its most perfect state when it consists wholly of paper money, but of paper money of an equal value with the gold which it professes to represent”.*****

* David Ricardo, *The High Price of Bullion a Proof of the Depreciation of Bank Notes*, 4th ed., London, 1811 (the first edition was published in 1809). Also: *Reply to Mr. Bosanquet's Practical Observations on the Report of the Bullion Committee*, London, 1811.

** David Ricardo, *On the Principles of Political Economy etc.*, p. 77. “The value of the precious metals, like that of all other commodities, ultimately depends on the total quantity of labour necessary to obtain them, and to bring them to market.”

*** L.c., pp. 77, 180, 181.

**** Ricardo, l.c., p. 421. “The quantity of money that can be employed in a country depends on its value: if gold alone were in circulation, a quantity would be required, one fifteenth only of what would be necessary, if silver alone were made use of.” See also Ricardo, *Proposals for an Economical and Secure Currency*, London, 1816, p. 8, where he writes: “The quantity of notes in circulation depends on the sum required for the circulation in the country, and this is regulated by the value of the standard of money, by the amount of payments and by the economy practised in effecting them.”

***** Ricardo, *Principles of Political Economy*, pp. 432, 433.

^a In the original, the explanation of this English term is given in brackets.—Ed.

So far, therefore, Ricardo has assumed that the value of money is given, and has determined the amount of means of circulation by the prices of commodities: for him money as a token of value is a token which stands for a determinate quantity of gold and is not a valueless symbol representing commodities, as it was for Hume.

When Ricardo suddenly interrupts the smooth progress of his exposition and adopts the opposite view, he does so in order to deal with the international circulation of precious metals and thus complicates the problem by introducing extraneous aspects. Following his own train of thought, let us first of all leave aside all artificial and incidental aspects and accordingly locate the gold and silver mines within the countries in which the precious metals circulate as money. The only proposition which follows from Ricardo's analysis up to now is that if the value of gold is given, the amount of money in circulation is determined by the prices of commodities. The volume of gold circulating in a country therefore is simply determined by the exchange value of the commodities in circulation at the given time. Now supposing that the aggregate amount of these exchange values decreases, because either a smaller amount of commodities is produced at the old exchange values, or the same amount of commodities is produced but the commodities represent less exchange value as a result of an increase in the productive power of labour. Or let us assume by contrast that the aggregate exchange value has increased, because a larger volume of commodities has been produced while production costs remain constant, or because either the same or a smaller volume of commodities has a larger value as a result of a decline in the productive power of labour. What happens to the *existing* quantity of metal in circulation in these two cases? If gold is money only because it circulates as a medium of circulation, if it is forced to stay in the sphere of circulation, like paper money with forced currency issued by the State (and Ricardo implies this), then the quantity of money in circulation will, in the first case, be excessive in relation to the exchange value of the metal, and it will stand below its normal level in the second case. Although endowed with a specific value, gold thus becomes a token which, in the first case, represents a metal with a lower exchange value than its own, and in the second case represents a metal which has a higher value. Gold as a token of value will fall below its real value in the first case, and rise above it in the second case (once more a deduction made from paper money with forced currency). The effect would be the same as if, in the first case, all commodities were evaluated in metal of lower value than gold, and in the

second case as if they were evaluated in metal of a higher value. Commodity prices would therefore rise in the first case, and fall in the second. The movement of commodity prices, their rise or fall, in either case would be due to the [relative]^a expansion or contraction in the amount of gold in circulation occasioning a rise above or a fall below the level corresponding to its own value, i.e. the normal quantity determined by the relation between its own value and the value of the commodities which are to be circulated.

The same process would take place if the aggregate price of the commodities in circulation remained constant, but the amount of gold in circulation either fell below or rose above the proper level; the former might occur if gold coin worn out in circulation were not replaced by sufficient new output from the mines, the latter if the new supply from the mines surpassed the requirements of circulation. In both cases it is assumed that the production costs of gold, or its value, remain unchanged.

To recapitulate: If the exchange values of the commodities are given, the money in circulation is at its proper level when its quantity is determined by its own metallic value. It exceeds this level, gold falls below its own metallic value and the prices of commodities rise, whenever the aggregate exchange value of commodities decreases or the supply of gold from the mines increases. The quantity of money sinks below its appropriate level, gold rises above its own metallic value and commodity prices fall, whenever the aggregate exchange value of commodities increases or the supply of gold from the mines is insufficient to replace worn-out gold. In these two cases the gold in circulation is a token of value representing either a larger or a smaller value than it actually possesses. It can become an appreciated or depreciated token of itself. When commodities are generally evaluated in conformity with the new value of money, and commodity prices in general have risen or fallen accordingly, the amount of gold in circulation will once more be commensurate with the needs of circulation (a result which Ricardo emphasises with special satisfaction), but it will be at variance with the production costs of precious metals, and hence with the relation of precious metals as commodities to other commodities. According to Ricardo's general theory of exchange value, the rise of gold above its exchange value, in other words above the value which is determined by the labour time it contains, would lead to an enlarged output of gold

^a This word is missing in the original and is inserted by Marx in his own copy.—*Ed.*

until the increased supply reduced it again to its proper value. Conversely, a fall of gold below its value would lead to a decline in the output of gold until its value rose again to its proper level. These opposite movements would resolve the contradiction between the metallic value of gold and its value as a medium of circulation; the amount of gold in circulation would reach its proper level and commodity prices would once more be in accordance with the standard of value. These fluctuations in the value of gold in circulation would in equal measure affect gold bullion, since according to the assumption all gold that is not used as luxury articles is in circulation. Seeing that even gold in the form of coin or bullion can become a value token representing a larger or smaller metallic value than its own, it is obvious that any convertible bank notes that are in circulation must share the same fate. Although bank notes are convertible and their real value accordingly corresponds to their nominal value, THE AGGREGATE CURRENCY CONSISTING OF METAL AND OF CONVERTIBLE NOTES^a may appreciate or depreciate if, for reasons described earlier, the total quantity either rises above or falls below the level which is determined by the exchange value of the commodities in circulation and the metallic value of gold. According to this point of view, inconvertible paper money has only one advantage over convertible paper money, i.e. it can be depreciated in two ways. It may fall below the value of the metal which it professes to represent, because too much of it has been issued, or it may fall because the metal it represents has fallen below its own value. This depreciation, not of notes in relation to gold, but of gold and notes taken together, i.e. of the aggregate means of circulation of a country, is one of Ricardo's main discoveries, which Lord Overstone and Co. pressed into their service and turned into a fundamental principle of Sir Robert Peel's bank legislation of 1844 and 1845.⁶⁷

What should have been demonstrated was that the price of commodities or the value of gold depends on the amount of gold in circulation. The proof consists in postulating what has to be proved, i.e. that any quantity of the precious metal serving as money, regardless of its relation to its intrinsic value, must become a medium of circulation, or coin, and thus a token of value for the commodities in circulation regardless of the total amount of their value. In other words, this proof rests on disregarding all

^a In the original, the English phrase is given in brackets after its German equivalent.—*Ed.*

functions performed by money except its function as^a a medium of circulation. When driven into a corner, as for instance in his controversy with Bosanquet, Ricardo—entirely dominated by the phenomenon of value tokens depreciating because of their quantity—resorts to dogmatic assertion.*

If Ricardo had presented his theory in abstract form, as we have done, without introducing concrete circumstances and incidental aspects which represent digressions from the main problem, its hollowness would have been quite obvious. But he gives the whole analysis an *international* veneer. It is easy to show, however, that the apparent magnitude of scale can in no way alter the insignificance of the basic ideas.

The first proposition, therefore, was: the quantity of specie in circulation is normal if it is determined by the aggregate value of commodities in circulation estimated in terms of the metallic value of specie. Adjusted for the international scene this reads: when circulation is in a normal state, the amount of money in each country is commensurate with its wealth and industry. The value of money in circulation corresponds to its real value, i.e. its production costs; in other words, money has the same value in *all countries*.** Money therefore would never be transferred (exported or imported) from one country to another.*** A state of equilibrium would thus prevail between the CURRENCIES (the total volume of money in circulation) of different countries. The appropriate^b level of national CURRENCY is now expressed in the form of international CURRENCY-equilibrium, and this means in fact simply that nationality does not affect the general economic law at all. We have now reached again the same crucial point as before. In what way is the appropriate level upset, which now reads as follows: in what way is the international equilibrium of CURRENCIES upset, or why does money cease to have the same value in all countries, or finally why does it cease to have its specific value in each country? Just as previously the appropriate level was upset

* David Ricardo, *Reply to Mr. Bosanquet's Practical Observations etc.*, p. 49. "That commodities would rise or fall in price, in proportion to the increase or diminution of money, I assume as a fact which is incontrovertible." [Marx quotes in English.]

** Ricardo, *The High Price of Bullion etc.* "Money would have the same value in all countries" (p. 4). [Marx quotes in English.] Ricardo has this proposition in his *Political Economy*, but not so as to be of any importance in this context.

*** L.c., pp. 3-4.

^a The original has "disregarding all other determinations of form which money has except its form of"; changed in Marx's own copy.—*Ed.*

^b This word is missing in the original and is inserted in Marx's own copy.—*Ed.*

because the volume of money in circulation increased or decreased while the aggregate value of commodities remained unchanged, or because the quantity of money in circulation remained constant while the exchange value of commodities increased or decreased; so now the international level, which is determined by the value of the metal, is upset because the amount of gold is augmented in one country as a result of the discovery of new gold mines in that country,* or because the aggregate exchange value of the commodities in circulation in a particular country increases or decreases. Just as previously the output of precious metals was diminished or enlarged in accordance with the need for reducing or expanding the CURRENCY, and in accordance with it lowering or raising commodity prices, so now the same effect is achieved by export and import from one country to another. In a country where prices have risen and, owing to expanded circulation, the value of gold has fallen below its metallic value, gold would be depreciated in relation to other countries, and the prices of commodities would consequently be higher than in other countries. Gold would, therefore, be exported and commodities imported. The opposite movement would take place in the reverse situation. Just as previously the output of gold continued until the proper ratio of values between metal and commodities was re-established, so now the import or export of gold, accompanied by a rise or fall in commodity prices, would continue until equilibrium of the international CURRENCIES had been re-established. Just as in the first example the output of gold expanded or diminished only because gold stood above or below its value, so now the international movement of gold is brought about by the same cause. Just as in the former example the quantity of metal in circulation and thereby prices were affected by every change in gold output, so now they are affected similarly by international import and export of gold. When the relative value of gold and commodities, or the normal quantity of means of circulation, is re-established, no further production of gold takes place in the former case, and no more export or import of gold in the latter, except to replace worn-out coin and for the use of the luxury industry. It thus follows,

“that the temptation to export gold as an equivalent for goods, or an unfavourable balance of trade, can never arise except owing to an excess of means of circulation”.**

* L.c., p. 4.

** “An unfavourable balance of trade never arises but from a redundant currency” (Ricardo, l.c., pp. 11, 12). [Marx quotes in English.]

The import or export of metal is invariably brought about by the metal being underrated or overrated owing to an expansion of the currency above its proper level or its contraction below that level.* It follows further: since the output of gold is expanded or diminished in our first case, and gold is imported or exported in our second case, only because its quantity has risen above its proper level or fallen below it, because it is rated above its metallic value or below it, and consequently commodity prices are too high or too low, every one of these movements acts as its own corrective,** for, by augmenting or curtailing the amount of money in circulation, prices are reduced again to their correct level, which is determined by the value of gold and the value of commodities in the first case, and by the international level of CURRENCIES in the second. To put it in other words, money circulates in different countries only because it circulates as coin in each country. Money is simply specie, and the amount of gold present in a country must enter the sphere of circulation; as a token representing itself it can thus rise above or fall below its value. By the circuitous route of these international intricacies we have managed to return to the simple thesis which forms the point of departure.

A few examples will show how arbitrarily actual phenomena are arranged by Ricardo to suit his abstract theory. He asserts, for instance, that in periods of crop failure, which occurred frequently in England between 1800 and 1820, gold is exported, not because corn is needed and gold constitutes money, i.e. it is always an efficacious means of purchase and means of payment on the world market, but because the value of gold has fallen in relation to other commodities and hence the CURRENCY of the country suffering from crop failure is depreciated in relation to the other national CURRENCIES. That is to say, because the bad harvest reduces the volume of commodities in circulation, the existing quantity of money in circulation exceeds its normal level and all commodity prices consequently rise.*** As opposed to this paradoxical

* "The exportation of the coin is caused by its cheapness, and is not the effect, but the cause of an unfavourable balance" (l.c., p. 14). [Marx quotes in English.]

** L.c., p. 17.

*** Ricardo, l.c., pp. 74, 75. "England, in consequence of a bad harvest, would come under the case of a country having been deprived of a part of its commodities, and, therefore, requiring a diminished amount of circulating medium. The currency which was before equal to the payments would now become superabundant and relatively cheap in proportion of her diminished production. The exportation of this sum, therefore, would restore the value of the currency to the value of the currencies of other countries." [Here and below Marx quotes from

explanation, statistics show that in the case of crop failures in England from 1793 up to the present, the existing amount of means of circulation was not excessive but on the contrary it was insufficient, and therefore more money than previously circulated and was bound to circulate.*

At the time of Napoleon's Continental System⁸⁶ and the English Blockade Decrees,⁸⁷ Ricardo likewise asserted that the British exported gold instead of commodities to the Continent, because their money was depreciated in relation to that of Continental countries, the prices of their commodities were therefore higher and the export of gold rather than commodities was thus a more profitable commercial transaction. According to him commodities were dear and money cheap on the English market, whereas on the Continent commodities were cheap and money dear.

An English writer states however:

"The fact I mean was the ruinously low prices of our manufactures and of our colonial productions under the operation of the Continental System during the last six years of the war. The prices of sugar and coffee, for instance, on the Continent, computed in gold, were four or five times higher than their prices in England, computed in bank notes. It was the time in which the French chemists discovered sugar in beet-root, and a substitute for coffee in chicory; and when the English grazier tried experiments upon fattening oxen with treacle and molasses—the time when England took possession of Heligoland, in order to form there a *dépôt* of goods to facilitate the smuggling of them into the North of Europe; and when the lighter descriptions of British manufactures found their way into Germany through Turkey... Almost all the merchandise of the world accumulated in our warehouses, where they became impounded, except when some small quantity was released by a French Licence, for which the merchants at Hamburgh or Amsterdam had, perhaps, given Napoleon such a sum as forty or fifty thousand pounds. They must have been strange merchants to have paid so large a sum for liberty to carry a cargo of goods from a dear market to a cheap one. What was the ostensible alternative the merchant had? Either to buy coffee at 6d. a pound in bank notes,

Ricardo in English.] His confusion of money and commodities and of money and specie appears in a quite ridiculous form in the following passage: "If we can suppose that after an unfavourable harvest, when England has occasion for an unusual importation of corn, another nation is possessed of a superabundance of that article, but has no wants for any commodity whatever, it would unquestionably follow that such a nation would not export its corn in exchange for commodities: *but neither would it export corn for money*, as that is a commodity which no nation ever wants absolutely, but relatively" (l.c., p. 75). In his epic poem Pushkin relates that the father of his hero fails to grasp that commodities are money [*Eugene Onegin*, I, 7]. But that the Russians long ago grasped that money is a commodity is demonstrated not only by the English corn imports from 1838 to 1842, but also by the whole history of their trade.

* Cf. Thomas Tooke, *History of Prices*, and James Wilson, *Capital, Currency and Banking*. (The latter is a reprint of a series of articles published in the *London Economist* in 1844, 1845 and 1847.)

and send it to a place where it would instantly sell at 3s. or 4s. a pound in gold, or to buy gold with bank notes at £5 an ounce, and send it to a place where it would be received at £3 17s. 10¹/₂d. an ounce. It is too absurd, or course, to say that the gold was remitted instead of the coffee, as a preferable mercantile operation... There was not a country in the world in which so large a quantity of desirable goods could be obtained as in England. Bonaparte was constantly examining the English Price Current. So long as he saw that gold was dear, and coffee was cheap in England, he was satisfied that his Continental System worked well."*

In 1810—just at the time when Ricardo first advanced his currency theory, and the Bullion Committee embodied it in its parliamentary report—the prices of all British commodities slumped ruinously in comparison with their level in 1808 and 1809, whereas the relative value of gold^a rose. Agricultural products were an exception because their import from abroad was impeded and the amount available within the country was greatly reduced by bad harvests.** So completely did Ricardo misunderstand the function that precious metals perform as international means of payment that in his evidence before the Committee of the House of Lords (1819) he could declare

“THAT DRAINS FOR EXPORTATION WOULD CEASE ALTOGETHER SO SOON AS CASH PAYMENTS SHOULD BE RESUMED, AND THE CURRENCY BE RESTORED TO ITS METALLIC LEVEL”.

His death occurred in time before the onset of the crisis of 1825 demonstrated the falsehood of his forecast. The time within which Ricardo's literary activity falls was in general hardly favourable to the study of the function which precious metals perform as world money. Before the imposition of the Continental System Britain had almost continuously a favourable trade balance, and while the System was in force her transactions with the European continent were too insignificant to affect the English rate of exchange. The transfer of money had a predominantly political character, and Ricardo seems to have completely misunderstood the role which subsidies played in British gold export.***

Among the contemporaries of Ricardo, *James Mill* was the most important of the adherents of his principles of political economy. He attempted to expound Ricardo's currency theory on the basis of simple metallic currency, omitting the irrelevant international complications, which conceal the inadequacy of Ricardo's concep-

* James Deacon Hume, *Letters on the Corn Laws*, London, 1834, pp. 29-31.

** Thomas Tooke, *History of Prices etc.*, London, 1848, p. 110.

*** Cf. W. Blake, *Observations etc.*, quoted earlier.

^a The original has “money”; changed in Marx's own copy.—*Ed.*

tion, and all controversial references to the operation of the Bank of England. His main propositions are as follows.*

“By value of money, is here to be understood the proportion in which it exchanges for other commodities, or the quantity of it which exchanges for a certain quantity of other things. It is the total quantity of the money in any country, which determines that portion. If we suppose that all the goods of the country are on one side, all the money on the other, and that they are exchanged at once against one another, it is evident that the value of money would depend wholly upon the quantity of it. It will appear that the case is precisely the same in the actual state of the facts. The whole of the goods of a country are not exchanged at once against the whole of the money; the goods are exchanged in portions, often in very small portions, and at different times, during the course of the whole year. The same piece of money which is paid in one exchange to-day, may be paid in another exchange to-morrow. Some of the pieces will be employed in a great many exchanges, some in very few, and some, which happen to be hoarded, in none at all. There will, amid all these varieties, be a certain average number of exchanges, the same which, if all the pieces had performed an equal number, would have been performed by each; that average we may suppose to be any number we please; say, for example, ten. If each of the pieces of the money in the country perform ten purchases, that is exactly the same thing as if all the pieces were multiplied by ten, and performed only one purchase each. The value of all the goods in the country is equal to ten times the value of all the money, etc. If the quantity of money, instead of performing ten exchanges in the year, were ten times as great, and performed only one exchange in the year, it is evident that whatever addition were made to the whole quantity, would produce a proportional diminution of value, in each of the minor quantities taken separately. As the quantity of goods, against which the money is all exchanged at once, is supposed to be the same, the value of all the money is no more, after the quantity is augmented, than before it was augmented. If it is supposed to be augmented one-tenth, the value of every part, that of an ounce for example, must be diminished one-tenth. In whatever degree, therefore, the quantity of money is increased or diminished, other things remaining the same, in that same proportion, the value of the whole, and of every part, is reciprocally diminished or increased. This, it is evident, is a proposition universally true. Whenever the value of money has either risen or fallen (the quantity of goods against which it is exchanged and the rapidity of circulation remaining the same), the change must be owing to a corresponding diminution or increase of the quantity; and can be owing to nothing else. If the quantity of goods diminish, while the quantity of money remains the same, it is the same thing as if the quantity of money had been increased”; and vice versa. “Similar changes are produced by any alteration in the rapidity of circulation. An increase in the number of these purchases has the same effect as an increase in the quantity of money; a diminution the reverse... If there is any portion of the annual produce which is not exchanged at all, as what is consumed by the producer; or which is not exchanged for money; that is not taken into the account, because what is not exchanged for money is in the same state with respect to the money, as if it did not exist... Whenever the coining of money is free, its quantity is regulated by the value of the metal... Gold and silver are in reality

* James Mill, *Elements of Political Economy*. Retranslated from the French translation by J. T. Parisot published in Paris in 1823.⁵⁰

commodities. It is cost of production which determines the value of these, as of other ordinary productions.”*

Mill's whole wisdom is reduced to a series of assumptions which are both arbitrary and trite. He wishes to prove that "it is the total quantity of the money in any country" which determines the price of commodities or the value of money. If one *assumes* that the quantity and the exchange value of the commodities in circulation remain constant, likewise the velocity of circulation and the value of precious metals, which is determined by the production costs, and if simultaneously one *assumes* that nevertheless the quantity of specie *in circulation* increases or decreases in relation to the volume of money *existing* in a country, then it is indeed "EVIDENT" that one has assumed what one has pretended to prove. Mill, moreover, commits the same error as Hume, namely placing not commodities with a determinate exchange value, but use values into circulation; his proposition is therefore wrong, even if one accepts all his "assumptions". The velocity of circulation may remain unchanged, similarly the value of precious metals and the *quantity* of commodities in circulation, yet they may nevertheless require sometimes a larger sometimes a smaller amount of money for their circulation as a result of changes in their exchange value. Mill notices that a part of the money existing in a country circulates while another part stagnates. By means of a very odd rule of averages he *assumes* that all the money present in a country is actually in circulation, although in reality it does not seem to be so. If one assumes that in a given country 10 million silver thaler circulate twice in the course of a year, then, if each thaler were used in only one purchase, 20 million could be in circulation. And if the total quantity of all forms of silver in the country amounted to 100 million, it may be supposed that the 100 million could be in circulation if each coin performed one purchase in five years. One could as well assume that all the money existing in the world circulated in Hampstead,^a but that each portion of it performed one circuit in 3,000,000 years instead of, say, three circuits in one year. The one assumption is just as relevant as the other to the determination of the relation between the aggregate of commodity prices and the amount of currency. Mill is aware of the crucial importance of establishing a direct connection between the commodities and the whole stock of money—not just the amount

* L.c., pp. 128-36 *passim*.

^a One of the 29 districts in London.—*Ed.*

of money in circulation—in a particular country at a given time. He admits that the whole of the goods of a country are “not exchanged at once” against the whole of the money, but says that separate portions of the goods are exchanged for various portions of money at different times throughout the year. In order to remove this incongruity he *assumes* that it does not exist. Incidentally, the whole concept of a direct confrontation between commodities and money and their direct exchange is derived from the movement of simple purchases and sales or from the function performed by money as means of purchase. The simultaneous appearance of commodities and money ceases even when money acts as means of payment.

The commercial crises of the nineteenth century, and in particular the great crises of 1825 and 1836, did not lead to any further development of Ricardo’s currency theory, but rather to new practical applications of it. It was no longer a matter of single economic phenomena—such as the depreciation of precious metals in the sixteenth and seventeenth centuries confronting Hume, or the depreciation of paper currency during the eighteenth century and the beginning of the nineteenth confronting Ricardo—but of big storms on the world market, in which the antagonism of all elements in the bourgeois process of production explodes; the origin of these storms and the means of defence against them were sought within the sphere of currency, the most superficial and abstract sphere of this process. The theoretical assumption which actually serves the school of economic weather experts as their point of departure is the dogma that Ricardo had discovered the laws governing purely metallic currency. It was thus left to them to subsume the circulation of credit money or bank notes under these laws.

The most common and conspicuous phenomenon accompanying commercial crises is a sudden fall in the general level of commodity prices occurring after a prolonged general rise of prices. A general fall of commodity prices may be expressed as a rise in the value of money relative to all other commodities, and, on the other hand, a general rise of prices may be defined as a fall in the relative value of money. Either of these statements describes the phenomenon but does not explain it. Whether the task set is to explain the periodic rise in the general level of prices alternating with a general fall, or the same task is said to be to explain the alternating fall and rise in the relative value of money compared with that of commodities—the different terminology has just as little effect on the task itself as a translation of the terms from

German into English would have. Ricardo's monetary theory proved to be singularly apposite since it gave to a tautology the semblance of a causal relation. What is the cause of the general fall in commodity prices which occurs periodically? It is the periodically occurring rise in the relative value of money. What on the other hand is the cause of the recurrent general rise in commodity prices? It is the recurrent fall in the relative value of money. It would be just as correct to say that the recurrent rise and fall of prices is brought about by their recurrent rise and fall. The proposition advanced presupposes that the intrinsic value of money, i.e. its value as determined by the production costs of the precious metals, remains *unchanged*. If the tautology is meant to be more than a tautology, then it is based on a misapprehension of the most elementary notions. We know that if the exchange value of *A* expressed in terms of *B* falls, it may be due either to a fall in the value of *A* or to a rise in the value of *B*; similarly if, on the contrary, the exchange value of *A* expressed in terms of *B* rises. Once the transformation of the tautology into a causal relationship is taken for granted, everything else follows easily. The rise in commodity prices is due to a fall in the value of money, the fall in the value of money, however, as we know from Ricardo, is due to excessive currency, that is to say, to the fact that the amount of money in circulation rises above the level determined by its own intrinsic value and the intrinsic value of commodities. Similarly in the opposite case, the general fall of commodity prices is due to the value of money rising above its intrinsic value as a result of an insufficient amount of currency. Prices therefore rise and fall periodically, because periodically there is too much or too little money in circulation. If it is proved, for instance, that the rise of prices coincided with a decreased amount of money in circulation, and the fall of prices with an increased amount, then it is nevertheless possible to assert that, in consequence of some reduction or increase—which can in no way be ascertained statistically—of commodities in circulation, the amount of money in circulation has relatively, though not absolutely, increased or decreased. We have seen that, according to Ricardo, even when a purely metallic currency is employed, these variations in the level of prices must take place, but, because they occur alternately, they neutralise one another. For example, an insufficient amount of currency brings about a fall in commodity prices, the fall of commodity prices stimulates an export of commodities to other countries, but this export leads to an influx of money into the country, the influx of money causes again a rise in commodity

prices. When there is an excessive amount of currency the reverse occurs: commodities are imported and money exported. Since notwithstanding these general price movements, which arise from the very nature of Ricardo's metallic currency, their severe and vehement form, the form of crisis, belongs to periods with developed credit systems, it is clear that the issue of bank notes is not exactly governed by the laws of metallic currency. The remedy applicable to metallic currency is the import and export of precious metals, which are immediately thrown into circulation as coin, their inflow or outflow thus causing commodity prices to fall or to rise. The banks must now artificially exert the same influence on commodity prices by imitating the laws of metallic currency. If gold is flowing in from abroad, it is a proof that there is an insufficient amount of currency, that the value of money is too high and commodity prices too low, and bank notes must therefore be thrown into circulation in accordance with the newly imported gold. On the other hand, bank notes must be taken out of circulation in accordance with an outflow of gold from the country. In other words the issue of bank notes must be regulated according to the import and export of the precious metals or according to the rate of exchange. Ricardo's wrong assumption that gold is simply specie and that consequently the whole of the imported gold is used to augment the money in circulation thus causing prices to rise, and that the whole of the gold exported represents a decrease in the amount of specie and thus causes prices to fall—this theoretical assumption is now turned *into a practical experiment by making the amount of specie in circulation correspond always to the quantity of gold in the country.* Lord Overstone (Jones Loyd, the banker), Colonel Torrens, Norman, Clay, Arbuthnot and numerous other writers known in England as the "CURRENCY PRINCIPLE" school⁵² have not only preached this doctrine, but have made it the basis of the present English and Scottish banking legislation by means of Sir Robert Peel's Bank Acts of 1844 and 1845.⁶⁷ The analysis of the ignominious fiasco they suffered both in theory and practice, after experiments on the largest national scale, can only be made in the section dealing with the theory of credit.* It is obvious however that Ricardo's theory,

* Investigation into the operation of the Bank Acts of 1844 and 1845 was conducted by a Committee of the House of Commons a few months before the onset of the general commercial crisis of 1857. In his evidence to the Committee, Lord Overstone, the theoretical father of these Acts, gave vent to the following piece of boasting: "By strict and prompt adherence to the principles of the Act of

which regards currency, the fluid form of money, in isolation, ends by attributing to increases and decreases in the amount of precious metals an absolute influence on bourgeois economy such as was never imagined even in the superstitious concepts of the monetary system. Ricardo, who declared that paper money is the most perfect form of money, was thus to become the prophet of the bullionists.

After Hume's theory, or the abstract opposition to the monetary system, had been developed to its extreme conclusions, Steuart's concrete interpretation of money was finally restored to its legitimate position by *Thomas Tooke*.* Tooke derives his principles not from some theory or other but from a scrupulous analysis of the history of commodity prices from 1793 to 1856. In the first edition of his *History of Prices*, which was published in 1823, Tooke is still completely engrossed in the Ricardian theory and vainly tries to reconcile the facts with this theory. His pamphlet *On the Currency*, which was published after the crisis of 1825, could even be regarded as the first consistent exposition of the views which Overstone was to set forth later. But continued investigation of the history of prices compelled Tooke to recognise that the direct correlation between prices and the quantity of currency presupposed by this theory is purely imaginary, that increases or decreases in the amount of currency when the value of precious metals remains constant are always the consequence, never the cause, of price variations, that altogether the circulation of money is merely a secondary movement and that, in addition to serving as medium of circulation, money performs various other functions in the real process of production. His detailed research does not

1844, everything has passed off with regularity and ease; the monetary system is safe and unshaken, the prosperity of the country is undisputed, the public confidence in the wisdom of the Act of 1844 is daily gaining strength; and if the Committee wish for further practical illustration of the soundness of the principles on which it rests, or of the beneficial results which it has assured, the true and sufficient answer to the Committee is, look around you; look at the present state of trade of the country, look at the contentment of the people; look at the wealth and prosperity which pervades every class of the community; and then, having done so, the Committee may be fairly called upon to decide whether they will interfere with the continuance of an Act under which these results have been developed." [Marx quotes in English.] Thus did Overstone blow his own trumpet on 14 July 1857, and on 12 November of the same year the miraculous Act of 1844 had to be suspended by the Cabinet on its own responsibility. [*The Evidence before the Select Committee of the House of Commons of 1857, on Bank Acts*, London, 1858, pp. 263-64.]

* That Tooke was quite unaware of Steuart's work is apparent from his *History of Prices from 1839 to 1847*, London, 1848, where he summarises the history of theories of money.

belong to the sphere of simple metallic currency and at this stage it is accordingly not yet possible to examine it or the works of *Wilson* and *Fullarton*, who belong to the same school of thought.* None of these writers take a one-sided view of money but deal with its various aspects, though only from a mechanical angle without paying any attention to the organic relation of these aspects either with one another or with the system of economic categories as a whole. Hence, they fall into the error of confusing *money* as distinct from *currency* with *capital* or even with commodities; although on the other hand, they are occasionally constrained to assert that there is a distinction between these two categories and money.** When, for example, gold is sent abroad, then indeed capital is sent abroad, but this is also the case when iron, cotton, corn, in short when any commodity, is exported. Both are capital and the difference between them does not consist therefore in the fact that one is capital, but that one is money and the other commodity. The role of gold as international means of exchange is thus due not to the distinctive form it has as capital, but to the specific function it performs as money. Similarly when gold or bank notes which take its place act as means of payment in domestic trade they are at the same time capital. But it would be impossible to use capital in the shape of commodities instead, as crises very strikingly demonstrate, for instance. It is again the difference between commodities and gold used as money and not its function as capital which turns gold into a means of payment.

* Tooke's principal work—apart from the *History of Prices*, which was published in six volumes by his collaborator Newmarch—is *An Inquiry into the Currency Principle; the Connection of the Currency with Prices etc.*, 2nd ed., London, 1844. *Wilson's* book has already been quoted. There remains to be mentioned John Fullarton, *On the Regulation of Currencies*, 2nd ed., London, 1845.

** “We ought to distinguish between gold considered as merchandise, i.e. as capital, and gold considered as currency” (Tooke, *An Inquiry into the Currency Principle etc.*, p. 10). [This quotation is in German, the two below are in English.] “Gold and silver may be counted upon to realise on their arrival nearly the exact sum required to be provided... Gold and silver possess an infinite advantage over all other description of merchandise ... from the circumstance of being universally in use as money... It is not in tea, coffee, sugar or indigo that debts, whether foreign or domestic, are usually contracted to be paid, but in coin; and the remittance, therefore, either in the identical coin designated, or in bullion which can be promptly turned into that coin through the Mint or market of the country to which it is sent, must always afford to the remitter the most certain, immediate, and accurate means of effecting this object, without risk of disappointment from the failure of demand or fluctuation of price” (Fullarton, l.c., pp. 132, 133). “Any other article” (apart from gold and silver) “might in quantity or kind be beyond the usual demand of the country to which it is sent” (Tooke, *An Inquiry etc.* [p. 10]).

Even when capital is directly exported as capital, e.g. in order to lend a definite amount on interest abroad, it depends on market conditions whether this is exported in the shape of commodities or of gold; and if it is exported as gold this is done because of the specific function which the precious metals perform as money in contradistinction to commodities. Generally speaking, these writers do not first of all examine money in its abstract form in which it develops within the framework of simple commodity circulation and grows out of the relations of commodities in circulation. As a consequence they continually vacillate between the abstract forms which money assumes, as opposed to commodities, and those forms of money which conceal concrete factors, such as capital, REVENUE, and so forth.*

* The conversion of money into capital will be examined in Chapter Three, which deals with capital and concludes this first section.³⁸

FROM THE PREPARATORY MATERIALS

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(TO THE FIRST PART)⁸⁹

[First Draft]

[M-23]

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^a Livres of account.—*Ed.*

^b [E. Misselden,] *Free Trade. Or, the Meanes to Make Trade Flourish*, p. 21.—*Ed.*

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(d) *Primitive accumulation*

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[M-28] (e) *Inversion of the law of appropriation* (*Ricardo* VI, 1, 2) (VI, 37, 38).

(2) *The circulation process of capital*

[Second Draft]

[M-29] (1) *Money as measure*

*When paper money is denominated in a metallic (in general, in any) STANDARD, its convertibility is, whether legally or not, an economic law. The controversial questions concerning convertibility therefore become purely technical—how to ensure this convertibility, legal or not, etc. (Notebook I, p. 8). Hence the theory of the ideal standard, i.e. NO STANDARD AT ALL, held by the consistent adherents to CONVERTIBILITY (p. 9, *ibid.*) (p. 10).*

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(b) The division must be fixed, i.e. definite quantities must always bear the same name. But if money is used as measure, variations in its value are of no consequence. Its mint price does not express any value, but only a quantity. This is the *FIXED STANDARD*.

(c) One metal must be the measure. *NO DOUBLE STANDARD*.

(5) Historical survey on the *IDEAL STANDARD*. Labour money, etc.

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^b Commodity as an object of consumption.—*Ed.*

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^a [E. Misselden,] *Free Trade. Or, the Meanes to Make Trade Flourish.*—Ed.

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"With the exception of Mexican dollars, in which the produce of the South American silver mines is mainly distributed, the IMPERIALS OF RUSSIA, in which the produce of the Asiatic provinces is adding to the GENERAL SUPPLY of the precious metals, and the English sovereigns, on which no SEIGNORAGE is charged, the

instances are rare in which, unless depreciated by paper money, COINS are sent abroad to supply foreign payments" (Tooke [*A History of Prices, and of the State of the Circulation, from 1839 to 1847 inclusive*, London, 1848, p. 226]).

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THE ORIGINAL TEXT OF THE SECOND
AND THE BEGINNING OF THE THIRD CHAPTER
OF A CONTRIBUTION
TO THE CRITIQUE OF POLITICAL ECONOMY⁹⁵

[CHAPTER TWO, MONEY]

[2] MONEY AS MEANS OF PAYMENT]

[...] [B'-1] obtains. Every peculiarity of the relation between the two [parties to the exchange] has been obliterated (exchange value as such, the general product of the social circulation, is here alone involved), and similarly all the political, patriarchal and other relationships stemming from the particularity of the relation. Both relate to each other as abstract social persons, merely representing exchange value as such before each other. Money has now become the sole *nexus rerum*⁹⁶ between them, money *sans phrase*. The peasant no longer confronts the landowner as a peasant with his rural product and his rural labour, but as the money owner, for through the sale the immediate use value has been alienated and has assumed an indifferent form through the medium of the social process. On the other hand, the landowner no longer regards him as an uncouth individual producing means of subsistence in peculiar living conditions, but as one whose product—exchange value become independent, the universal equivalent, money—is no different from anyone else's product. Thus, the idyllic aura that covered up the transaction in its previous form is dispelled.

The absolute monarchy, itself already a product of the development of bourgeois wealth to a level incompatible with the old feudal relationships, is—in accordance with the uniform general power which it must be able to exercise at every point of the periphery—in need of a material instrument of that power: the *universal equivalent*, wealth in its constant battle-ready form in which it is completely independent of particular local, natural, individual relations. It needs wealth in the form of money. A system of services and deliveries in kind tends to impart, in accordance with their specific character, a particular character to their use as well. Money is alone capable of being immediately

converted into any particular use value. So the absolute monarchy is actively engaged in converting money into the universal means of payment. That can be done only through forced circulation, which makes products circulate at below their value. For the absolute monarchy, the conversion of all taxes into money taxes is a vital matter. So, whereas the conversion of [feudal] services into money services at an earlier stage appears as the shedding of relationships of personal dependence, as a victory of the bourgeois society, which buys its way out of the shackling fetters with cash—a process which, on the other hand, appears from the romantic viewpoint as a substitution of hard and insensitive money relationships for mankind's motley *ties*—in the epoch of the rising absolute monarchy, whose art of finance consists in the forcible conversion of commodities into money, money is itself attacked by bourgeois economists as imaginary wealth to which natural wealth is being forcibly sacrificed. So, whereas Petty,^a for instance, actually celebrates in money, as the material for hoarding, merely the general energetic drive for enrichment of the young bourgeois society in England, Boisguillebert,^b in the reign of Louis XIV, denounces money as the universal curse which causes the development of the real sources of the production of wealth to run dry, and whose dethronement alone can restore to the world of commodities, the true wealth and its general enjoyment, its good old rights. He could not as yet comprehend that the same black art of finance which threw men and commodities into the alchemistic retort in order to make gold, simultaneously caused all the relationships and illusions hemming the bourgeois mode of production to be vaporised, to leave simple money relationships, common exchange-value relationships, as a residue.

“In feudal time cash payment had not grown to be the sole nexus of man to man. Not as buyer and seller alone, but in many senses still as soldier and captain, as loyal subject and guiding king, etc. was the low related to the high. With the supreme triumph of cash, a changed time has entered” (Th. Carlyle, *On Chartism*, London, 1840, p. 58).

Money is “impersonal” property. I can carry it around with me in my pocket as the universal social power and the universal social nexus, the social substance. Money puts social power as a thing into the hands of the private person, who as such uses this power.

^a W. Petty, *Several Essays in Political Arithmetick*, pp. 178-79 and 196.—Ed.

^b P. Boisguillebert, *Dissertation sur la nature des richesses, de l'argent et des tributs*. In: *Économistes financiers du XVIII^e siècle*, Paris, 1843, pp. 395, 399, 413 and 422.—Ed.

The social nexus, the social exchange of matter, itself appears in money as something entirely external, not having any individual relation at all to its possessor, so that the power he wields appears to be something quite incidental and external to him.

[B'-2] Without any further anticipation, this much is clear: With the development of the credit system there is an extraordinary spread of buying on time. To the extent that the credit system is developed, and hence production based on exchange value, the role of money as means of payment will increase, as compared with its role as means of circulation, as agent of purchase and sale. In countries with a developed modern mode of production, and therefore a developed credit system, money as specie effectively figures almost exclusively in retail trade and in petty trade between producers and consumers, while in the sphere of large-scale trading transactions it appears almost exclusively in the form of the *universal means of payment*. In so far as the payments are in balance, money appears as a transient form, a merely notional, imaginary measure of the exchange magnitudes of value. Its bodily involvement is confined to the settlement of relatively insignificant balances.*

* "To prove how little," says Mr. Slater (of the firm of Morrison, Dillon et Co, whose transactions are amongst the largest of the metropolis) "of real money enters into the operations of trade", he gives an "analysis of a continuous course of commercial transactions, extending over several millions yearly, and which may be considered as a fair example of the general trade of the country. The proportions of receipts and payments are reduced to the scale of £1,000,000 only, during the year 1856, and are as under, viz.:

<i>Receipts</i>	£	<i>Payments</i>	
In bankers' drafts and mercantile bills of exchange, payable after date	533,596	Bills of exchange payable after date	302,674
In cheques of bankers etc. payable on demand	357,715	Cheques on London bankers	663,672
In country banknotes	9,627	Bank of England notes	22,743
Bank of England notes	68,554	Gold	9,427
Gold	28,089	Silver and copper	1,484
Silver and copper	1,486		
Post-office orders	933		
	£1,000,000		£1,000,000."

p. LXXI (Report from the Select Committee on the Bank Acts etc. 1 July 1858.) [Marx quotes in English.]

The development of money as the universal means of payment goes hand in hand with the development of a higher, mediated form of circulation—that returns upon itself and that has already been taken under social control—in which the exceptional importance that money has on the basis of the simple metallic circulation, as it does, for instance, in hoarding in the strict sense of the term, is transcended. But then, if sudden credit upheavals should interrupt the mutual settlement of payments and upset the payments mechanism, it is money that is suddenly in demand as the real universal means of payment, with the requirement that the whole volume of wealth should have a two-fold existence: once as commodity and again as money, so that these two modes of existence are identical to each other. At such moments of crisis, money appears as exclusive wealth, which is manifested as such not in some merely imaginary depreciation, as it does in, say, the monetary system, but in the active depreciation of all real wealth. With respect to the world of commodities, value then continues to exist only in its adequate exclusive form—as money.

The further elaboration of this point is here irrelevant. What is relevant, however, is that moments of monetary crises proper bring out a contradiction that is immanent to the development of money as the universal means of payment. It is not as a measure that money is demanded in such crises, since as such its corporeal presence is a matter of indifference; nor is it as coin, for it does not figure as such in payments; but it is demanded as exchange value become independent, as a materially present universal equivalent, as the embodiment of abstract wealth; in the form, that is, in which it is the object of hoarding in the strict sense of the term, as money. Its development as the universal means of payment shrouds the contradiction that exchange value has assumed forms independent of its mode of existence as money; and on the other hand, its mode of existence as money is posited precisely as the definitive and solely adequate one.

In consequence of the balancing out of payments and their cancellation of each other as positive and negative amounts, money, as means of payment, can appear as a merely notional form of commodity, as in the case with its being the measure [of value], and in its functioning in the formation of prices. The collision occurs from the fact that—contrary to the arrangement, contrary to the general assumption of modern trade, and whenever the mechanism of these mutual cancellations and the credit system on which it partly rests are disrupted—it must instantly be present and to hand in its real form.

The law that the mass of money in circulation is determined by the aggregate price of the commodities in circulation is now supplemented as follows: by the aggregate price^a of the payments falling due in the given period and the economy practised in effecting them.

[B'3] We have seen that the change in the value of gold and silver does not affect their function as measure of value, as money of account. By contrast, this value change becomes crucially important for money in its function as means of payment. What is to be paid is a determined quantity of gold or silver in which a determined value, i.e. a determined labour time, was objectified by the time the contract was concluded. But, like all other commodities, gold and silver change the magnitude of their value with the change in the labour time required for their production, falling or rising in value as it falls or rises. Therefore, in the event that the realisation of the sale on the part of the buyer occurs later in time than the alienation of the sold commodity, the same quantity of gold or silver may contain a different, a greater or lesser, value than at the conclusion of the contract. Gold and silver retain their specific quality of money, that of always being the realised and realisable universal equivalent, of always being exchangeable for all the commodities to the extent of their own value, regardless of any change in the magnitude of their own value. However, the latter is, *potentialiter*, subject to the same fluctuations as is the value of any other commodity. Consequently, whether payment is effected in a real equivalent, i.e. in the initially anticipated value magnitude, depends on whether or not the labour time required for the production of the given quantity of gold or silver has remained the same. The nature of money, as incarnated in a specific commodity, here comes into collision with its function of exchange value become independent. The great revolutions in all economic relationships which, in the 16th and 17th centuries, for instance, were caused by the fall in the value of the precious metals, or a similar but smaller-scale revolution in the ancient Roman Republic in the period between [the first silver *denarius* in 485 *ab urbe condito*]^b and the start of the Second Punic War³⁹ caused by the rise in the value of copper, in which the plebeians' debts were contracted, are well known. A demonstration

^a In the manuscript, "Gesamtpreis" (aggregate price) is written over the word "Gesamtsumme" (sum-total).—*Ed.*

^b A hiatus in the manuscript. The text in square brackets is based on analogous passages in the 1857-58 manuscript (see present edition, Vol. 28, p. 119, and this volume, p. 212).—*Ed.*

of the influence of a rise or fall in the value of the precious metals, the material of money, on economic relationships implies an analysis of these relationships themselves, and so is not yet feasible at this point.

What is self-evident is that the fall in the value of the precious metals, i. e. of money, always goes to benefit the payer at the expense of the payee, and a rise in their value, the other way round.

The complete reification [Versachlichung], externalisation of the social exchange of matter on the basis of exchange values is strikingly manifested in the dependence of all social relationships on the production costs of metallic objects of natural origin which have no significance at all as instruments of production, as factors in the creation of wealth.

3) MONEY AS INTERNATIONAL MEANS OF PAYMENT AND PURCHASE, AS WORLD COIN

Money is the *universal commodity*, if only because it is the universal form which every particular commodity notionally or actually assumes.

As treasure and universal means of payment, money becomes the universal means of exchange on the world market, the universal commodity not only in concept, but also in mode of existence. The particular national form which it acquires in its function as coin is stripped from it in its existence as money. As such it is cosmopolitan.* Since a social exchange of matter can occur through the involvement of gold and silver—which are use values for the needs of enrichment, abstract wealth independent of any particular requirements—even if only one nation [B'4] is immediately in need of the use values of another, gold and silver tend to become exceptionally effective agents in the creation of the world market, and in the extension of the social exchange of matter across any local, religious, political and racial distinctions. Even among the ancients, the hoarding by the State is significant as a reserve fund mainly for international means of payment, as a battle-ready equivalent in the event of crop-failures, and as a source of subsidies in time of war (Xenophon^a). The great role of

* The ancients were quick to note this cosmopolitan character of money: "What is his homeland, what is his tribe? He is a *rich man*."⁹⁷

^a Xenophon, *De vectigalibus*, IV, 9.—*Ed.*

American silver as a link between America, from which it went to Europe as a commodity, thence to be exported as a means of exchange to Asia, especially India, there mostly to precipitate in the form of treasure, was the fact whose observation marked the start of the scientific struggle over the monetary system, since it led to the East India Company's fight against the prohibition in England of the export of money (see *Misselden*^a).

In so far as gold and silver merely serve as means of exchange in this international commerce, they in fact perform the function of coin, but a coin stripped of its stamp, and one which, whether it exists in the form of coin or bar, is estimated only according to its metallic weight, and not only represents value, but is simultaneously such. That gold and silver in this determination of *world coin* do not, however, necessarily perform a circular movement, as they do in their capacity as coin proper, but may one-sidedly continue to act in such a way that one of the parties to the exchange always remains the buyer and the other always the seller, is also one of those observations which immediately suggested themselves in the infancy of the bourgeois society. Hence, the exceptionally important role the discovery of new gold- and silver-producing lands has to play in the history of the development of the world market, both in breadth and in depth, since the use value they produce, instantly the universal commodity, on the other hand, also immediately imparts to them together with the possibility, in virtue of the abstract nature of their product, the necessity of commerce based on exchange value.

Just as with the development of productive relations in general, money develops as means of payment within a given national circle of the bourgeois society, so it also develops in its determination as international means of payment. But as in that narrower, so in this wider circle, its importance stands out strikingly only when the mechanism of the mutual settlement of payments is disturbed. The development of money in this determination has increased to such an extent since 1825—an increase which has, naturally, kept in step with the expansion and intensity of international commerce—that even the most outstanding economists of the preceding epoch, Ricardo, for example, still had no inkling at all of the volume in which ready money could be required as international means of payment for a nation such, for instance, as

^a [E. Misselden,] *Free Trade. Or, the Meanes to Make Trade Flourish*, pp. 12, 13 and 19-24. See present edition, Vol. 28, pp. 161 and 164-65.—Ed.

England. Whereas specific requirement in the specific use value in which the exchange value is incarnated is the prerequisite for exchange value in the guise of any other commodity, there is no such limitation for gold and silver as abstract wealth. Like the noble man of whom the poet dreams,^a gold (or silver) pays with what it is, and not with what it does. The possibility of functioning as means of purchase and means of payment is, naturally, always latent in it. Like the inert, assured being of the universal equivalent in which it is treasure, in no country is it limited by the need of it as means of circulation, by the volume in which it is required as means of circulation, or by any other need of its immediate use whatsoever. Its use value, abstract and purely social in itself, which it derives from its function of means of circulation, itself once again appears as some special aspect of its use as the *universal equivalent*, the material of abstract wealth in general. From its specific use value as metal, and hence as raw material for manufacturing, stems the totality of the various functions it can alternately fulfil within the social exchange of matter or in the performance of which it itself assumes the various forms of coin, bar, etc., thereby presenting itself as so many use values all of which reduce themselves to the various forms in which gold and silver as the abstract and therefore adequate being of exchange value as such confronts its being in some particular commodity.

Here we have to consider money only in its abstract determinations of form. The laws regulating the distribution of precious metals on the world market imply economic relationships in their most concrete form, something that still lies ahead of us. The same applies to all the circulation of money which it performs as capital, and not as universal commodity or universal equivalent.

On the world market, money is always *realised value*. What makes it a magnitude of value lies in its immediate materiality, in the weight of the precious metal. When it appears as coin, its use value coincides with its use merely as means of circulation, and so can be replaced by a mere symbol. As world coin, it is effectively demonetised. The externality and the establishment of the independence of the social nexus in money with respect to individuals in their individual relations clearly stand out in gold and silver [B'-5] as *world coin* (still national as coin). (Here money appears in effect as their [the individuals'] community existing as a physical object outside them.) Indeed, what the early forerunners of

^a An apparent reference to Goethe's "Das Göttliche", which opens with the line: "Let man be noble."—*Ed.*

political economy in Italy^a celebrated was precisely this excellent invention which made a general exchange of matter in society possible without any individual contacts. As coin, money has a national, local character. If, as gold and silver, it is to serve as international means of exchange, it has to be melted down, and if it exists in the form of coin, this form is irrelevant, and the coin is reduced to its pure weight. In the most developed international system of exchange, gold and silver reappear in exactly the same form in which they already figured in primitive barter. As means of exchange, gold and silver, like the exchange itself, do not initially appear within the confines of some social community but at the point where it ends, on its border, at the few points of its contact with other communities. It appears to be posited, therefore, as the commodity as such, as the universal commodity which everywhere preserves its character of wealth. From the standpoint of this determination of form, its importance is similar in all places. So it is the *material* representative of *universal* wealth. In the mercantile system, for that reason, gold and silver are regarded as measure of the power of different communities.

“So soon as the PRECIOUS METALS become OBJECTS OF COMMERCE, AN UNIVERSAL EQUIVALENT FOR EVERYTHING, they become also the MEASURE OF POWER BETWEEN NATIONS.” Hence the mercantile system (Steuart [*An Inquiry into the Principles of Political Oeconomy*, Vol. I, Dublin, 1770, p. 327]).

The determination of money—that of serving as *international* means of exchange and means of payment—is in effect not some kind of new determination in addition to its determination of being money in general, a universal equivalent and so both treasure and means of payment. The determination of universal equivalent contains the determination of money as universal commodity, in which capacity, it is true, money is realised only as world coin. In general, it is as international means of payment and means of exchange that gold and silver (as has been mentioned) first appear as money, and it is precisely from this appearance of theirs that the concept of them as a universal commodity is abstracted. The national, political limitation formally set on money generally as a measure (through the establishment of a measuring unit and its division into parts) which in coin may extend even to its content whenever the value tokens issued by the State are substituted for the real metal, all of this historically put in a later appearance than that form in which money appears as universal

^a A reference, among others, to Geminiano Montanari, Antonio Genovesi and Ferdinando Galiani. See this volume, p. 165.—*Ed.*

commodity, as world coin. But why? Because here it generally appears in its concrete form of money.

To be measure and to be means of circulation are functions of money in the performance of which it assumes special forms of being only through these functions later becoming independent. Take, first, *coin*: initially it is nothing but a determinate weight-part of gold; the stamp is added as guarantee, as denominator of weight, so that it does not change anything yet; the stamp, the *façon*, i.e. the indicator of value, becomes an independent sign, a symbol of value and, through the mechanism of circulation itself, becomes substance instead of form; at this point, the State has to intervene because such a token must be guaranteed by society's power become independent, by the State. But in actual fact, money operates in circulation precisely as money, as gold and silver; being coin is merely its function. In this function it is particularised and can be sublimated into a pure token of value which, as such, requires legally established and legally enforced recognition.

Second, take *measure*. Initially, the measuring units of money and their subdivisions are in fact mere weight-parts of money as metal; as money, it has the same measuring unit that it has as weight. The only difference is that as soon as the nominal value of these minted pieces of metal corresponding to the weight subdivisions begins to separate from the real value, the measure-serving subdivisions of gold and silver as gold and silver are separated from their measure-serving subdivisions as money; with the result that determinate weight-parts of the metal, to the extent that they function as measures of value, obtain their own names in this function.

So, in world trade, gold and silver are estimated only according to their weight, without regard to their stamp; in other words, there is an abstraction from them as coins. In international trade, they appear entirely in the form or formlessness in which they initially appeared, and wherever they serve as means of exchange, they also simultaneously serve as equivalent value, as realised price, as real equivalent, as they had initially served in internal circulation. Wherever they serve as coin, as mere means of exchange, therefore, they simultaneously also serve as full-fledged representative of value. Meanwhile, their other functions remain the same in which they serve as money in general, as the form of treasure (be it as materially assured stock of means of subsistence for the future or as wealth in general) or as universal means of payment independent of the immediate wants of the exchangers

and meeting only their general want or even the absence of any. As inert adequate equivalent which can be withheld from circulation, because it is not the object of any definite want, money is [B'-6] stock, assurance of means of subsistence for the future in general: it is the form in which wealth is possessed by the want-free, i.e. in which the surplus, the part of wealth not immediately required as use value, is held, etc., It is assurance of future wants to the same extent as the form of wealth going beyond the bounds of want.

Hence, the form of money as international means of exchange and payment is, in fact, not some *particular* form of it, but only one of its uses as money; the functions in which it most strikingly functions in its simple and simultaneously concrete form as money, as a unity of measure and means of circulation, and simultaneously as neither. This is its most primitive form. It appears as a *particular* form only alongside the *particularisation* which money can assume in the so-called internal circulation as measure and coin.

In this character, gold and silver have an important role to play in creating the world market. Thus, the circulation of American silver from West to East; the metallic bond between America and Europe, on the one hand, and between America and Asia, Europe and Asia, on the other, since the beginning of the modern epoch... As world coin, money is essentially indifferent to its form of means of circulation, while its material is all-important. It does not appear for exchanging the surplus, but for balancing out the surplus in the overall process of international exchange. Here, the form directly coincides with its function of being *commodity*, as commodity that has currency in all places, as *universal commodity*.

It is a matter of indifference whether money here circulates in minted or unminted form. MEXICAN DOLLARS and IMPERIALS OF RUSSIA are merely a form of the product of South American and Russian mines. The English sovereign serves in the same way, since it pays no seignorage (Tooke [*A History of Prices, and of the State of the Circulation, from 1839 to 1847 inclusive*, London, 1848, p. 226]).

What is the relation between gold and silver and their direct producers in the countries where they are an immediate product, the objectification of a particular type of labour? In their hands, gold and silver are produced directly as commodity, i.e. as a use value which has no use value for its producer, but becomes such for him only through its alienation, through its being thrown into circulation. In his hands, it can only be treasure, because it is not the product of circulation, it has not been extracted from it, but

has yet to enter it. It has first to be exchanged directly, in accordance with the labour time it contains, for other commodities alongside of which it exists, however, as a *particular* commodity. But, on the other hand, since it simultaneously has significance as a product of general labour, as its personification, which it is not as immediate product, it puts its producer in the privileged position of instantly appearing as buyer, instead of seller. In order to use the mined gold as money, he has to alienate it as a direct product, without being in need of the mediation required by the producer of any other commodity. He is a seller even in the form of buyer.

The delusion that money as universal wealth satisfying all wants can be pulled up by the ears directly from earth or river-bed is illustrated, for instance, in a naive form in the following anecdote:

“IN THE YEAR 760 THE POOR PEOPLE TURNED OUT IN NUMBERS TO WASH GOLD FROM THE RIVER SANDS SOUTH OF PRAGUE, AND 3 MEN WERE ABLE IN THE DAY TO EXTRACT A MARK (HALF A POUND) OF GOLD; AND SO GREAT WAS THE CONSEQUENT RUSH TO ‘THE DIGGINGS’, THAT IN THE NEXT YEAR THE COUNTRY WAS VISITED BY FAMINE” (*Abhandlung von dem Alterthume des böhmischen Bergwerks*, by M. G. Körner. Schneeberg, 1758).⁹⁸

Money transmitted as gold [or silver], in the form of [gold or] silver, can always be reconverted into means of circulation.

“MONEY HAS THE QUALITY OF BEING ALWAYS EXCHANGEABLE FOR WHAT IT MEASURES” (Bosanquet [*Metallic, Paper, and Credit Currency*, London, 1842, p. 100]).

“MONEY^a CAN ALWAYS BUY OTHER COMMODITIES, WHEREAS OTHER COMMODITIES CANNOT ALWAYS BUY GOLD.” “THERE MUST BE A VERY CONSIDERABLE AMOUNT OF THE PRECIOUS METALS APPLICABLE AND APPLIED AS THE MOST CONVENIENT MODE OF ADJUSTMENT OF INTERNATIONAL BALANCES” (Tooke [*An Inquiry into the Currency Principle*, 2nd ed., London, 1844, pp. 10, 13]).

In the 16th century, in the infancy of the bourgeois society, gold and silver attracted the keen interest of States and the emergent political economy mainly as international money. The specific role which gold and silver play in international commerce was once again made perfectly clear and once again recognised by economists after the great gold outflows and crises of 1825, 1839, 1847 and 1857. Here gold is the absolute and exclusive international means of payment, value-for-itself, the universal equivalent. Value must be transmitted *IN SPECIE*, it cannot be transmitted in any other form of *MERCHANDISE*.

^a Tooke has “Gold”.—*Ed.*

"GOLD AND SILVER ... MAY BE COUNTED UPON TO REALISE ON THEIR ARRIVAL [to the creditor] NEARLY THE EXACT SUM REQUIRED TO BE PROVIDED..." "GOLD AND SILVER POSSESS AN INFINITE ADVANTAGE OVER ALL OTHER DESCRIPTIONS OF MERCHANDISE FOR SUCH OCCASIONS, FROM THE CIRCUMSTANCE OF THEIR BEING UNIVERSALLY IN USE AS MONEY" [J. Fullarton, *On the Regulation of Currencies*, 2nd ed., London, 1845, pp. 132-33].

(Hence Fullarton is aware that value is transmitted in gold and silver as money, and not as commodities, that [B'-7] it is their specific function as *money*, and therefore he is wrong in saying that they are transmitted as *capital*, and so already introducing irrelevant relations. Capital can also be transmitted in the form of rice, TWIST, etc.)

"IT IS NOT IN TEA, COFFEE, SUGAR, OR INDIGO THAT DEBTS, WHETHER FOREIGN OR DOMESTIC, ARE USUALLY CONTRACTED TO BE PAID, BUT IN COIN; AND A REMITTANCE, THEREFORE, EITHER IN THE IDENTICAL COIN DESIGNATED, OR IN BULLION WHICH CAN BE PROMPTLY TURNED INTO THAT COIN THROUGH THE MINT OR MARKET OF THE COUNTRY TO WHICH IT IS SENT, MUST ALWAYS AFFORD TO THE REMITTER THE MOST CERTAIN, IMMEDIATE, AND ACCURATE MEANS OF EFFECTING HIS OBJECT, WITHOUT RISK OF DISAPPOINTMENT FROM THE FAILURE OF DEMAND OR FLUCTUATION OF PRICE" (Fullarton, l.c., pp. 132-33).

"ANY OTHER ARTICLE" (which is of interest as a particular use value that is not money) "MIGHT IN QUANTITY OR KIND BE BEYOND THE USUAL DEMAND IN THE COUNTRY TO WHICH IT IS SENT" (Th. Tooke, *An Inquiry into the Currency Principle etc.*, 2nd ed., London, 1844 [p. 10]).

The economists' reluctance to recognise money in this determination is a survival of the old polemic against the monetary system.

Money as universal international means of purchase and payment is not a new determination at all. Indeed, it is merely the same money in a universality of appearance which corresponds to the universality of its concept; it is, in fact, its most adequate mode of existence in which it manifests itself as *universal commodity*.

Depending on the various functions fulfilled by money, one and the same piece of money can change its place. Today, it can be coin, and tomorrow, money, i.e. inert equivalent, without changing its outward form of being. As the concrete existence of money, gold and silver thereby differ essentially from the token of value by which they can be substituted in the internal circulation: gold and silver coins can be melted down into bars, and thus preserve their indifferent form with respect to their local character as coin, or serve only as metallic weight, if they are transformed into money in the form of coin. They can, therefore, become raw material for articles of luxury, or be hoarded, or wander abroad as international means of payment, where they can again be

converted into the form of the national coin, into any national coin. They retain their value in any of these forms.

That does not happen to a token of value. It is a token only where it is regarded as such, and it is regarded as such only where it is backed by the State power. That is why it is tied down to circulation and cannot revert to the indifferent form in which it is always value itself, with the possibility of assuming any national stamp or, indifferent to the latter, of serving in its immediate form of being as means of exchange and material for hoarding, or even of being converted into a commodity. It is not tied to any of these forms but assumes any one, depending on the want or the trend in circulation. To the extent that, as a particular commodity, it is not fashioned into articles of luxury, it exists above all in relation to circulation, and not only to internal, but also to world circulation, while always existing in an independent form and resisting absorption by it. Coin, isolated as such, i.e. as mere value token, exists only through and in circulation. Even when hoarded, it [value token] can be accumulated only as coin, because its power ceases at the country's borders. Apart from the forms of hoarding which arise from the process of circulation itself, and are, strictly speaking, merely the latter's points of rest, namely, apart from the formation of a stock of coin designated for circulation or a reserve for payments made in the same national coin, there can here be no question at all of any hoarding, i.e. of hoarding in the true sense of the word, because coin as a token of value lacks the essential element of hoarding, which is being not merely a symbolic value, but, apart from its social function, the immediate being of value itself, wealth, irrespective of any definite social nexus. That is why the laws which stipulate the token of value as such do not stipulate metallic money, because it is not tied to the function of coin.

It is clear, furthermore, that hoarding, i.e. the withdrawal of money from circulation and its collection at definite points, is multiform: a temporary piling up stemming from the simple fact of the separation of purchase and sale, i.e. from the immediate mechanism of the simple circulation itself; its piling up stemming from the function of money as means of payment; and finally, hoarding proper seeking to hold on to money and preserve it as abstract wealth or, at any rate, as an excess of the available wealth over the immediate want of it and as a guarantee for the future or as something that can hamper the unwitting blockage of circulation. The latter forms, under which [B'-8] the achievement of independence, the adequate being of exchange value is already

seen only in its immediate reified form of gold, tend increasingly to disappear in the bourgeois society. By contrast, the other forms of hoarding which spring from the mechanism of circulation itself and which are the conditions for money's fulfilling its functions are developed to a greater extent, although they assume a different form which is to be considered in the section on the banking system.

However, the simple metallic circulation shows that as a result of the various determinations in which money functions, or as a result of the process of circulation, the social exchange of matter, the available gold and silver precipitate in various forms as inert hoard, but in such a way that, while a part of the money existing as such hoard keeps changing its elements, with a constant change on the surface of the society in the portions of money which perform this or that function, passing from the hoard to circulation (national or international), being absorbed from circulation by reservoirs of hoard or fashioned into articles of luxury, the functioning of money as means of circulation is, nevertheless, never limited in consequence of these precipitations. The export or import of money alternately depletes or replenishes these various reservoirs, something that also results from the rise or fall in the aggregate price in the internal circulation, without the mass of money required for circulation itself rising above its mass or falling below it, because of the excess of gold and silver. That which is not required as means of circulation is withdrawn as hoard, just as hoard is absorbed by circulation as soon as it is required. That is why, among peoples with a purely metallic circulation, hoarding will be found in various forms, from individual to State, with the latter keeping watch over its State treasury. In the bourgeois society, this process is reduced to meeting the demands of the overall process of production and assumes other forms. It appears as a special business which was engendered by the division of labour in the overall process of production, and which is carried on, at the more naive stages of development, partly as the business of all private persons, and partly as the business of the State. Still, the basis remains the same; there is a constant functioning of money in various developed functions and even in the purely illusory one.

This consideration of the purely metallic circulation is all the more important, since all the speculations of the economists over the higher, more mediated forms of circulation depend on the view of the simple metallic circulation. It goes without saying 1) that when we speak of an increase or decrease of gold and

silver, it is always presupposed that the *value* of the gold and silver remains the same, i.e. the labour time required for their production has not changed. The fall or rise in the magnitude of their value as a result of a fall or rise in the labour time required for their production is not some kind of peculiarity that distinguishes them from other commodities, however much that may harm their function as means of payment. 2) The motives which—apart from the fall and rise of prices and apart from the need to purchase commodities from sellers not requiring any commodities in return (as in time of famine or war)—open up the hoards or fill them up again, i.e. the operation of the interest rate, cannot be considered here where money is still being regarded as money, and not as a form of capital.

So, the mass of gold and silver present in a country must be and always will be, on the basis of the simple metallic circulation, and general trade resting on ready money, greater than the mass of gold and silver circulating as coin, although the relationship between the portion of money functioning as money and that functioning as coin will change in quantity, and the same money can alternately fulfil either function precisely as there is a change in the quantity and a substitution of each other in quality by the portions of money serving for national and international circulation. However, the mass of gold and silver is a constant reservoir for both streams of circulation, an outlet and inlet for them, serving as an inlet precisely because it serves as an outlet.

As exchange value, every commodity, however indivisible its use value, such as the use value of a house may be, can be divided into any number of parts. In its price, it exists as such a divisible exchange value, i.e. as value assessed in money. So it can be alienated in any way, piece by piece, for money. However immovable and indivisible, the commodity can, therefore, be thrown into circulation piece by piece, through the title to property [B'-9] in its several parts. Thus, money has an eroding effect on immovable, indivisible property.

“Money is a means by which property can be split up into innumerable fragments and devoured piecemeal through exchange” (Bray [*Labour's Wrongs and Labour's Remedy*, Leeds, 1839, pp. 140-41]).

Without money there would be a mass of inexchangeable, inalienable objects, because money alone gives these objects an existence that is independent of the nature of their use value and its relations.

“When immovable and immutable things came to be in commerce amongst men, as well as things which were movable and made for change, money came into use as the rule and measure (SQUARE) whereby these things received estimation and value” ([E. Misselden,] *Free Trade*, London, 1622 [p. 21]).

“THE INTRODUCTION OF MONEY WHICH BUYS ALL THINGS ... BRINGS IN THE NECESSITY OF LEGAL ALIENATION” (i.e. OF FEUDAL ESTATES) (John Dalrymple, *An Essay towards a General History of Feudal Property in Great Britain*, 4th ed. London, 1759, p. 124).

Indeed, all the determinations in which money appears—standard of value, means of circulation, and money as such—merely express the different relationships in which individuals take part in overall production or relate to their own production as social production. But these relations of individuals to each other appear as *social relations* of things.

“In 1593 the Cortes sent the following petition to Philip II: ‘The Cortes of Valladolid requested Your Majesty in 1586 not to permit the further importation into this kingdom of candles, glassware, jewellery, knives and similar articles coming from abroad, which, though they are of no use to human life, have to be exchanged for gold, as though the Spaniards were Indians’” (Sempéré [*Considérations sur les causes de la grandeur et de la décadence de la monarchie espagnole*, Vol. I, pp. 275-76]).^a

“All hide and secretly bury their money deep in the ground, especially gentiles” (non-Moslems) “who are almost the sole masters of trade and money, being held in thrall to the belief that the gold and silver they hide during their lifetime will serve them after their death” (François Bernier, *Voyages contenant la description des états du Grand Mogol etc.*, Vol. I, Paris, 1830, p. 314). (At the Court of Aurangzeb.)

“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” (*Apocalypse*.^b *Vulgate*).

“The great and ultimate effect of trade is not wealth at large, but preferably abundance of silver and gold ... which are not perishable, nor so mutable as other commodities, but are wealth at all times and in all places.”

(Their imperishable character consists, therefore, not only in the imperishableness of their material, but in that they always remain *wealth*, i.e. always abide in a definite form of exchange value.)

“Abundance of wine, corn, fowls, flesh, etc., are riches but *hic et nunc*” (depending upon their particular use value), “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” (Petty, *Political Arithmetick*, London, 1699, pp. 178-79).

“Gold and silver alone are not *perishable*” (never cease to be exchange value) “but are esteemed for *wealth* at all times, and everywhere” //the utility of particular use values is temporally and spatially determined, like the very wants which they

^a Marx quotes from Sempéré and, further, from Bernier in French.—*Ed.*

^b Revelation 17:13 and 13:17.—*Ed.*

^c At a particular place and a particular time.—*Ed.*

satisfy// “whereas all other things are wealth, but *pro hic et nunc*” (l.c., p. 196).

“The wealth of every nation consists chiefly in the share which it has in the foreign trade with THE WHOLE COMMERCIAL WORLD, RATHER THAN IN THE DOMESTIC TRADE of ordinary meat, drink, and clothes, which bring in little gold and silver, UNIVERSAL WEALTH...” (ibid.,] p. 242).

Just as gold and silver are in themselves universal wealth, so the possession of them appears as the product of world circulation, and not of circulation confined to immediate natural-ethnic^a connections.

It may appear odd that Petty, who says that labour is the father, as lands are the mother of wealth,^b who teaches the division of labour and who, generally, in a boldly brilliant manner everywhere concentrates on the process of production instead of the individual product, nevertheless here appears to be entirely captive to the language and notions of the monetary system. [B'-10] One should not forget, however, that, in accordance with his premiss, as with the bourgeois premiss in general, gold and silver are only the adequate form of equivalent which always has to be appropriated only through the alienation of commodities and, so, through *labour*. Production for the sake of production, i.e. development of the productive forces of wealth without regard to the limits of immediate want or consumption is expressed by Petty as follows: to produce and to exchange not for the sake of transient acts of consumption in which all commodities are dissolved, but for the sake of gold and silver. It is the English nation's energetic, heedless and universal drive for enrichment in the 17th century that Petty here expresses and simultaneously incites.

Firstly, the perversion of money: it turns from means into end, and degrades the other commodities:

“The natural matter of commerce is MERCHANDISE... The artificial matter of commerce is money. Money, though it be in nature and time after merchandise, yet forasmuch as it is now in use” (in its present application) “has become the CHIEF.”

Thus, *Misselden*, a London merchant, in his work *Free Trade. Or, the Meanes to Make Trade Flourish*, London, 1622, p. 7. He compares the switch of ranks between money and commodity with the lot of the two [grand]sons of the old Jacob, who laid his right hand on the younger, and his left hand on the elder (l.c.).⁷⁵

^a The manuscript has “ethische” (ethic).—Ed.

^b [W. Petty,] *A Treatise of Taxes and Contributions*, London, 1667, p. 47.—Ed.

The contradiction between money as hoard and as commodities, whose exchange value ceases to exist upon the fulfilment of their object as use values, and the theory of renunciation:

“The general remote cause of our want of money is the great excess of this Kingdom, in consuming the commodities of foreign countries, which prove to us DISCOMMODITIES, rather than COMMODITIES, in hindering us of so much *TREASURE*, which otherwise would be brought in, in lieu of these TOYS. We consume amongst us a great abundance of the wines of Spain, of France, of the Rhine, of the Levant; the raisins of Spain, the corinths of the Levant, the lawns” (a sort of fine linen) “and cambrics” (another sort of fine linen) “of Hannault^a 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... Even the old Cato said: *Patrem familias vendacem, non emacem esse oportet*” (l.c., pp. 11-13).

“The more the stock is increased in wares, the more it decreases IN *TREASURE*” ([ibid.,] p. 23).

Concerning the non-refluent circulation on the world market, especially in trade with Asia:

“The other foreign remote causes of the want of money, are the trades maintained out of Christendom to Turkey, Persia and the East Indies, which trades are maintained for the most part with ready money, yet in a different manner from the trades of Christendom within itself. For although the trades within Christendom are driven with ready monies, yet those monies are still contained and continued within the bounds of Christendom. There is indeed a fluxus and refluxus, a flood and ebb of the monies of Christendom traded within itself: for sometimes there is more in one part of Christendom, sometimes there is less in another, as one country wants and another abounds: It comes and goes, and whirls about the circle of Christendom, but is still contained within the compass thereof. But the money that is traded out of Christendom into the parts aforesaid is continually ISSUED out and never returns again” (l.c., pp. 19, 20).

Dr. Martin Luther, the dean of German political economists, complains in a way similar to Misselden’s:

“It cannot be denied that buying and selling are necessary practices, which cannot be dispensed with and may surely be used in a Christian manner, especially as regards things that serve necessity and honour; for thus the patriarchs also sold and bought cattle, wool, corn, butter, milk and other goods. These are gifts of God, which He produces from the soil and shares among men. But *foreign trade*, which brings merchandise from Calicut [B'-11] and India and other places—merchandise such as exquisite silks and jewellery and spices, which are only for ostentation and serve no need—and drains money from the country and the people, should not be permitted if we had a government with a prince. But I do not want to write of this now, for I think that, eventually, when we have no more

^a A province of the former Spanish Netherlands (i.e. present Belgium).—*Ed.*

^b The head of the family should be eager to sell, not eager to buy (Cato, *De re rustica*, II, 7).—*Ed.*

money, it will cease of itself, just as finery and gluttony; for all writing and preaching will be in vain until we are compelled by necessity and poverty.

"God has brought it about that we Germans must thrust our gold and silver into foreign countries making all the world rich while we ourselves remain beggars. England would surely have less gold if Germany refused to take her cloth, and the King of Portugal, too, would have less, if we refused to take his spices. If you calculate how much money is extracted, without need or cause, from the German territories during one fair at Frankfurt, you will wonder how it comes about that even a single farthing is still left in Germany. Frankfurt is the silver and gold drain through which everything that arises and grows, that is minted or struck here flows out of the German land; if the hole were plugged, one would not hear the present complaint that there is everywhere sheer debt and no money, that the entire country and all the towns are despoilt by usury. But never mind things will nevertheless continue in this way: we Germans have to remain Germans, we do not desist unless we have to" (*Bücher vom Kaufhandel und Wucher*, 1524).⁹⁹

Boisguillebert, who has as significant a place in French political economy as Petty in English political economy, one of the most impassioned opponents of the monetary system, attacks money in the various forms in which it appears as *exclusive value* in contrast to other commodities, as *means of payment* (with Boisguillebert, especially as taxes) and as *hoard*. (The specific being of value in money appears as the relative valuelessness, degradation of other commodities.)

The passages quoted from Boisguillebert's writings^a are taken from a collection of his works in the Eugène Daire edition: *Économistes financiers du XVIII^e siècle*, Paris, 1843.

"Since gold and silver are not and have never been wealth in themselves, and since they have only a relative value, and only to the extent that they can procure the necessities of life for which they serve merely as pledge and valuation, having them more or less is a matter of indifference, provided they can produce the same effect" (*Le détail de la France*, 1697, Part I, Ch. VII [Daire edition, p. 178]).

The quantity of money does not affect the national wealth, "*provided there is enough of it to maintain the prices determined by the commodities necessary for life*" (l.c., Part II, Ch. XVIII, p. 209).

(Therefore, Boisguillebert formulates here the law that the mass of the circulating medium is determined by the prices, and not vice versa.)

That money is merely a form of commodity itself is made evident in wholesale trade, where the exchange occurs without the intervention of money, after the "*merchandise is valued*"; "money is only the *medium* and the *agency*, whereas commodities that benefit life are the *aim and purpose*" (l.c., p. 210).

Money must be only a means of circulation, and always *mobile*; it must never become hoard, something *immobile*; it must be "in continual movement, which is

^a In the manuscript, the direct quotations from Boisguillebert are given in French, and the exposition of his ideas, in German.—*Ed.*

only the case so long as it is *mobile*...; but as soon as it becomes *immobile* ... all is lost" (l.c., Part II, Ch. XIX, p. 213).

In contrast to the finance for which *money* appears to be the sole object:

"*The science of finance* is nothing but a thorough knowledge of the interests of agriculture and of commerce" (l.c., Part III, Ch. VIII, p. 241).

Boisguillebert, in fact, turns his attention only to the material content of wealth, to enjoyment, to use value:

"True wealth ... [is] the complete enjoyment not only of the necessities of life but also of all the superfluities and of all that can give pleasure to the senses" (*Dissertation sur la nature des richesses, de l'argent et des tributs* [Daire edition], p. 403).

"These metals" (gold and silver) "have been turned into an *idol*, and disregarding the goal and purpose they were intended to fulfil in commerce, i.e. to serve as pledge in exchange and reciprocal transfer, [B'-12] they were allowed to abandon this service almost entirely in order to be transformed into *divinities* to whom more goods, valuables and even *human beings* were sacrificed and continue to be sacrificed, than were ever sacrificed to the false divinities in blind antiquity which for so long were the whole cult and the whole religion for most peoples" (l.c., p. 395). "The misery of the peoples is due to the fact that the slave has been turned into a master or rather into a tyrant" (l.c.). This "usurpation" needs to be broken and "things restored to their natural state" (l.c.).

With the abstract greed for enrichment, "a great blow was dealt at once at the equivalence in which it" (money) "should be with all the other commodities so as to be ready to effect their exchange at any moment" (p. 399). "Thus the slave of commerce has become its master... This facility which money offers for the commission of any crime makes it redouble its earnings in proportion to the hold corruption takes of hearts; and there is no doubt that almost all the infamies would be banished from a State if one could do likewise with the fatal metal" (p. 399).

The depreciation of commodities for their conversion into money (sale at below their value) is the cause of all poverty (see l.c., Ch. V). In this sense, he says:

"Money ... has become the executioner of all things" (l.c., p. 413).

He compares the financial art of making money with the

"alembic that evaporates a frightful quantity of goods and commodities in order to obtain this fatal extract" (p. 419).

Through a depreciation of the precious metals "the commodities themselves will be restored to their just value" (l.c., p. 422). "Money ... declares war ... on the whole human race" (pp. 417-18).

(Similarly, Pliny, *Historia Naturalis*, Book XXXIII, Ch. III.)

By contrast:

Money as world coin:

"Intercourse between nations has spread across the whole globe to such an extent that one could say all the world has virtually become a single city in which a

permanent fair of all the commodities is taking place, so that everyone, without leaving his home, can, by means of money, obtain and enjoy everything produced by the earth, the animals and human industry. A marvellous invention!" (Montanari (Geminiano), *Della Moneta*; written ABOUT 1683. Custodi's collection, *Parte Antica*, Vol. 3, [Milan, 1804,] p. 40).^a

"What is his country, what is his tribe? He is a rich man" (Athenaeus, *Deipnosophistae*, Book IV, 49).^b

On the digging of gold in mines, Demetrius Phalereus says:

"Greed hopes to extract Pluto himself from the bowels of the earth" (l.c., VI, 23).

"But from money first springs avarice... This grows by stages into a kind of madness, no longer avarice but a positive hunger for gold" (Pliny, *Historia Naturalis*, Book XXXIII, Ch. III, 14).^c

"Money! Nothing worse
in our lives, so current, rampant, so corrupting.
Money—you demolish cities, root men from their homes,
you train and twist good minds and set them on
to the most atrocious schemes. No limit,
you make them adept at every kind of outrage,
every godless crime—money!"

(Sophocles, *Antigone* [295-301]).^d

Money, as purely abstract wealth—in which every specific use value is extinguished, and hence also every individual relation between possessor and commodity—comes under the power of the individual likewise as an abstract person, relating to his individuality as totally alien and extraneous. At the same time, it gives him universal power as his private power, a contradiction depicted, FOR INSTANCE, by Shakespeare:

[B'-13] "Gold? glittering, precious gold?...
Thus much of this will make black, white;
foul, fair;
Wrong, right; base, noble; old, young; coward, valiant.
Ha, you gods! why this? what this, you gods?
why, this
Will lug your priests and servants from your sides;
Pluck stout men's pillows from below their
heads:
This yellow slave
Will knit and break religions; bless the accurs'd;

^a Marx quotes in Italian.—*Ed.*

^b Here and below Marx quotes from Athenaeus in Greek.—*Ed.*

^c Marx quotes in Latin.—*Ed.*

^d Marx quotes in Greek. English translation by Robert Fagles (Sophocles, *The Three Theban Plays*, London, 1982, p. 73).—*Ed.*

Make the hoar leprosy ador'd; place thieves,
 And give them title, knee, and approbation,
 With senators on the bench: this is it
 That makes the wappen'd widow wed again;
 She whom the spital-house and ulcerous sores
 Would cast the gorge at, this embalms and
 spices
 To the April day again. Come, damned earth,
 Thou common whore of mankind"

(Shakespeare, *Timon of Athens* [Act IV, Scene III]).^a

That which yields itself to all, and for which all is yielded, appears as the universal means of corruption and prostitution. (Similarly in the comedy of Aristophanes "*Plutus*".)

"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" (*Apocalypse*).^b

4) THE PRECIOUS METALS AS VEHICLES OF THE MONEY RELATIONSHIP

The process of bourgeois production initially takes possession of metallic currency as an existing and ready-made instrument, which, although it has been gradually transformed, always retains its basic construction. The question, therefore, why gold and silver, and not other commodities, serve as the material of money lies outside the confines of the bourgeois system. We shall therefore summarise only the most important aspects. The answer is simply that the specific natural properties of the precious metals, i.e. their properties as use values, correspond to the economic functions which make them more capable than all the other commodities of being the vehicles of money functions.

Like labour time itself, the object to be recognised as its specific embodiment must be able to express purely quantitative differences, thus presupposing identical, homogeneous quality. This is the first condition for the functioning of the commodity as a measure of value. If, for instance, one evaluates all commodities in terms of oxen, hides, corn, etc., one has in fact to measure them in ideal average oxen, average hides, and average corn, since there are qualitative differences between one ox and another, one lot of

^a Marx quotes in English.—*Ed.*

^b See this volume, p. 446.—*Ed.*

corn and another, one hide and another, there is a difference in the use value of the specimens of one and the same kind. This requirement of absence of qualitative differences regardless of time and place, and hence, the requirement of equality at equal quantity is the first requirement from this aspect.

The second, which also springs from the necessity of presenting a merely quantitative difference, is great divisibility and subsequent combination of the parts so that, depending on the magnitude of the value of the [B'-14] commodity, the universal equivalent can be cut up into parts, without thereby damaging its use value. Gold and silver, as simple bodies, with a purely quantitative division, can be brought to one and the same degree of fineness. Sameness of quality. Similarly divisible and recombining.

It can even be said of gold that it is the earliest known metal, the *first discovered metal*. In the great gold sluices, the rivers, Nature itself undertakes the work of the art and hence requires on the part of man in finding it no more than very crude work and neither science nor developed instruments of production.

"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 TO THE OTHER. THIS IS NOT THE CASE WITH EQUAL NUMBERS OF CATTLE AND EQUAL QUANTITIES OF GRAIN."^a

Gold is, besides, found in a purer state than all the other metals: in a native, crystalline form, in separate pieces: "separated from the usually occurring bodies", seldom alloyed with any other, except silver. Gold "isolated, individualised".

"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*" (the other metals are found in minerals (in their chemical being). "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, HOWEVER, IS ALWAYS FOUND NATIVE OR METALLIC... AGAIN GOLD, FROM THE CIRCUMSTANCE OF ITS HAVING BEEN FORMED IN THOSE ROCKS WHICH ARE MOST EXPOSED TO ATMOSPHERIC ACTION IS FOUND IN THE DEBRIS OF THE MOUNTAINS; ...the FRAGMENTS OF THESE ROCKS BROKEN OFF, ... BORNE BY FLOODS INTO THE VALLEYS, AND ROLLED INTO PEBBLES BY THE CONSTANT ACTION OF FLOWING WATER... Gold is deposited because of its specific gravity. So it is found in riverbeds and in alluvial deposits. Alluvial gold was the first gold to be discovered." (River-sluicing learnt before mining)...

"GOLD MOST FREQUENTLY OCCURS PURE, OR, AT ALL EVENTS, SO NEARLY SO THAT ITS METALLIC NATURE CAN BE AT ONCE RECOGNISED, WHETHER IN ALLUVIAL DEPOSITS OR IN QUARTZ VEINS... RIVERS ARE, INDEED, GREAT NATURAL *CRADLES*, SWEEPING OFF ALL THE

^a S. Bailey, *Money and Its Vicissitudes in Value*, pp. 5-6. See present edition, Vol. 28, p. 110.—Ed.

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... IN ALMOST ALL, PERHAPS IN ALL THE COUNTRIES OF EUROPE, AFRICA, AND ASIA, GREATER OR SMALLER QUANTITIES OF GOLD HAVE FROM EARLY TIMES BEEN WASHED BY SIMPLE CONTRIVANCES FROM THE AURIFEROUS DEPOSITS, ETC." [*Lectures on Gold for the Instruction of Emigrants about to Proceed to Australia*. Delivered at the Museum of Practical Geology. London, 1852, pp. 171-72, 8, 10, 12, 93-94].

The washing and digging of gold are perfectly simple works, while MINING (SO ALSO GOLD-MINING) IS AN ART REQUIRING THE EMPLOYMENT OF CAPITAL AND MORE COLLATERAL SCIENCES AND ARTS than any other industry.//The washing of ore taken care of by Nature.//

Exchange value as such implies a common substance and the reduction of all the differences to merely quantitative ones. In the function of money as measure, all values are reduced first of all to merely different quantities of the standard commodity. That is the case with the precious metals, which, therefore, appear as the natural substance of exchange value as such.

"A peculiar feature of metals is that in them alone all relations are reduced to a single one, namely, their quantity, for they have not been endowed by Nature with any difference of quality either in their internal composition or in their external form and structure" (Galiani, l.c. [*Della Moneta*], pp. 126-27).^a

(SAMENESS OF QUALITY IN ALL PARTS OF THE WORLD; ADMIT OF MINUTE DIVISION AND EXACT APPORTIONMENT.)

This merely quantitative difference is just as important for money as means of circulation (coin) and means of payment, since money, a single piece of money, has no individuality, and the important thing is that what has to be returned is merely an equal quantity of the same material, but not *the same* piece:

"MONEY IS RETURNED IN *KIND ONLY*; WHICH FACT DISTINGUISHES THIS AGENT FROM ALL OTHER MACHINERY ... INDICATES THE NATURE OF ITS SERVICE—CLEARLY PROVES THE SINGLENES OF ITS OFFICE" (Opdyke, [*A Treatise on Political Economy*, New York, 1851,] [p.] 267).

The differentiation of the functions performed by gold, whether as universal commodity, coin, raw material for luxury articles, material for accumulation, etc., enables them to indicate to the senses the succession of the form determinations of money. To this differentiation corresponds the fact that gold and silver can always be melted down and so again reduced to their purely metallic state, and from that state similarly to any other, i.e. that gold and silver, in contrast to other commodities, are not bound to the definite use form which is imparted to them. They can pass

^a Marx quotes in Italian.—*Ed.*

from the form of bullion to the form of coin, etc., and back again, without losing their value as raw materials, [B-15] without damaging the processes of production and consumption.

As *means of circulation* gold and silver have the advantage over other commodities in that their *high* natural specific gravity—representing a relatively large weight in a small space—is matched by an economic specific gravity, the ability to contain (objectify) relatively much labour time, i.e. a large exchange value, in a small space. The latter naturally depends on their relatively rare occurrence as natural objects. Hence, facility of transportation, transfer, etc. In short, the facility of real circulation, which is, naturally, the first condition for their economic function as means of circulation.

Finally, as the inert being of value, as the material of hoarding, they are relatively indestructible, infinitely durable, not liable to be oxidised in the air (“treasures that neither moth nor rust doth corrupt”^a), are refractory, with gold especially being insoluble in acids, except in free chlorine (*aqua regia*, a mixture of nitric and hydrochloric acids). As a main point, one should finally note the *aesthetic properties* of gold and silver, which make them the direct manifestation of affluence, ornament, luxury, and spontaneous festive moods, of wealth as such. Brightness of colour, malleability, facility of being worked with tools, and fitness for ornamentation and other purposes. Gold and silver are to some extent a native light brought forth from the underworld itself. Apart from the rarity of gold and silver, their greater softness, as compared with iron and even copper (in the hardened form in which it was used by the ancients), makes them unfit for use as instruments of production. But the use value of metals largely depends on their role in the immediate process of production. Gold and silver are also excluded from it, just as they are generally not indispensable objects of consumption.

“Money must have a direct” (use) “value, but one based on a *besoin factice*.”^b Its material must not be indispensable for man’s existence, since the entire quantity of money used as coin” //generally as money [which] is also accumulated in the form of hoard// “cannot be individually employed; it must always circulate” (H. Storch, l.c. [*Cours d’économie politique*], Vol. II, pp. 113, 114).

(Equally, that part which is accumulated as hoard cannot be employed “individually” because the whole point of accumulation is to keep it intact.)

^a Matthew 6:19, 20.—*Ed.*

^b Factitious need.—*Ed.*

That, consequently, is one aspect according to which the nature of the use value of gold and silver is reduced to being something *superfluous*, to not entering either in the satisfaction of immediate want as object of consumption, or as agent in the immediate process of production. That is precisely the aspect according to which the use value of money should not come into collision with its function of hoard (money) or means of circulation, in other words, the need for it as an individual use value should not come into collision with the need springing from circulation, from the society itself, the need for it as money in any of its determinations. That is only the negative aspect.

In his polemic against money, Peter MARTYR, who seems to have been very fond of chocolate, says, therefore, of the BAGS OF CACAO which, among other things, served as money among the Mexicans:

“O blessed money which furnishes mankind with a sweet and nutritious beverage and protects its innocent possessors from the infernal disease of avarice, since it cannot be long hoarded, nor hidden underground” (*De orbe novo*).⁷⁹

On the other hand, gold and silver are superfluities not only in the negative sense, i.e. are objects which can be dispensed with, but their aesthetic properties which make them the material of luxury, finery and splendour, make them the positive forms of superabundance, or means of satisfying other than everyday wants and bare necessities. That is why they have use value in themselves apart from their function as money. But just as they are the natural representatives of purely quantitative relations—in virtue of the sameness of their quality—so also in their individual use they are the immediate natural representatives of superabundance and so of wealth as such, both because of their natural aesthetic properties, and also of their expensiveness.

Malleability is one of the properties that make gold and silver fit for use as material for jewellery. Dazzling to the eye. Exchange value is above all an overplus of necessary use values designated for exchange. This overplus is exchanged for what is superfluous as such, i.e. for what goes beyond the bounds of immediate necessity; for the festive in contrast to the everyday. Use value as such expresses above all the individual's relation to Nature; exchange value, *alongside* use value, is his command over the use values of others, his social relation; and even initially, moreover, values of festive use going beyond the bounds of immediate necessity.

The *white* colour of silver, which reflects all the rays of light in their original mix; the *red-yellow* colour of gold, which absorbs the

whole mix of colours of a light beam falling on it and reflects red alone.

Add here what was said earlier about the mining countries.^a

//In his history of the German language, *Grimm* shows the connection between the names of gold and silver and their colour.//^b

[B'-16] We have seen that gold and silver fail to meet the demand being made on them as exchange value become independent, as immediately present money, that of being an unchanging *value magnitude*. Here, their nature as a particular commodity enters into conflict with their function as money. But as Aristotle already noted,^c they possess a more permanent value magnitude than do other commodities on average.

For the metallic circulation as such, apart from the general effect of the appreciation or depreciation of the precious metals on all economic relationships, the fluctuations of the value ratio between gold and silver are of particular importance, since they continuously serve alongside each other as the material of money in one and the same country or in different countries. The purely economic causes of these successive changes—conquest and other political upheavals which had a great influence on the relative value of the precious metals in the ancient world lie beyond the bounds of purely economic examination—must be reduced to changes in the labour time required for the production of the same quantities of these metals. It itself depends, on the one hand, on the relative quantities in which gold and silver occur in Nature, and on the other, on the greater or lesser difficulty in procuring them in their purely metallic state. What was said earlier makes it clear that gold, whose extraction from rivers or from alluvial deposits does not require either mining or chemical or mechanical contrivances, was discovered, despite its greater absolute rarity, before silver, and for a long time, despite its greater absolute rarity, remained relatively depreciated as compared to silver. That is why Strabo's assertion⁸¹ that in one Arab tribe 10 pounds of gold was given for 1 pound of iron, and 2 pounds of gold for 1 pound of silver does not appear to be in any way incredible. It is clear, on the other hand, that as the productive power of social labour develops, the technology, and hence simple labour,

^a See this volume, pp. 440-42.—*Ed.*

^b J. Grimm, *Geschichte der deutschen Sprache*, Leipzig, 1853, Vol. 1, pp. 7 and 9 (cf. this volume, p. 386).—*Ed.*

^c Aristotle, *Ethica Nicomachea*, V, 8.—*Ed.*

becomes dearer, and while the original surface sources of gold are depleted and the Earth's crust increasingly opened up, the relatively rarer or more frequent occurrence of both metals will have a substantial effect on the productivity of labour, and gold will appreciate relative to silver. (However, it is not the absolute quantitative proportion in which the two metals occur in Nature, although an essential moment in the labour time necessary for their production, but the labour time itself that determines their relative value. That is why although, according to the Paris Académie des Sciences (1840), the [quantitative] ratio of silver to gold was estimated at 52:1, their value ratio was only 15:1.)

Given a definite development of the productive power of social labour—i.e. the less the significance, on the one hand, of the relative mechanical or chemical impediments to be overcome, and, on the other hand, of the relative remoteness of the gold- or silver-producing countries, the alternative discovery of new gold or silver deposits must be of ever more decisive significance, so that gold, as against silver, has the chance of being discovered not only in mines but also in alluvial deposits. It is quite probable, therefore, that there will now again be a reverse movement in the value ratio of the two, i.e. a fall in the value of gold as compared with that of silver. The discovery of silver mines depends on the advance of technology and civilisation in general. Given these, any changes in the discovery of rich silver or gold deposits become crucial. On the whole, we find a repetition of the same movement in the change of the value ratio between gold and silver. The first two movements begin with a relative depreciation of gold and end with its appreciation. The latter begins with its appreciation and seems to be heading towards a re-establishment of its original lower value ratio to silver. In ancient Asia, the ratio of gold to silver was 6:1 or 8:1 (under Manu¹⁰⁰ it was even lower) (thus in China and Japan, the latter still existed in the early 19th century); 10:1, the ratio in Xenophon's time, can be regarded as the average ratio for the middle period of antiquity. In the late Roman period—the opening up of the Spanish silver mines by Carthage had roughly the same role to play in antiquity as the discovery of America had in the new period—the ratio is roughly the same as that after the discovery of America, i.e. 14 or 15:1, although in Rome we often find an even greater depreciation of silver.

For the Middle Ages, the average ratio can once again be re-established as in Xenophon's time, as 10:1, although that is the period in which local fluctuations are extremely great. The

average ratio in the centuries following upon the discovery of America is 15:1 or 18:1. The new discoveries of gold make it probable that the ratio will once again be reduced to 10:1 or 8:1, or that, at any rate, there will be a movement in the value ratio of the two metals in reverse to that since [B'-17] the 16th century. This is not yet the place for an examination of this special question in greater depth.

5) THE MANIFESTATION OF THE LAW
OF APPROPRIATION IN THE SIMPLE CIRCULATION

The economic relations of individuals who are subjects of exchange are to be considered here in the simple form in which they appear in the process of exchange described above, without recourse to more highly developed relations of production. Indeed, the economic determinations of form constitute the framework within which they enter into intercourse with each other (confront each other).

"The worker has an exclusive right to the value resulting from his labour" (Cherbuliez, *Richesse ou pauvreté*, Paris, 1841, p. 48).^a

The subjects of the process of exchange appear above all as *proprietors* of commodities. Since on the basis of the simple circulation, there is, after all, only one method by means of which anyone *becomes* the proprietor of any commodity, namely, through a new equivalent, the property in the commodity *preceding* the exchange, i.e. the property in the commodity appropriated not through circulation, the property in the commodity which, on the contrary, is still to enter circulation, springs directly from the labour of its possessor, with labour as the original mode of appropriation. The commodity, as exchange value, is only a product [of labour], *objectified labour*. It is thereby above all the objectiveness of him whose labour is represented in it; his own objective being for others produced by himself. It is true that the production of commodities does not fall within the simple process of exchange as it unfolds at the various moments of circulation. Commodities are rather implied as finished use values. They must be to hand before the exchange begins, simultaneously as it happens in buying and selling, or at least as soon as the transaction is completed, as in the form of circulation in which money serves as means of payment. Whether simultaneously or not, they always enter into circulation as being to hand. *The*

^a Marx quotes in French.—*Ed.*

origination of commodities, and so also the original process of their appropriation, lies, therefore, beyond circulation. But since the equivalent of another can be appropriated only through circulation, i.e. through the alienation of one's own equivalent, one's own labour must be implied as the original process of appropriation, with circulation in effect merely as the mutual exchange of labour incarnated in diverse products.

Labour and property in the results of one's own labour appear, therefore, as the basic prerequisite without which the secondary appropriation through circulation would not take place. Within circulation, *property based on one's own labour is the basis for the appropriation of the labour of others.* Indeed, a close look at the process of circulation shows that its premiss is that the exchangers should appear as the proprietors of the exchange values, i.e. of quantities of labour time materialised in use values. *How they became the proprietors of these commodities* is a process running behind the back of the simple circulation and ending before it begins. Private property is a premiss of circulation, but the process of appropriation itself is not revealed, does not appear within circulation; it is rather preposited to it. In circulation itself, in the process of exchange, as it emerges on the surface of the bourgeois society, each gives only while taking, and takes only while giving. In order to do the one or the other, he must *have*. The procedure through which he has placed himself in the position of having does not constitute any of the moments of circulation itself. The subjects are subjects of circulation only as private proprietors of exchange value, be it in the form of commodity or in the form of money. How they became private proprietors, i.e. *how they appropriated objectified labour*, is a circumstance which appears not to fall within the examination of the simple circulation at all. However, the commodity is, on the other hand, the premiss of circulation. And since from its standpoint, alien commodities, i.e. *alien labour*, can be appropriated only through the alienation of one's own labour, the pre-circulation [B'-18] *process of commodity appropriation necessarily* appears from this standpoint as *appropriation through labour*. Since *the commodity as exchange value is merely objectified labour*, and from the standpoint of circulation, itself only the movement of exchange value, alien objectified labour can be appropriated only through an exchange of equivalent, *the commodity can, in fact, be nothing but the objectification of one's own labour*, and just as the latter is, in fact, the actual process of appropriation of the products of Nature, it equally appears as the juridical title to property. *Circulation* merely shows how this

immediate appropriation, through the medium of a *social operation*, transforms property in one's own labour into property in social labour.

That is why all modern economists have proclaimed, in a more economic or more juridical manner, one's own labour to be the original title to property, and *property in the result of one's own labour*, the basic premiss of the bourgeois society. (Cherbuliez: see above. See also A. Smith.²) This premiss itself rests on the *premiss of exchange value as an economic relationship dominating the whole aggregation of relationships of production and commerce*, and so is itself a historical product of the bourgeois society, the society of the developed exchange value.

On the other hand, since the examination of the more concrete economic relationships than those represented by the simple circulation seems to bring out laws contradicting [the said law of appropriation], all the classical economists, including Ricardo, may like to allow this *view, springing as it does from the bourgeois society itself*, the right to be called a universal law, but banish its strict reality to the golden age when *no property* existed as yet. That is to say, to an age preceding the economic fall of man, as Boisguilbert, for example, does.

That would produce the strange result that the truth about the bourgeois society's law of appropriation would have to be transferred to a time when this society itself did not as yet exist, and the basic law of property, to the time of propertylessness. This illusion is transparent. Production initially rests on the primitive communities, within which private exchange appears only as a quite superficial and incidental exception. But with the historical disintegration of these communities, relations of domination and servitude, relations of violence at once set in, and they are in crying contradiction with the mild commodity circulation and its corresponding relations. However that may be, the process of circulation, as it *appears on the surface* of the society, knows no other way of appropriation, and if contradictions should arise in the progress of the examination, they must, like *this law of the original appropriation through labour*, be derived from the development of exchange value itself.

The law of appropriation through one's own labour being assumed, and it is an assumption that is not arbitrary, but one which springs

* A. Smith.¹⁰¹

² A. Smith, *Recherches sur la nature et les causes de la richesse des nations*, Vol. I, pp. 60 and 61.—Ed.

from the examination of circulation itself, there becomes apparent of itself, in circulation, a realm of bourgeois liberty and bourgeois equality based on this law.

While the appropriation of commodities through one's own labour presents itself as the first necessity, the social process through which this product must first be posited as an exchange value and as such once again transformed into a use value for individuals, is the second. After the appropriation through labour, or the objectification of labour, the *alienation of the product of labour, or its transformation into a social form*, appears as the next law. Circulation is a movement in which one's own product is posited as exchange value (money), i.e. as a social product, and the social product, as one's own (as individual use value, an object of individual consumption).

It is now also clear that:

Another premiss of exchange relating to the movement as a whole is that the subjects of exchange produce while being subsumed under the division of social labour. After all, the commodities exchanged for one another are, in fact, nothing but labour objectified in various use values, i.e. objectified in various ways, being in fact merely the objective being of the division of labour, objectification of qualitatively distinct types of labour corresponding to the different systems of wants. When I produce a *commodity*, the assumption is that though my product has use value, it has none for me, that for me it is not an immediate means of subsistence (in the broadest sense), but an immediate exchange value; it becomes a means of subsistence for me only after it assumes in money the form of universal social product and can then be realised in any form of alien, qualitatively distinct labour. Hence I produce for myself only by producing for the society, each of whose members, for his part, works for me in another circle.

[B²-19] It is clear, furthermore, that the premiss about the exchangers producing exchange values implies not only a division of labour in general, but its specifically developed form. In Peru, for instance, labour was also divided; it was also divided in small SELF-SUPPORTING^a Indian communities. But it is a division of labour which, far from being based on exchange value, on the contrary, implies a more or less direct communal [*gemeinschaftliche*] production. The basic premiss about the subjects of circulation

^a In the manuscript, the English word is given in brackets after the corresponding German ("selbstgenügsamen").— *Ed.*

having produced exchange values, products directly posited in the social determinateness of exchange value, and so also subsumed under a definite historically shaped division of labour, incorporates a mass of other premisses which do not stem from the will of the individual or from his immediate natural character, but from the historical conditions and relations in virtue of which the individual already finds himself to be a *social* individual determined by the society; this premiss also includes the relations manifested in the individuals' relations of production other than the simple ones in which they confront one another in circulation.

The exchanger has produced a commodity, and that for commodity producers. This implies: On the one hand, that he has produced as an independent private individual on his own initiative, only out of his own want and his own capability, out of himself and for himself—neither as a member of a naturally evolved community, nor as an individual taking part in production directly as a social individual—and accordingly he does not regard his product as an immediate source of existence. On the other hand, however, he has produced *exchange value*, a product which becomes a product for himself only through the medium of a determinate social process, a determinate metamorphosis. Consequently, he has produced in such a connection and under such conditions of production and relations of commerce which resulted only from an historical process but which appear for himself to be a natural necessity. The independence of individual production is, accordingly, supplemented with a social dependence that finds a corresponding expression in the division of labour.

The *private character* of the production of the exchange-value-producing individual itself appears as an historical product—*his isolation, his self-establishment as an independent point within the production* is determined by a division of labour which, for its part, rests on a whole range of economic conditions through which the individual is conditioned on every side in his connections with other individuals and in his own mode of existence.

In so far as the commodities an English farmer and a French peasant sell are products of the soil, they stand in the same economic relationship. But the peasant sells only the small surplus of his family's product. He consumes the main part of it himself, and so regards the greater part of his product not as exchange value, but as use value, a direct means of subsistence. By contrast, the English farmer depends entirely on the sale of his product, i.e. on its being a commodity, and so on the social use value of his product. His production is, therefore, completely gripped and

determined by exchange value. It is clear now what a supremely different development of the productive forces of labour and its division, what kind of different relations of individuals within production are required, for instance, to have corn produced as mere exchange value and so going entirely into circulation; what kind of economic processes are required to turn a French peasant into an English farmer.

In his analysis of exchange value, Adam Smith still makes the mistake of accepting the undeveloped form of exchange value in which it still appears merely as a surplus over and above the use value turned out by the producer for his own subsistence, as its adequate form, whereas it is only a form of its historical manifestation within a system of production which it has not yet caught hold of as a universal form. But in the bourgeois society it has to be regarded as the dominant form under which *any direct relationship of the producers to their products* as use values disappears; *all products present themselves as products for trade*. Take a worker at a modern factory, say, a cotton mill. If he has produced no exchange value, he has produced nothing at all, since he cannot put his finger on any single tangible use value, and say: this is my product. The more many-sided the system of social wants, and the more one-sided the individual's production, i.e. the greater the development of the social division of labour, the more *decisive* the importance of the production of the product as exchange value, or the *character of the product as exchange value*.

An analysis of the specific form of the division of labour, the conditions of production on which it is based, and the economic relationships of the members of the society to which these conditions of production are reduced, would show that the whole system of bourgeois production is the premiss for exchange value appearing on its surface as a mere point of departure, and the process of exchange, as it unfolds in the simple circulation, as a *social exchange of matter*, simple but *encompassing both the whole of production and the whole of consumption*. It would transpire, therefore, that already *other*, more complicated relations of production, more or less conflicting with the liberty and independence of individuals, their economic relationships, are the premiss that, as free *private producers in simple relations of purchase and sale*, they should confront each other in the process of circulation and should figure as its independent subjects. *But from the standpoint of the simple circulation, these relationships are obliterated*. When considering it itself, we find that the division of labour in fact appears in it only in the result (its premiss), that the subjects of exchange

produce different commodities meeting different wants, and that while each depends on the production of all, all depend on the production of each, reciprocally supplementing each other, so that the product of each single individual, to the extent of its value magnitude, is a means for participation in the product of social [B'-20] production in general through the medium of the process of circulation.

The product is exchange value, *objectified general labour*, although it is, in the immediate sense, the objectification of the independent private labour of the individual alone.

That the commodity first has to be alienated, the coercion for the individual showing that his immediate product is no product for himself, but *becomes* such only in the social process of production and *must* assume this general and yet external form; that the produce of particular labour must assert itself socially as the objectification of *general* labour, assuming the form of a thing (*money*) which is exclusively assumed as the immediate objectification of general labour, and equally that through this VERY PROCESS this general social labour is posited as an external thing, as money—these determinations constitute the mainspring, the pulse-beat of circulation itself. The consequent social relations present themselves, for that reason, directly from an examination of the simple circulation, and do not lie behind it as economic relations enclosed in the division of labour.

How does the individual certify his private labour as general labour, and its product, as general social product? Through the particular content of his labour, its particular use value, the object of another individual's want, so that the latter gives up his own product for it as equivalent. //That this must assume the form of money is a point to be examined later to show that this transformation of commodity into money is itself an essential moment of the simple circulation.// Consequently, through his labour being a particularity in the totality of social labour, a particular complementary branch of it. As soon as labour possesses a content determined by social connection—and this is the material determinateness and premiss—it counts as general labour. The form of the generality of labour asserts itself through its reality as a member of the totality of labours, as a particular mode of the existence of social labour.

The individuals confront each other only as proprietors of exchange values, as such individuals who have given themselves reified being for each other through their product, the commodity. Without this objective mediation, they have no relation to each

other from the standpoint of the social exchange of matter under way in circulation. They exist for each other only as things, something that is merely further developed in the money relation, in which their community itself appears as an external and hence a casual thing with respect to all. That the social connection resulting from the collision of independent individuals appears with respect to them simultaneously both as objective necessity and as external bond *in effect* expresses *their independence for which social being, though a necessity, is no more than a means, and therefore appears to the individuals themselves as something external, and in money, even as a tangible thing.* They produce in and for the society as social individuals, but at the same time this appears merely as a means for objectifying their individuality. Since, on the one hand, they are not subsumed under any naturally evolved community and, on the other, are not consciously communal individuals subsuming the community under themselves, this community must also exist as an independent, external, casual thing [ein ... Sachliches] with respect to them as independent subjects. That is precisely the condition for their simultaneously being in some social connection as independent private persons.

Since, consequently, the division of labour //in which the social conditions of production under which the individuals produce exchange values can be summed up// in the simple process of exchange, in circulation, appears only as 1) non-production of immediate means of subsistence by the individual himself, by his direct labour; 2) as the being of general social labour as a naturally evolved totality fragmenting itself into a circle of particularities in such a way that the subjects of circulation possess complementary commodities and that each subject satisfies some aspect of the totality of an individual's social wants, while the economic relationships stemming from this determinate division of labour are themselves obliterated, in our analysis of exchange value we have not gone on to analyse the division of labour, but merely accepted it as a fact identical with exchange value, a fact which, indeed, merely expresses in active form, as a particularisation of labour, that which the different use value of commodities—and without it neither exchange, nor exchange value would have existed—expresses in objective form. In effect, Adam Smith, like other economists before him, Petty, Boisguillebert, the Italians,^a

^a Marx left a space here to insert the names of Italian economists later.—*Ed.*

asserting the division of labour as being correlative with exchange value, was saying the same thing. And Steuart grasped, before all the others, the division of labour and the production of exchange values as being something identical and, in commendable distinction from other economists, conceived it as a form of social production and social exchange of matter mediated by a specific historical process.

What Adam Smith says about the productive power of the division of labour is an absolutely extraneous standpoint which has no relevance to the matter either here or in the place where he expressed it, and is, besides, relevant to a definite stage in the development of manufacture, but not at all to the modern factory system in general.

The division of labour with which we are dealing here is a spontaneous and *free* division within the society taken as a whole, and manifesting itself as production of exchange values, and not the division of labour within a factory—its resolution and combination in a single branch of production, but rather a social division of these branches of production themselves, arising, as it were, without the participation of individuals. The division of labour within the society would correspond to the principle of the division of labour [B'-21] within a factory perhaps in the Egyptian rather than in the modern system. The repulsion from each other of the various branches of social labour and their transformation into free ones, independent of each other and bound up in a totality and unity only through internal necessity (and not as in that division, through a conscious resolution and conscious combination of the resolved parts) are totally different things determined by totally different laws of development, however great the correspondence between a given form of the one and a given form of the other may be.

While Adam Smith may have less than adequately comprehended the simple form of the division of labour in which it is only an active form of exchange value, and its other form in which it represents a definite productive power of labour, he was even less clear about the form in which the economic antagonisms of production—the qualitative social determinations subsumed under which the individuals confront each other as capitalist and wage worker, industrial capitalist and rentier, tenant farmer and ground-rent-collecting landlord, etc.—themselves appear as the economic forms of a determinate mode of the division of labour.

If the individual produces his own immediate means of

subsistence, as, for instance, it most often happens in countries where primitive agricultural relationships continue to exist, his production has no social character, and his labour is not social. If the individual produces as a private individual—so that *this position of his is itself not in any sense a product of Nature but a refined result of a social process*—the social character reveals itself in that in the content of his labour the individual is determined by the social connection and works only as its member, i. e. to satisfy the wants of all the others—so that social dependence exists for him—but he himself is engaged only in this or that labour of his choice; his particular relationship to particular [kinds of] labour is not socially determined; his choice is determined in a natural way in virtue of his natural capabilities, inclinations, natural conditions of production in which he finds himself, etc.; so that the particularisation of labour, its social fragmentation into a totality of all the particular branches in fact presents itself from the part of the individual in such a way that his own spiritual and natural particularity simultaneously assumes the form of a social particularity. From his own nature and its particular premisses springs for him the particularity of his labour—above all its objectification—which, however, [he] simultaneously regards as the assertion [Gelendmachung] of a particular system of wants and realisation of a particular branch of social activity.

The division of labour so comprehended as social reproduction of the particular individuality, which thereby simultaneously constitutes an element of mankind's total development and simultaneously enables the individual, by means of his particular activity, to have gratification of the general production, the all-round social gratification, this concept, springing as it does from the standpoint of the simple circulation and so being confirmation instead of suspension of the freedom of the individuals, is still current in bourgeois political economy.

This natural distinction between individuals and their wants is the motivation for their social integration as exchangers. *D'abord* they confront each other in the act of exchange as persons mutually recognising each other as proprietors, as persons whose will permeates their commodities, with the reciprocal appropriation through the reciprocal alienation taking place only according to their common will, i. e. essentially by means of contract. This includes the juridical concept of person and also of the freedom which it contains. That is why in Roman law, *servus* is correctly defined as one who cannot acquire through exchange.

Furthermore, in the consciousness of the exchanging subjects all

of this presents itself in such a way that in the transaction each is only an end to himself; that each is only a means for the other; and finally, that the reciprocity in which each is simultaneously means and end, attaining his own end only by becoming means for the other, and means for the other only in so far as he attains his own end—that this reciprocity is a necessary FACT implied as a natural condition of exchange but that as such it is indifferent to both subjects of the exchange and is of interest to either only in so far as it is *his* interest. This means that the common interest which appears as the content of the exchange act as a whole, while being present as a fact in the consciousness of both parties, is not as such the motivation, but exists, so to say, only behind the backs of the individual interests reflected in themselves. If he so wishes, the subject can, of course, have the uplifting sense that the satisfaction of his unconcerned individual interest is precisely the realisation of the sublated individual interest, of the general interest. From the act of exchange itself, each of the subjects returns upon himself as the ultimate end of the entire process, as the dominant subject. In this way, therefore, the subject's complete freedom is realised. Voluntary transaction; no coercion on any part; becoming means for the other only as means for oneself or end for oneself; finally, the consciousness that the general or common interest is nothing but the all-sidedness of the egoistical interest.

If, therefore, every aspect of circulation is a realisation of individual freedom, the circulation process considered as such, i. e. in the determinations of its economic form, constitutes the full realisation of social equality (for the relations of freedom have no direct bearing on the economic determinations of the form of exchange, but relate only to its juridical form, or to its content, to use values, or wants as such). Subjects of circulation are, as such, above all *exchangers*, and that each of them is posited in this determination, that is, in the same determination, in effect constitutes their social determination. They confront each other in fact only as subjectivised exchange values, i. e. as living equivalents, as having the same value. As such, they are not only equal: there is even no [B''-1] difference between them. They confront each other only as possessors of exchange values and as those in need of exchange, as agents of the same general indifferent social labour. Moreover, they exchange exchange values of equal magnitude, for it is presupposed that there is an exchange of equivalents. The equalness of that which each gives and takes is here an explicit moment of the process itself. In the same way that they confront each other as the subjects of exchange, so they

certify themselves in the act of this exchange. As such it is merely this certification. They are posited as exchangers and so as equals, and their commodities (objects) as equivalents. They exchange their reified being only as equivalents. They themselves are of equal value and in the act of exchange identify themselves as being equivalent and indifferent with respect to each other. The equivalents are the objectification of one subject for the other; which means that they themselves are of equal value and identify themselves in the act of exchange as being equivalent and indifferent to each other. In the exchange, the subjects turn out to be of the same value to each other only through the equivalents and identify themselves as such by exchanging the objectification in which the one exists for the other. Since they exist for each other only as subjects of equivalence, they are simultaneously indifferent to each other as being of the same value. They are not concerned with their other differences. Their individual particularity does not enter into the process. The physical difference in the use value of their commodities is extinguished in the ideal being of commodity as price, and to the extent that this physical difference is the motivation for exchange, they are a reciprocal want for each other (each representing the want of the other), a want that can be satisfied only by the same quantum of labour time. This natural difference is the basis for their social equality and posits them as subjects of the exchange. If subject *A* had the same want as subject *B*, and if his commodity satisfied the same want as the commodity of subject *B*, there would be no relation between them in the sense of economic relations (from the standpoint of their production). The reciprocal satisfaction of their wants by means of the physical difference of their labour and their commodity makes their equality a relation filled with social content, and their particular labour a particular mode of the existence of social labour in general.

Whenever money is involved, it is so remote from abolishing this relation of equality that it is, in fact, its real expression. Above all to the extent that money functions as the price-positing element, as measure, the function of money consists, also in form, in positing commodities as being qualitatively identical, in expressing their identical social substance in which there is only a quantitative difference. In circulation, the commodity of each then, in fact, appears as the same thing [as the commodity of the other] and is given the same social form of means of circulation in which any particularity of the product is extinguished and the proprietor of each commodity becomes the proprietor of the tangibly subjec-

tified generally significant commodity. That money *non olet*^a applies here in the proper sense. Whether a thaler which one has in one's hand has realised the price of manure or of silk is absolutely unnoticeable, and any individual difference has been extinguished in the hands of its possessor, since the thaler functions as thaler. Indeed, this extinction is all-sided, since all commodities are transformed into coin. At a definite moment, circulation posits each not only as being equal to the other, but also as the same, and its movement consists in each alternately taking the place of the other from the standpoint of the social function. It is true that in circulation the exchangers also confront each other qualitatively as buyer and seller, as commodity and money, but, first, they change places, and the process consists both in the establishment of inequality and in the transcendence of the inequality, so that the latter appears to be merely formal. The buyer becomes the seller, the seller becomes the buyer, and each can become buyer only as seller. The formal difference exists for all the subjects of circulation simultaneously in the form of the social metamorphoses through which they have to pass. Besides, the commodity, notionally as price, is as good money as the money confronting it. In money, when it itself circulates so that it appears now in the hands of the one, now of the other, and is indifferent to the place of its appearance, the equality is expressed materially, and the difference no more than formally. As far as the process of exchange is considered, each confronts the other as possessor of means of circulation, as money itself. The specific natural distinction which lies in the commodities is extinguished and keeps being extinguished through circulation.

When we consider generally the social relation of individuals within their economic process, we simply have to keep to the form determinations of the process itself. But there is no other difference in circulation except that between commodity and money, and circulation is equally its ceaseless disappearance. Equality appears here as social product, just as generally exchange value is social being.

Since money is only realisation of exchange value, and a developed exchange-value system, a money system, the money system can, in fact, be only the realisation of this system of equality and freedom.

The use value of the commodity contains for the exchanger a particular, individual aspect of production (labour); but in his

^a Does not smell (Vespasian).—*Ed.*

commodity, as exchange value, all commodities similarly present themselves as objectification of the social homogeneous labour pure and simple, and their proprietors as equally estimable and equally worthy functionaries of the social process.

[B"-2] It was earlier shown that as far as money appears in its third function, it sublates, as the general material for contracts, the universal means of payment, all specific differences between the performances and posits them equal. It makes all equal before money, but money is merely its own objectified social nexus. With money figuring as material for accumulation and hoarding, the equality may at first appear to be sublated since the possibility arises for one individual to enrich himself more, to acquire a greater title to general production than another. However, [in the simple circulation] no individual can extract money at the expense of another. He can take in the form of money only that which he gives in the form of commodity. The one enjoys the content of wealth, the other takes possession of its universal form. If one is impoverished and the other enriched, that is a matter of their good will, their thrift, industry, morality, and so on, and does not at all follow from the economic relations themselves, the relations of commerce, in which the individuals confront each other in circulation. Even inheritance and similar juridical relations which may extend the inequality arising in this way have no effect on social equality. If the initial position of individual *A* is not in contradiction with these, the contradiction cannot, of course, arise from individual *A* taking the place of individual *B* and perpetuating the initial position. On the contrary, here the social law acquires force beyond the bounds of the [individual's] natural lifetime: there is a consolidation of this social law in contrast to the accidental working of Nature, whose influence as such would rather be abolition of the freedom of the individual. Besides, since in this relation the individual is merely the individualisation of money, he is as such as immortal as money itself. Finally, hoarding activity is a heroic, religious idiosyncrasy, a fanatical asceticism which is, of course, not inherited as blood is. Since only equivalents are exchanged, the heir must throw the money into circulation once again if he is to realise it as gratification. If he fails to do that, he will simply continue to be a useful member of the society, taking from it no more than he gives. But the nature of things is such, however, that extravagance, the "charming leveller",^a as Steuart calls it, once again evens out the inequality, so

^a J. Steuart, *An Inquiry into the Principles of Political Oeconomy*, Vol. I, Dublin, 1770, p. 367.—Ed.

that it itself puts in only a fleeting appearance.

That is why the process of exchange of exchange values developed in circulation not only respects freedom and equality, but is also their real basis, while they are its products. As pure ideas, they are idealised expressions of its various moments; being developed in juridical, political and social relations, they are merely reproduced in other degrees. This has also been historically confirmed. Not only was the trinity of property, freedom and equality first theoretically formulated on that basis by Italian, English and French economists of the 17th and 18th centuries. They were also first realised in the modern bourgeois society. The ancient world, for which exchange value did not serve as the basis of production and which, on the contrary, collapsed in consequence of its development, produced a freedom and equality of a totally opposite and essentially no more than local content. On the other hand, since moments of the simple circulation were developed in the ancient world, among the free, at any rate, it is also clear that the definitions of juridical person, the subject of the process of exchange, were developed in Rome, especially in imperial Rome, whose history is precisely the history of the disintegration of the communal system of antiquity, as also the essential definitions of the law of the bourgeois society which, however, was necessarily above all brought to the fore as the law of the emerging industrial society as against the Middle Ages.

That is the origin of the error of the socialists, especially the French, who strive to prove that socialism is a realisation of bourgeois ideas, not discovered, but given historical currency by the French Revolution, and vainly try to demonstrate that exchange value *originally* (in time) or in its concept (in its adequate form) is a system of universal freedom and equality but perverted by money, capital, etc. Or they assert that up to now history has merely made unsuccessful attempts to put them through in a form corresponding to their true nature, and that now they, Proudhon, for instance, have discovered the panacea through which the true history of these relations is to be substituted for their perverted history. The system of exchange values, and the money system even more so, are, in fact, a system of freedom and equality. But the contradictions which appear in a deeper analysis are immanent contradictions, complications of that very property, freedom and equality which occasionally pass into their opposites. The hope, for instance, that exchange value should not develop from a form of commodity and money into a form of capital, or that labour producing exchange value should not develop into wage labour is

as pious as it is stupid. What distinguishes these socialists from bourgeois apologists is, on the one hand, the sense of the contradictions of the system, and, on the other, the utopianism, the failure to understand the necessary distinction between the real and the ideal shape of the bourgeois society and the consequent desire to undertake the superfluous business of once again realising the ideal expression itself, the clarified and [B"-3] reflected image emitted by reality as such.

Contrasted to this concept, on the other hand, is the trivial argument that the contradictions in this view resting on the examination of the simple circulation which arise as soon as we go on to more concrete stages of the production process, descending from the surface to its depths, are, in fact, a mere semblance. It is, in fact, asserted and argued with the aid of *abstraction* from the specific form of the more developed spheres of the social process of production, of the more developed economic relationships, that all the economic relationships are merely so many more names for the selfsame relationships of the simple exchange, commodity exchange, and the corresponding determinations of property, freedom and equality. From everyday experience, for instance, it is taken that, alongside money and commodities, exchange-value relationships also present themselves in the form of capital, interest, ground rent, wages, etc. Through the process of a very trivial abstraction, arbitrarily discarding now one, now the other aspect of the specific relationship, the latter is reduced to abstract determinations of the simple circulation, thereby *proving* that the economic relations in which individuals find themselves in those more developed spheres of the production process are merely relations of the simple circulation, etc.

That is just how Mr. Bastiat has put together his economic theodicy, the *Harmonies économiques*. In contrast to the classical political economy of Steuart, Smith and Ricardo, who have the strength of mind relentlessly to depict production relationships in their pure form, this feeble high-flown rhetoric claims to be a step forward. However, Bastiat is not the inventor of this harmonious view, but has, on the contrary, borrowed it from the American Carey.

Carey, for whose views the historical background was provided only by the New World, of which he is a member, in the highly voluminous works of his first period argued the existence of the economic "harmony" which is still everywhere a reduction [of all economic relations] to the abstract determinations of the simple process of exchange, by explaining everywhere the distortion of

these simple relationships by the intervention of the State, on the one hand, and England's influence on the world market, on the other. The harmonies *in themselves* are there. But in the non-American countries they are distorted by the State, and in America itself, by the most developed form in which these relationships appear, their world-market reality, in the form of England.* Carey finds no other means of restoring them than ultimately to call for help from his denounced devil, the State, and to stand it as the guardian angel at the gates of the harmonious paradise, namely, protective tariffs. But since he is after all a researcher and not a writer of fiction, like Bastiat, in his latest work¹⁰² he is forced to go farther. America's development over the past 18 years has dealt such a blow at his harmonious view that he now sees the distortion of the "natural" "harmonies", to which he is still firmly attached, no longer in the external influence of the State, but in *trade!* A truly remarkable result this: to extol exchange value as the basis of harmonious production, and then to declare that the developed form of exchange, trade, abolishes this exchange value in its immanent laws! ** That is the desperate form in which Carey expresses his belated conclusion that the development of harmonious exchange value is disharmonic.

* It is harmonious, for instance, 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 puts a terrible end to the patriarchal or petty-bourgeois 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 effect of the concentrated English capital on other national capitals, which he exposes as England's monopoly, is disharmony itself.

** Carey is, in fact, America's only original economist, and what makes his works so important is that the bourgeois society in its freest and broadest reality always provides them with their material foundation. In abstract form, he describes the breadth of American [economic] conditions and contrasts them with those of the Old World. Bastiat's only real background is the pettiness of French economic conditions, whose long ears keep sticking out from his harmonies, and in contrast to these, he formulates the idealised English and American production relationships as "the demands of practical reason".¹⁰³ That is why Carey is rich in independent, so to say, *bona fide* studies of specific economic questions. Wherever Bastiat pretends, by way of exception, to descend from his glib and coquettish platitudes to an examination of real categories (for instance, in ground rent) there he simply rewrites Carey. So while the latter combats mainly the objections to his harmonious view, objections in the form in which they have been developed by the English classical economists themselves, Bastiat skirmishes with the socialists. Carey's more profound view finds in political economy itself the contradiction

[B"-4]

6) TRANSITION TO CAPITAL

Let us now take the process of circulation in its totality:

Let us consider first of all the *formal character* of the simple circulation.

Indeed, circulation represents only a formal process mediating both moments—use value and exchange value—which directly coincide and directly fall apart in the commodity, whose direct unity it is. The commodity keeps alternating each of these two determinations. So far as the commodity is posited as price, and while also being exchange value, its being as use value appears to be its reality, while its being as exchange value is merely its relation [to other commodities], its notional being. In money, although it is also use value, it is its being as exchange value that appears as its reality, since use value, when it appears as universal, is merely notional.

In the commodity, the material has price; in money, exchange value possesses material.

Both forms of circulation are to be considered: $C-M-C$ and $M-C-M$.

The commodity which is exchanged for another commodity by means of money passes out of circulation in order to be consumed as use value. Its determination as exchange value and hence as commodity is extinguished. It is now *use value* as such. If, however, it is self-established against circulation in the form of money, it then represents only the substance-free universal form of wealth and becomes a useless use value, gold, silver, when it does not re-enter circulation as a means of purchase or means of payment. Indeed, there is a contradiction in that the exchange value become independent, i.e. the absolute existence of exchange value, should be the form in which it is withdrawn from exchange. The only reality, economically, which hoarding has in circulation, is a subsidiary one for the function of money as means of circulation (in the two forms of means of purchase and means of payment)—the formation of reservoirs which make it possible to expand and contract the currency (hence the function of money as universal commodity).

There are two moments in circulation. First, equivalents, i.e. the same value magnitudes, are exchanged for each other; at the same time, however, the determinations of both sides change places.

which, as harmonist, he has to overcome, while the vain and stubborn rhetorician [Bastiat] discerns this contradiction as lying only beyond the bounds of political economy.

The exchange value fixed in money disappears (for the owner of the money) as soon as money realises itself in the commodity as use value; and the use value existing in the commodity disappears (for its owner) as soon as its price is realised in money. Through the simple act of exchange, either of the two can lose its determination in favour of the other only when it realises itself in the other. Neither can retain one determination while passing into the other.

Considered in itself, circulation is *the mediation of preposited extremes*. But it does not posit these extremes. It itself must be mediated as the totality of mediation, as total process. *That is why its immediate being is pure appearance*. It is the *phenomenon of a process running behind its back*. It is now negated in each of its moments: as commodity, as money, and as the relation of the two, as the simple exchange of the two, circulation.

The repetition of the process from both points, money and commodity, does not spring from the conditions of circulation itself. The act cannot again be rekindled of itself. Circulation does not, therefore, carry within itself the principle of self-renewal. It proceeds from preposited moments, and not from those created by itself. Commodities must be thrown into it again and again, and that from outside, as fuel into the fire. Otherwise, it flickers out in indifference. It would flicker out in money as an indifferent result, in so far as money would no longer have any connection with commodities, prices, circulation, cease to be money and express a production relationship; leaving no more than its metallic being, with its economic being annihilated.

Money, as “universal form of wealth”, as exchange value become independent, confronts the whole world of real wealth. It is the pure abstraction of the latter, hence, fixed in this way, an imaginary magnitude. Wherever universal wealth appears to exist in an entirely material, tangible form, it has its existence only in my head, and is a pure chimera. As the material representative of universal wealth, money is realised only when it is thrown back into circulation, when it disappears in exchange for the particular species of wealth. In circulation, it is always real only when it is given out. Should I want to hold on to it, it evaporates in my hands as a mere spectre of wealth. Making it disappear is the only possible way of securing it as wealth. The dissolution of the stores in ephemeral gratifications is its realisation. It can now again be stored by other individuals, but then the process starts once again. The independence of money with respect to circulation is mere appearance. So in its determination of consummate exchange value, money sublates itself.

In the simple circulation, exchange value in its form as money appears as a simple thing for which circulation is only an external movement, or which, as subject, is individualised in a particular material. Furthermore, circulation itself appears [B''-5] merely as a formal movement: realisation of the prices of commodities, exchange (eventually) of different use values for each other. Both are preposited as the point of departure of circulation: the exchange value of the commodity, and the commodities of different use value. The withdrawal of the commodity through consumption, i.e. its annihilation as exchange value, and the withdrawal of money, its becoming independent, which is again another form of its annihilation, likewise drop out of circulation. A *definite price* (exchange value measured in money, i.e. exchange value itself, the value magnitude) is preposited to circulation, which in money only gives it a formal being. But it does not *originate* in it.

//The simple circulation, merely the exchange of commodity and money (the exchange of commodities in mediated form), precisely because it is only mediating movement between presupposed points of departure, can (up to the formation of hoards) historically exist without exchange value taking hold of the production of a people, whether on the whole surface or in its depths. At the same time, however, historical development shows how circulation itself leads to bourgeois, i.e. exchange-value-positing, production and creates for itself a basis other than that from which it directly sprang. The exchange of surpluses is commerce creating exchange and exchange value. However, it extends only to the act of exchange itself and runs alongside production itself. But then if the appearance of exchange-seeking intermediaries (Lombards, Normans, etc.) is repeated and regular trade develops under which the producing peoples are engaged only in what could be called passive trade, in so far as the impetus to exchange-creating activity comes from outside and not from the inner structure of production, the surplus of production must no longer be an accidental, occasional one, but a constantly recurring surplus, so that the product itself acquires a tendency towards circulation and creation of new exchange values.

Initially, the influence is rather a material one. The range of wants is enlarged; the aim is to satisfy new wants, and hence the greater regularity and scale of production. The organisation of production within the country has itself already been modified by circulation and exchange value, but has not yet been taken hold of either over its entire surface or throughout its whole depth. That is the so-called civilising influence of foreign trade. The extent to

which the movement positing exchange value seizes upon the whole of production then depends partly on the intensity of the said external influence, partly upon the level of internal development.

For instance, in England in the 16th century, the development of the Dutch industry made English wool production of great commercial importance, and, on the other hand, especially increased the need for Dutch and Italian commodities. In order to have more wool for export as means of exchange, arable land was converted into sheep-walks and the small-tenant system was broken up, producing that rather violent economic upheaval which Thomas More deplored (denounced).^a

So agriculture lost its character of labour for use value—as the immediate source of subsistence—and the exchange of its surplus ceased to be something indifferent and external for the internal structure of agricultural relationships. In some places, agriculture itself began entirely to be determined by circulation and transformed into production creating solely exchange values. In this way, not only was there a change in the mode of production, but also a disintegration of all the corresponding old, traditional relationships of population and production, economic relationships. So here the prerequisite for circulation was a production involving exchange value only in the form of surplus, a surplus over the use value; but it gave way to a production which can exist only in relation to circulation, with the creation of exchange value as its immediate object. This is an example of the historical retreat of the simple circulation into capital, into the exchange value as a production-dominating form.

The movement, therefore, gets hold only of the surplus of the production aimed at the creation of immediate use value and proceeds only within those limits. The less the whole internal economic structure of the society is still caught up by exchange value, the more they [participants in the exchange] appear as external extremes of circulation—firmly given in advance and taking a passive attitude to it. The whole movement as such appears independent with respect to them as intermediary trade whose carriers, such as the Semites in the interstices of the ancient world, and the Jews, Lombards and Normans in the interstices of the medieval society, alternately represent with respect to them the different moments of circulation—money and commodity. They are the mediators of the social exchange of matter.

^a Thomas More, *Utopia*, Book I.—*Ed.*

At this point, however, we have nothing to do with the historical transition of circulation into capital. The simple circulation is, rather, an abstract sphere of the bourgeois process of production as a whole, which through its own determinations shows itself to be a moment, [B"-6] a mere form of appearance of some deeper process lying behind it, even resulting from it and producing it—industrial capital.//

The simple circulation, on the one hand, is an exchange of *present* commodities and merely the mediation of these preposited extremes, which lie beyond it. All activity is limited to exchange and the positing of the *formal determinations* through which the commodity passes as the unity of exchange value and use value. As such a unity, the commodity was preposited or some other determinate product was a *commodity* only as the immediate unity of both these determinations. Indeed, the commodity is such a unity, a commodity not in an inert (fixed) being, but only in the social movement of circulation in which, on the one hand, both determinations of the commodity—use value and exchange value—are allocated between the various parties. For the seller it becomes exchange value, for the buyer, use value. For the seller it is *means of exchange*, i.e. the opposite of direct use value, because it is use value for the other; in other words, it is negated direct, individual use value; on the other hand, however, as *price* its magnitude as means of exchange, its purchasing power is measured. For the buyer, it becomes use value as its price is realised, i.e. as its ideal being is realised as money. Only because the buyer realises the commodity for another in the determination of pure exchange value, the commodity for himself becomes a commodity in the determination of use value. Use value itself appears as two-fold: in the hands of the seller, it is merely a particular materialisation of exchange value, the existence of exchange value, and for the buyer, *use value as such*, i.e. an object satisfying particular wants; for both, the commodity appears as price. One of them, however, wants to realise it as price, as money; the other realises money in it.

It is specific for the being of commodity as means of exchange that the use value appears 1) as sublated direct (individual) use value, i.e. as use value for others, for the society; 2) as materialisation of exchange value for the possessor of the commodity.

The bifurcation and the alternation of the commodity in both determinations—commodity and money—is the main content of circulation. But the commodity does not simply confront money;

its exchange value appears in it notionally as money; as price, it is notional money, and money with respect to it is merely the reality of its own price. In the commodity, the exchange value is also notional determination, notional equation with money. It then acquires in money as coin an abstract, one-sided but fleeting existence as mere value; value then is extinguished in the use value of the purchased commodity. From the moment the commodity becomes simple use value, it ceases to be a commodity. Its being as exchange value is extinguished. But so long as it is in circulation, it is always posited in a two-fold way, not only in that it exists as commodity with respect to money, but also in that it always exists as commodity with a price, exchange value measured in the measuring unit of exchange values.

The movement of the commodity passes through various moments when it is price, becomes coin, and finally is transformed into use value. It is presupposed as use value and exchange value, for only then it is a commodity. But it realises these determinations *formally* in circulation and, moreover, so that, firstly, as has been said, it passes through various determinations; and, secondly, so that in the process of exchange its being as use value and exchange value is always distributed between the two sides, between the two extremes of the exchange. In circulation, its two-fold nature is dismembered and it *becomes* in each of the conditions presupposed in it only as a result of this formal process. The unity of both determinations appears as a restless movement passing through definite moments and at the same time always two-sided. Always only in this social relationship so that *the various determinations of the commodity are, in fact, no more than alternating relations in which the subjects of the exchange are in the process of exchange*. This relation appears, however, as an objective relationship in which they are placed by the content of the exchange, by its social determinateness, independently of their will. In price, coin, as money, these social relations appear with respect to these subjects as external and subsuming. The negation of the commodity in one of its determinations is always its realisation in the other. As price it is already notionally negated as use value and posited as exchange value. As realised price, i.e. as money, it is negated use value. As realised money, i.e. as transcended means of purchase, it is negated exchange value, realised use value. It is initially use value and exchange value only *δυνάμει*^a; only in circulation does it *become* posited as both, and circulation is the

^a Potentially.—*Ed.*

alternation of these determinations. While being the alternation and confrontation of these determinations, therefore, circulation is also always their equation to each other.

In so far, however, as we examine the form $C—M—C$, exchange value, whether in its form of price, or in its form of coin, or in the form of the equating movement, in the form of the movement of exchange itself, appears only as a fleeting mediation. Commodity is eventually exchanged for commodity, or more precisely, since the determination of the commodity is extinguished, it is use values of different quality that are exchanged for each other, while circulation itself merely served, on the one hand, to allow them to change hands in accordance with the want, and on the other, to allow them to change hands in accordance with the labour time they contain; [B"-7] to allow them to substitute for each other to the extent to which they are equally weighty moments of the general social labour time. Now, however, the commodities thrown into circulation have reached their goal. In the hands of their new possessor, each of them ceases to be a commodity; each of them becomes an object of want, and as such is consumed in accordance with its nature.

There, therefore, circulation comes to an end. Nothing remains but the means of circulation as a mere residue. But as such a residue it loses its form determination. It sinks into its matter that remains in the form of the inorganic ash of the whole process. As soon as the commodity has become a use value as such, it is thrown out of circulation and has ceased to be a commodity. That is why it is not from this aspect of content (substance) that we should seek further determinations of form. The use value becomes in circulation only that as what it was posited independently of circulation—an object of a definite want. As such an object, it was and remains a physical motive of circulation; but is left by it, as the social form, altogether unaffected. In the $C—M—C$ movement, the physical matter appears as the actual content of the movement; the social movement, only as a fleeting mediation for the satisfaction of individual wants. The change of material of the social labour. In this movement, the sublation of the form determination, i.e. those springing from the social process, appears not only as the result but also as the goal; in much the same way as court proceedings appear to the peasant, though not to his lawyer. So in order to examine the further determination of form arising from the movement of circulation itself, we must keep to the side where the formal aspect, exchange value as such, is further developed, and is given a deeper

determination through the process of circulation itself. That means the aspect of the development of money, the $M-C-M$ form.

Being objectified in circulation, exchange value, as an objectified quantum of social labour time, proceeds up to its being as money in the form of hoard and universal means of payment. If money is now fixed in this form, its form determination is equally extinguished; it ceases to be money and becomes mere metal, mere use value, which, however, since it does not have to serve as such in its metal quality, is useless, i.e. it does not realise itself as the commodity does in consumption as use value.

We have seen how the commodity realises the moments it contains by continually denying one of them. From the standpoint of the movement of the commodity as such, exchange value exists notionally in it as price; the commodity becomes abstract means of exchange in coin, but in its final realisation in another commodity, its exchange value is extinguished, and it drops out of the process as simple use value, immediate object of consumption ($C-M-C$). That is the movement of the commodity in which its being as use value is the dominant moment, and the movement in fact consists only in that it assumes the want-corresponding form of the use value, instead of that in which it is a commodity.

If, however, we consider the further development of exchange value in money, we shall find that in the first movement [$C-M$] it reaches only its being as notional money, or coin, as unit [of value measurement] and number [of units]. But if we take both movements [$C-M$ and $M-C$] together, it will transpire that money, existing in price only as ideal measuring unit, as imagined material of general labour, in coin—only as value token, as abstract and fleeting being of value, as materialised conception, i.e. as symbol—in its form, finally, as money, first, negates both determinations, but also contains both as moments, and simultaneously firmly establishes itself in a materialisation independent of circulation, in a constant, even if negative, relation to it.

What becomes, emerges, is produced in circulation, when its form itself is considered, is money itself and nothing else. Commodities are exchanged in circulation, but they do not originate in it. Money, as price and coin, is already an own product of circulation, but only formally. The exchange value of the commodity is the premiss of price, just as the coin itself is nothing but the self-established form of the commodity as similarly premissed means of exchange. Circulation does not create exchange value, just as it does not create its magnitude. For commodity to be measured in money,

both money and commodity must relate to each other as exchange values, that is, as the objectification of labour time. In price, the exchange value of the commodity is given only an expression that is separate from its use value; similarly, the value token springs only from the equivalent, from the commodity as means of exchange. As means of exchange, the commodity must be use value, but it can become such only through alienation, since it is use value not for him in whose hands it is commodity, but for him who acquires it in exchange as use value. Its use value for the possessor of the commodity consists merely in its exchangeability, its alienability to the extent of the exchange value it represents. So, as universal means of exchange, it becomes mere use value in circulation as *stable existence of exchange value*, while its use value as such is extinguished. That the exchange value is posited as price, and the means of exchange as money, appears as a simple formal change [of determinations]. Every commodity as realised exchange value is the money of account for the other commodities, their price-giving element, just as every commodity is means of exchange (but here it comes up against the limits within which it is means of exchange, for it can be such only with respect to him who possesses the commodity which the exchanger wants, and would have to pass through a series of exchanges in order eventually to become means of exchange; apart from the CLUMSINESS of this process, it would once again come into [B"-8] conflict with its own nature as use value, for it would then have to be divisible into portions so as successively to satisfy all the different exchanges in the required proportions), means of circulation, coin. In price and coin, both determinations are transferred only to a single commodity. This appears merely as a simplification [of the process of exchange]. In the relationships in which a commodity appears as the measure of value of all the other commodities, it is a means of exchange, an equivalent alienable against them; it can actually serve as an equivalent, as a *means of exchange*. The process of circulation merely gives these determinations a more abstract form in money as coin and means of exchange.

The form $C-M-C$, this stream of circulation, in which money figures only as measure and coin, appears therefore only as a mediated form of barter in whose basis and content nothing has changed. The reflecting consciousness of the peoples therefore perceives money in its determinations of measure and coin as arbitrary, as inventions conventionally introduced for the sake of convenience; for the transformations undergone by the determinations contained in the commodity as a unity of use value and

exchange value are no more than formal. Price is merely a determinate expression of exchange value, a generally understandable expression [given] to exchange value in the language of circulation itself, just as coin, which can also actually exist as a mere symbol, is no more than a symbolic expression of exchange value, but as means of exchange remains precisely no more than a means for the exchange of the commodity, which is why no new content is brought in. It is true that price and coin originate from commerce: they are, in fact, commerce-created expressions, the commercial expressions of the commodity as exchange value and means of exchange.

But things stand differently with money. It is a product of circulation which has grown out of it, as it were, contrary to initial agreement.

Money is not merely a mediating form of commodity exchange. It is a form of exchange value growing out of the circulation process, a social product which, in virtue of the relations into which individuals enter in circulation, creates itself. As soon as gold and silver (or any other commodity) have developed themselves as measure of value and means of circulation (as the latter, whether in bodily form or as symbol), they become money without the society's aid or desire. Their power appears as a kind of fate, and the consciousness of men, especially in social orders declining because of a deeper development of exchange-value relations, rebels against the power which a physical matter, a thing, acquires with respect to men, against the domination of the accursed metal which appears as sheer insanity. It is in money, and in its most abstract and hence most senseless, incomprehensible form, the form in which all mediation is sublated, that this transformation of social interrelations into a solid, overwhelming, individual-subsuming social relationship first appears. And this appearance is all the harder in that it springs from the premiss of free, untrammelled, atomistic private persons linked with each other in production only by reciprocal wants. Money itself contains within itself the negation of itself as mere measure [of values] and coin.

//Considered in itself, the commodity should, in fact, be merely the being of exchange value for its possessor; for him, its materialisation only has the meaning of being the objectification of general labour time, which is exchangeable for any other objectification of it; is, consequently, immediate *universal equivalent*, *money*. This aspect, however, is concealed and appears only as one side.//

The old philosophers, and similarly Boisguillebert, regard this as a perversion, a misuse of money, which turns from slave into master, depreciates natural wealth and eliminates the equal measures of equivalents. In his *De Republica*, Plato wants forcibly to keep money as mere means of circulation and measure [of value], but not to allow it to become money as such.^a For the same reason, Aristotle regards the form of circulation $C—M—C$, in which money functions only as measure and coin—a movement which he calls economic—as natural and reasonable, and brands the form $M—C—M$, the chrematistic^b one, as unnatural and inappropriate.^c What is here being attacked is only exchange value which becomes the content and end-in-itself of circulation, i.e. the setting up of exchange value as something independent, and value as such becoming the aim of exchange and acquiring an independent form, at first still in the simple, tangible form of money. Use value is the aim of selling for the sake of buying; and value itself, of buying for the sake of selling.

We have seen, it is true, that money is, in fact, only a means of circulation suspended in its function, whether it will later enter circulation as means of purchase or means of payment. But its independent attitude with respect to circulation, its withdrawal from the latter, robs it of both its values: of its use value, since it does not have to serve as metal; of its exchange value, since it possesses this exchange value only as a moment of circulation, as an abstract symbol of the commodities' own value reciprocally opposed to each other; as a moment of the movement of the form of the commodity itself. So long as money remains withdrawn from circulation, it is as worthless as if it lay buried in the deepest pit. But if it re-enters [B"-9] circulation, its intransience is at an end, the value it contains disappears in the use values of the commodities for which it is exchanged, and it once again becomes a mere means of circulation. That is one moment. *Money comes out of circulation as its result, i.e. as adequate being of exchange value, as universal equivalent for itself and congealed in itself.*

On the other hand: As the aim of exchange, i.e. as movement which has for its content exchange value itself, money itself, the only content [of the process] is an increase of exchange value, *accumulation of money*. But this increase is, in fact, purely formal. Here value does not come from value, but value in the form of

^a Cf. this volume, pp. 351-52.—*Ed.*

^b Money-making.—*Ed.*

^c Aristotle, *De Republica*, Book I, Ch. 8-10.—*Ed.*

the commodity is thrown into circulation in order to extract it from there in the form of useless value as hoard.

"All say that you are rich; I assert that you are poor. For the proof of wealth is use of it."¹⁰⁴

In *content*, therefore, enrichment appears as voluntary impoverishment. Only the absence of wants, the renunciation of wants, the divorce from use value of the value which exists in the form of commodity, makes it possible to pile it up in the form of money. The fact is that the real movement of the form $M-C-M$ exists not in the simple circulation, where equivalents are merely transferred from the form of commodity into that of money and vice versa. If I exchange one thaler for a commodity with a value of one thaler, and this again for one thaler, it is a process which has no content. Only one thing should be examined in the simple circulation; the content of this form itself, i.e. money as an end-in-itself. It is clear that it *occurs* in such a form; apart from the quantity, the predominant form of trade consists in exchanging money for commodity and commodity for money. It may, and does, happen that not as much money as was set out may be the result of this process. In a bad deal, less may return than was given out. Only the principle should be considered here; the further determinateness does not belong in the simple circulation itself. In the simple circulation itself, the increase of the value magnitude, the movement in which the increase of the value itself is the aim, may appear only in the form of accumulation, through the phase $C-M$, a continuously resumed sale of the commodity, when money is not allowed to run its full course and once again to be transformed into commodity after the commodity has been transformed into money. That is why money appears not as the point of departure, as the form $M-C-M$ requires, but always only as the result of the exchange. It is the point of departure only in so far as, for the seller, the commodity has the significance of price *alone*, as still only would-be money, and he throws it into circulation in this transient form in order to withdraw it from there in its everlasting form. The exchange value was, in fact, the premiss of circulation, i.e. money, and the result of circulation, in so far as it ends in the accumulation of money, is once again the exchange value's adequate being and increase.

Money, therefore, even in its concrete determination as money, in which it is already a negation of itself as mere measure [of value] and mere coin, is negated in the movement of circulation in

which it is posited as money. But what is negated here is merely the abstract form in which the exchange value becoming independent appears in money, and also the abstract form of the process of this becoming independent. From the standpoint of exchange value, the whole of circulation is negated, since it does not carry within itself the principle of self-renewal.

Circulation proceeds from both determinations of the commodity, from it as use value, and from it as exchange value. In so far as the first determination prevails, circulation ends with the use value becoming independent; the commodity becomes an object of consumption. In so far as the second determination prevails, circulation ends with the second determination, the exchange value becoming independent. The commodity becomes money. But the commodity passes into this latter determination only through the process of circulation, and it continues to be related to circulation. In this latter determination, the commodity further develops as objectified general labour time—in its social form. It is from this latter aspect, therefore, that there should be a further determination of social labour, which initially appears as the exchange value of the commodity, and then as money. The exchange value is the social form as such; its further analysis, therefore, is a further analysis of, or a deepening into, the social process which throws the commodity onto its surface.

If we now [knowing that] the independence of the exchange value results from the process of circulation, proceed from the exchange value as such, as we earlier proceeded from the commodity, we shall find that:

1) The exchange value exists in a dual form, as commodity and as money; the latter appears as its adequate form; but in the commodity, so long as it remains commodity, money is not lost, but exists as its price. Thus, the existence of the exchange value is doubled so that it exists once in use values, and once in money. Both forms, however, are exchanged for each other, and through this mere exchange as such the value does not perish.

2) If money is to be preserved as money, it must, just as it appears in the form of residue and a result of the process of circulation, [B''-10] be capable of re-entering this process, i.e. of not being converted in circulation into a mere means of circulation disappearing in the form of commodity in exchange for a mere use value. Money, while it is in one determination, should not be lost in the other, i.e. it should remain money also in its being as commodity, and, in its being as money, exist only as a transient form of commodity; in its being as commodity it should not lose

its exchange value, and, in its being as money, its relation to use value. Its entry into circulation must itself be a moment of its stay-by-itself, and its stay-by-itself, entry into circulation. Thus, the exchange value is now determined as a process and not merely as a disappearing form of use value indifferent to this use value itself as physical content, and not merely as a thing in the form of money; it is determined as relation to its own self through the process of circulation. On the other hand, circulation is itself no longer determined as a merely formal process in which the commodity passes through its various determinations, but the exchange value itself, and, to be sure, the exchange value measured in money must be premised as posited by circulation, and as so posited by it appear as being premised to it. Circulation itself must appear as a moment of the production of exchange values (as the process of production of exchange values). In the process of exchange value becoming independent in money, only its indifference is in fact posited with respect to the particular use value in which it incorporates itself. The independent universal equivalent is money, whether it exists in the form of commodity or in the form of money. The process of exchange value becoming independent in money must itself appear only as a moment of the movement, as a result of circulation, but as one determined for starting it again, without congealing in this form.

Money, i.e. the independent exchange value arising in the process of circulation as a result of and simultaneously as a living impetus to circulation (only in the limited form of hoarding, it is true), has negated itself merely as coin, i.e. as a merely fleeting form of exchange value, as merely dissolving in circulation; it has also negated itself as independently confronting circulation. If it is not to petrify as a hoard, it must once again enter into circulation in the same way as it left it, and not as simple means of circulation, but so that its being as means of circulation, and so its transition into commodity were themselves only a change of form to reappear in its adequate form as *adequate exchange value*, but simultaneously as *multiplied, increased exchange value, valorised exchange value*. Value *valorising*, i.e. multiplying, itself in circulation is in general exchange-value-for-itself which passes through circulation as an end-in-itself. This *valorisation*, this *quantitative increase of value*—the only process which value can perform as such—appears in the accumulation of money only as the opposite of circulation, i.e. through its own sublation. Moreover, circulation must itself be posited as a process in which value is retained and valorised.

In circulation, however, money becomes coin and, as such, is exchanged for commodity. If this exchange is to be more than formal, if the exchange value is not to be lost in the consumption of the commodity, so that there is not merely a change in the form of the exchange value (once as its universal abstract being in money, and again, its being in a particular use value of the commodity), the exchange value must in fact be exchanged for a use value, and the commodity must be consumed as a use value, but in this consumption it must be retained as an exchange value, in other words, its disappearance must disappear, and must itself be merely a means for the emergence of a greater exchange value, for the reproduction and production of exchange value—*productive consumption*, i.e. consumption through labour in order to objectify labour, to create exchange value. The production of exchange value is in general only the production of a greater exchange value, a multiplication of it. Its simple reproduction modifies the use value in which it exists, just as the simple circulation does it, but without creating, without producing it.

The exchange value become independent implies circulation as a developed moment and appears as an uninterrupted process which posits circulation and from it keeps returning in itself in order to posit it once again. As self-positing movement, the exchange value no longer appears as a merely formal movement of preposited exchange values, but is at the same time a self-producing and self-reproducing movement. Production itself is here no longer present before its results, i.e. it is not preposited but appears as production which at the same time itself produces these results; but it posits the exchange value as no longer merely leading to circulation, but as one which simultaneously implies developed circulation in its [B''-11] process.

In order to establish itself as something independent, the exchange value would not only have to emerge as result from circulation, but would also have to be capable of re-entering circulation, to be retained in it, becoming commodity. In money, the exchange value has received an independent form with respect to the circulation $C-M-C$, i.e. with respect to its final dissolution in simple use value. But this form, when fixed, is only negative, fleeting, or illusory. Money exists only in relation to circulation and as a possibility of entering it. But it loses this determination as soon as it realises itself. It falls back to both its functions as measure and means of circulation. As mere money, it does not go beyond this determination. Simultaneously, however, it is posited in circulation that it remains money, whether it exists

as such or as the price of the commodity. The movement of circulation must not appear as the movement of its disappearance, but, on the contrary, as the movement of its actual self-positing as exchange value, its realisation as exchange value. If commodity is exchanged for money, the form of exchange value, exchange value posited as exchange value, money, is congealed in this determination only so long as money is kept out of the exchange in which it functions as value, so long as it evades it, and is, consequently, a purely illusory realisation of value, its purely ideal realisation in the form in which the independence of the exchange value exists tangibly.

The same exchange value must become money, commodity, commodity, money, as the form $M-C-M$ requires. In the simple circulation, the commodity becomes money and then commodity; it is another commodity which once again posits itself as money. *The exchange value is not retained in this change of its form. But in circulation it is already posited that money is both money and commodity, and is retained in the alternation of both determinations.*

In circulation, the exchange value appears two-fold: once as commodity and again as money. If it is in the one determination, it is not in the other. This is true of any particular commodity; and equally of money as a means of circulation. But implicit in circulation as a whole is that the same exchange value, exchange value as subject, once posits itself as commodity, and again as money, and is in fact the movement aimed at positing itself in these two determinations and maintaining itself in each of these as its opposite, in the commodity as money, and in money as commodity. That is what is present in the simple circulation in itself, but is not posited in it.

Where these determinations in the simple circulation are *positively* independent of each other, as in the commodity becoming the object of consumption, circulation ceases being a moment of the economic process; where *negatively*, as in money, it becomes insanity, an insanity stemming from the economic process itself.

It cannot be said that the exchange value realises itself in the simple circulation, because the use value does not confront it as such, as use value determined by itself. Conversely, the use value as such does not itself become exchange value or becomes it only in so far as the determination of use values—that of being objectified general labour—is superimposed on them as an external scale. Their unity still immediately falls asunder, and their difference still immediately forms a unity. That the use value

as such is mediated through the exchange value, and that the exchange value mediates itself through the use value, now has to be posited.

In the simple circulation, we had only two formally distinct determinations of exchange value—money and commodity price; and only two physically distinct use values— $C-C$, for which money, the exchange value, is merely a fleeting mediation, a form which these use values temporarily adopt. No real relationship was established between the exchange value and the use value. It is true that in the use value, the exchange value also exists as price (notional determination); it is true that in money, the use value also exists as its reality, its material. In the one case, it is the exchange value that was merely notional, and in the other, the use value. The commodity as such—its particular use value—is, therefore, merely a physical motive for the exchange, but as such it drops out of the economic form determination; or the economic form determination is merely the superficial form, the formal determination which does not penetrate into the sphere of the real substance of wealth and has no relation to that substance as such; that is why if this form determination as such is to be established in the form of hoard it [form determination] is imperceptibly transformed into a natural undifferentiated product, a metal, on which even its last relation to circulation is extinguished. The metal as such does not, of course, express any social relation; in it even the form of coin, the last sign of life of its social significance, has been extinguished.

Having emerged from circulation as its prerequisite and result, the exchange value must similarly enter it once again.

We have already seen in the examination of money, and it clearly appears in hoarding, that the growth of money, its multiplication is the only process of the form of circulation which is the end-in-itself for value, i.e. that value become independent and retaining itself in the form of exchange value (above all money), is simultaneously the process of its increase; that its retention of itself as value is simultaneously its advance beyond its quantitative limits, its expansion as a magnitude of value and that the process of the exchange value becoming independent has no other content. The maintenance of the exchange value as such by means of circulation appears simultaneously as its self-expansion, and this self-expansion is [B''-12] its self-valorisation, its active positing of itself as value-creating value; as value reproducing itself while preserving itself, but simultaneously positing itself as *value*, i.e. as surplus value. In hoarding, this process is still purely

formal. In so far as the individual is concerned, this process appears as a movement without content converting wealth from a useful into a useless and, in terms of determination, unnecessary form. In so far as the economic process as a whole is concerned, hoarding serves merely as a condition of the metallic circulation itself. So long as money remains hoard, it does not function as exchange value, it is merely imaginary. On the other hand, the expansion—the positing of itself as value, value which not only preserves itself through circulation, but originates from it, i.e. posits itself as surplus value—is likewise merely imaginary. The same value magnitude which earlier existed in the form of commodity now exists in the form of money; it is accumulated in the latter form, because it is abandoned in the other. If it is realised, it disappears in consumption. The preservation and expansion of value is, therefore, merely abstract, formal. Only the form of this is posited in the simple circulation.

As a form of universal wealth, as exchange value become independent, money is incapable of any other movement but the quantitative one: to expand itself. By concept it is the essence of all the use values; but its quantitative limits, as the limits of what is always merely a definite magnitude of value, a definite sum of gold and silver, is in contradiction with its quality. That is why rooted in its nature is a constant drive to go beyond its own limits.

(As consuming wealth, for instance in the epoch of the Roman emperors, money for that reason appears as boundless, insane dissipation, which tries to raise even the consumption of food to its imaginary boundlessness, i.e. one which treats money, as such a form of wealth, at the same time directly as a use value. Pearl salad, etc.)

For value, firmly established as value, its expansion, therefore, coincides with its self-preservation, and it preserves itself only by constantly driving beyond its quantitative limits, which contradicts its inner universality. So enrichment is an end-in-itself. The end-determining activity of exchange value become independent can only be enrichment, i.e. its own self-expansion; reproduction and not a merely formal one, but one in which it expands. But as a quantitatively determinate magnitude of value, money is also only a limited representative of universal wealth, or a representative of limited wealth which extends just so far as does the magnitude of its exchange value exactly measured according to it. Consequently, it does not at all have the capability which it should have had according to its general concept, the capability of buying

all the objects of consumption, all the commodities, the totality of material wealth; it is not a "précis de toutes les choses".⁷⁴

So, fixed as wealth, as the universal form of wealth, as value that counts as value, money is a constant drive to go beyond its quantitative limits; an endless process. Its own viability consists exclusively in this; it preserves itself as self-important value distinct from use value only when it *continually multiplies itself* by means of the process of exchange itself. The active value is only a surplus-value-positing value. The only function [of money] as exchange value is exchange itself. In this function, therefore, it must expand itself, but not through its withdrawal [from circulation] as in hoarding. In it money does not function as money. When withdrawn as hoard, it functions neither as exchange value nor as use value, is dead, unproductive hoard. No kind of action originates from it itself. Its expansion is an external addition from circulation, when the commodity is again thrown into circulation and value is converted from the form of commodity into the form of money, and then as the latter is hidden for safe-keeping, i.e. when money in general ceases to be money. Once it again enters circulation, it disappears as exchange value.

Resulting from circulation as adequate exchange value and independent but again entering circulation, in it and through it perpetuating and valorising (multiplying) itself, money is *capital*. In capital money has lost its rigidity and from a tangible thing has become a process. Money and commodity as such, just as the simple circulation itself, exist for capital merely as particular abstract moments of its being in which it just as continually appears, passing from the one into the other, and just as continually disappears. The process of becoming independent appears not only in the form that capital confronts circulation as an independent abstract exchange value—money—but also in that circulation is simultaneously the process of its becoming independent, that it stems from circulation as something become independent.

The form $M—C—M$ clearly expresses that the establishment of the independence of money must appear as a process, equally as a premiss and a result of circulation. This form as such does not, however, receive any content in the simple circulation, and does not even appear as the movement of content—a movement of circulation for which the exchange value is not only a form, but also the content and the end itself, and which, for that reason, is the form of the *exchange-value-in-process* itself.

The exchange value become independent, money as such, always appears in the simple circulation only as the result, *caput mortuum* of the movement. It must equally appear as its premiss; its result, as its premiss; and its premiss [B''-13] as its result.

Money must preserve itself as money both in its form of money and in the form of commodity; the change of these determinations, the process in which it goes through these metamorphoses, must at the same time appear as a process of its production, as creator of itself, i.e. as augmentation of its value magnitude. When money becomes commodity, and commodity as such is necessarily consumed as use value and must disappear, this disappearance must itself disappear, this annihilation must annihilate itself, so that the consumption of the commodity as use value itself appears as a moment of the process of the self-reproducing value.

Money and commodity, like their relation to each other in circulation, now equally appear as mere premisses of capital, as, on the other hand, the form of its being; equally as mere existing elementary premisses for capital, as, on the other hand, forms of its being and its results.

The intransience for which money strives as it negatively sets itself with respect to circulation (by withdrawing itself from it) is acquired by capital in that it preserves itself precisely by giving itself up to circulation. Capital as exchange value implying circulation, preposited to it and preserving itself in it, alternately assumes the form of both these moments contained in the simple circulation, but not as in the simple circulation, in which it merely passes from either form into the other, but so that in each of the determinations it simultaneously preserves the relation to the opposite moment. If it appears as money, it is now merely a one-sided abstract expression of it as universality; shedding this form as well, it sheds only its opposite-based determination (sheds the opposite-based form of universality). If it is posited as money, i.e. as this opposite-based form of the universality of exchange value, it is simultaneously posited within it that it must lose not universality as in the simple circulation, but its opposite-based determination, or that it assumes the form of money no more than fleetingly, i.e. is once again exchanged for the commodity, but a commodity which even in its particularity expresses the universality of the exchange value and so keeps changing its determinate form.

Commodity is not only an exchange value, but also a use value, and as the latter it must be appropriately consumed. When the commodity serves as use value, i.e. during its consumption, the

exchange value must simultaneously preserve itself and appear as the end-determining soul of consumption. The process of the disappearance of the commodity must, therefore, appear at the same time as a process of the disappearance of its disappearance, i.e. as a reproducing process. The consumption of the commodity, therefore, is not aimed at any immediate enjoyment, but itself appears as a moment of the reproduction of its exchange value. The exchange value, therefore, is, as a result, not only the form of the commodity, but appears as the fire in which its very substance is consumed. This determination stems from the very concept of use value. And in the form of money, capital, on the one hand, will appear no more than fleetingly as means of circulation, and, on the other hand, only as a moment, as its fleeting positedness in the determinateness of adequate exchange value.

On the one hand, the simple circulation is an existing premiss for the commodity, and its extremes, money and commodity, appear as elementary premisses, as forms turning into capital according to possibility; or they are merely abstract spheres of the process of production of preposited capital. On the other hand, they return into it as into their abyss or lead to it. (The above historical example to be given here.^a)

In capital, money, the preposited exchange value become independent, appears not only as exchange value, but, being independent exchange value, as a *result* of circulation. Indeed, no formation of capital takes place before the sphere of the simple circulation has developed up to a definite level, even if from altogether different conditions of production than capital itself. On the other hand, money is posited as positing circulation as the movement of its own process, the movement of its own realisation, as a self-perpetuating and self-valorising value. As premiss, it is here simultaneously result of the process of circulation, and as result, simultaneously also premiss of its determinate form, which was determined as the form $M—C—M$ (at first only this stream of it). It is a unity of commodity and money, but their unity-in-process, and to the same extent to which it is neither commodity nor money, it is at the same time both the one and the other.

It preserves and valorises itself in and through circulation. On the other hand, the exchange value is no longer preposited as a simple exchange value, as it exists in the commodity in its simple determination, before it enters circulation, or, more precisely, as a

^a See this volume, pp. 480-81.—*Ed.*

merely implied determination, since the commodity becomes a fleeting exchange value only in circulation. It exists in the form of the *objectivity* [*Gegenständlichkeit*], but it is indifferent to whether it is the objectivity of the money or the commodity. It stems from circulation; so presupposes it. But it stems, at the same time, from itself as premiss with respect to circulation.

In the actual exchange of money for commodity, as expressed in the form $M-C-M$, i.e. in so far as the real being of the commodity is its use value, and the real being of the use value is its consumption, from the commodity realising itself as use value must once again emerge the exchange value itself, with money and the consumption of the commodity appearing equally as the form of its preservation and as its self-valorisation. Circulation appears with respect to the exchange value as a moment of the process of its own realisation.

[B"-14] The real being of the commodity, its being as use value, drops out of the simple circulation. So should it also be with the moment in the process of capital in which the consumption of commodity appears as a moment of the self-valorisation of capital.

So long as money, i.e. exchange value become independent, merely fixes itself with respect to its opposite, use value as such, it is, in fact, capable only of an abstract being. In its opposite, in its becoming use value, and in the process of the consumption of the use value, it must simultaneously preserve itself and wax as exchange value, i.e. transform the consumption of the use value itself—its active negation as well as its positing—into the reproduction and production of the exchange value itself.

In the simple circulation, every commodity appears alternately as exchange value or as use value. As soon as it is realised as the latter, it drops out of circulation. In so far as the commodity is fixed as exchange value, in money, it drives towards the same formlessness, but as falling within the economic relation. At any rate, the exchange relationship (simple circulation) is of interest to the commodities only in so far as they have exchange values. On the other hand, their exchange value is merely of transient interest in that it suspends the one-sidedness of the use value—of being use value only *immediately* for the individuals—i.e. carries the use value to its consumer; it changes nothing in the use value except that it posits it as a use value for others (for buyers). But in so far as the exchange value is fixed as such, in money, the use value now confronts it only as abstract chaos; and it is precisely through the separation from its substance that it peters out and drives out

of the sphere of the simple exchange value, whose highest movement is the simple circulation, and whose highest accomplishment is money. Within the sphere itself, however, the difference exists only as a formal, superficial differentiation. Money in its highest fixation is itself once again commodity.^a

^a The bottom of page 14 and the whole of page 15 of the manuscript were left blank.—*Ed.*

[B"-16]

CHAPTER THREE. CAPITAL

A) THE PROCESS OF PRODUCTION OF CAPITAL

1) THE TRANSFORMATION OF MONEY INTO CAPITAL

As a result of the simple circulation, capital exists above all in the simple form of money. However, the reified independence which holds it down in this form as hoard, as opposed to circulation, has disappeared. On the contrary, the being of capital in the form of money, adequate expression of the universal equivalent, merely implies that it is indifferent to the particularity of all the commodities and can assume the form of any commodity whatsoever. It is not this or that commodity, but can be metamorphosed into any commodity and continues to be in each of them the self-same value magnitude and to-itself-related value as its own end. Existing above all in the form of money, capital does not, therefore, remain opposed to circulation; on the contrary, it must enter into it. Nor is it lost within circulation as it passes from the form of money to the form of commodity. Its being as money is rather only its being as adequate exchange value which can pass into any commodity whatsoever. In any of these, it remains self-sufficient exchange value. But the exchange value become independent can be capital only when capital itself is established with respect to a third, in a certain relationship with a third.

//Its being in the form of money is two-fold: it can exchange itself for any commodity whatsoever, and, as universal exchange value, is not tied to the particular substance of any commodity; secondly, it remains money even when it becomes commodity; in other words, the material in which it exists is not an object for individual gratification, but materialisation of the exchange value which assumes this form only so as to preserve and expand itself.//

This third is not commodities. For capital is money which from its form of money passes into any form of commodity whatsoever, without being lost within it as an object of individual consumption. Instead of excluding money, the whole range of commodities, all commodities, appear as so many incarnations of money. As for the natural physical difference between the commodities, none prevents money from taking its place within it and making it a part of its own body, since none of them excludes the determination of money in the commodity. The whole reified world of wealth now appears as the body of money in the same way as gold and silver, and it is merely the formal difference between money in the form of money, and money in the form of commodity that makes it capable of equally assuming the one form or the other, and passing from the form of money into the form of commodity. (The process of becoming independent already consists in that the exchange value firmly maintains itself as exchange value, whether it exists in the form of money or in the form of commodity, and it passes into the form of commodity only in order to valorise itself.)

Money is now *objectified labour*, irrespective of whether it possesses the form of money or of a particular commodity. None of the reified modes of being of labour confronts capital, but each of them appears as a possible mode of its existence which it can assume through a simple change of form, passage from the form of money into the form of commodity. The only opposite of *reified labour* is *unreified labour*, and the opposite of *objectified labour*, *subjective labour*. Or, the opposite of past labour, which exists in space, is living labour, which exists in time. As the presently existing unreified (and so also not yet objectified) labour, it can be present only as the *power*, potentiality, ability, as the *labour capacity* of the living subject. The opposite of capital as the independent, firmly self-sufficient objectified labour is living labour capacity itself, and so the only exchange by means of which money can become capital is the exchange between the possessor of capital and the possessor of the living labour capacity, i.e. the worker.

The exchange value can become independent as exchange value in general only with respect to the use value confronting it as such. Only within the framework of this relationship can exchange value establish itself as such, as such be posited and function. In money, the exchange value should retain this independence through an abstraction from the use value, and this active abstraction—remaining in opposition to use value—would here in effect appear as the sole method for preserving and augmenting

the exchange value as such. Now, however, the exchange value, in its being as use value, in its real, and not only formal being as use value, must preserve itself as exchange value—as exchange value in use value as use value—and create itself out of it. The real being of use values is their real negation, their absorption, their annihilation in consumption. Consequently, it is in this their real negation as use values, in this negation immanent to themselves [B^v-17] that the exchange value must certify itself as maintaining itself with respect to the use value, or, rather, make the active being of the use value the confirmation of the exchange value. It is not a negation in which the exchange value as price is merely a formal determination of the use value in which the latter is notionally sublated, while actually the exchange value only appears as a fleeting formal determination of the use value. Nor is it its fixation in gold and silver where a hard-and-fast substance appears as a petrified being of the exchange value. In actual fact, it is posited in money that the use value is mere materialisation, reality of the exchange value. But this is merely an imaginary tangible existence of its abstraction. But in so far as the use value as use value, i.e. the consumption of the commodity itself, is determined as the positing of the exchange value and as a mere means for positing it, the use value of the commodity is, in fact, the actualisation of the exchange-value-in-process. The real negation of the use value which exists not in an abstraction from it (not in a stoppage tensely opposed to it) but in its consumption, this real negation of it, which is at the same time its actualisation as use value, must for that reason become an act of self-assertion, self-actualisation of the exchange value. But this is possible only in so far as the commodity is consumed by labour, in so far as its consumption itself appears as the objectification of labour and so as the creation of value. That is why if it is to preserve and actualise itself, not only formally, as in money, but also in its real existence as commodity, the exchange value objectified in money must appropriate labour itself, exchange itself for it.

For money, use value is now no longer an article of consumption in which it loses itself, but only a use value through which it preserves and increases itself. *No other use value exists for money as capital.* That is precisely the relation of capital as exchange value to use value. *Labour is the only use value which can present an opposite and a complement to money as capital,* and it exists in labour capacity, which exists as a subject. Money exists as capital only in connection with non-capital, the negation of capital, in relation to which alone it is capital. *Labour itself is the real non-capital.* The first

step made by money to become capital is its exchange with the labour capacity so as by means of the latter to transform the consumption of the commodities, i.e. their real positing and negation as use values, simultaneously into their actualisation of exchange value.

The exchange through which money becomes capital cannot be its exchange with commodities [in general] but can only be one with its conceptually determined opposite, the commodity which is itself a conceptually determined opposite of it—labour.

The exchange value in the form of money confronts the exchange value in the form of the particular use value. But all particular commodities, as particular modes of the being of objectified labour, are equally expressions of the exchange value into which money can pass without being lost. It is, therefore, not through the exchange with these commodities, since it can now equally be assumed that it exists in the one form or the other, that money can lose its simple character. But through the exchange, first with the only form of use value which it is not immediately itself—namely, unreified labour—and simultaneously with the immediate use value which is exchange-value-in-process for it—labour once again. It is, therefore, only through the exchange of money with labour that its transformation into capital can be effected. *The use value for which money as potential capital can exchange itself can only be the use value out of which the exchange value itself arises, produces itself and multiplies. And this is labour alone.*

The exchange value can realise itself as such only by confronting the use value—not this or that—but the use value correlated to itself. This is labour. Labour capacity itself is the use value whose consumption directly coincides with the objectification of labour, i.e. the creation of the exchange value. For money as capital, labour capacity is the immediate use value for which it has to exchange itself. In the simple circulation, the content of the use value was indifferent, [B"-18] dropped out of the economic determination of form. Here it is its essential economic moment. For the exchange value is determined as firmly established in exchange above all because it is exchanged with a use value confronting it in its own form determination.

The condition for the transformation of money into capital is that the *owner* of the money can exchange money for the alien labour capacity as a commodity. In other words, that within circulation the labour capacity is offered as a commodity for sale, since within the simple circulation the exchangers confront each other only as buyers and sellers. The condition is, therefore, that

the worker offers for sale his labour capacity as a to-be-used commodity and, so, is a free worker. The condition is that the worker, first, disposes of his labour capacity as a free proprietor, and treats it as a commodity; to do so he must be a free proprietor of his labour capacity. And second, that he must exchange his labour no longer in the form of another commodity, of objectified labour, but so that the only commodity he has to offer, to sell, is his own living labour capacity contained in his living corporeality, and that, consequently, the conditions for the objectification of his labour, the reified conditions of his labour exist on the other side of circulation as alien property, as commodities located beyond his own self.

That the possessor of money—or money, since the former is for us so far only its personification in the economic process itself—*finds* the labour capacity on the market, within the limits of circulation, as a commodity, this premiss from which we here proceed and from which the bourgeois society proceeds in its production process is evidently the result of long historical development, the outcome of many economic upheavals, and implies the decline of other modes of production (other social relationships of production) and a determined development of the productive forces of social labour. The determined past historical process contained in that premiss will be formulated even more determinately in the subsequent examination of this relationship. But this historical stage in the development of economic production—whose product itself is already *the free worker*—is the premiss for the emergence and even more so for the being of capital as such. Its existence is the result of a lengthy historical process in the economic formation of the society.

It is made quite definite at this point that the dialectical form of presentation is right only when it knows its own limits. The examination of the simple circulation shows *us* the general concept of capital, because within the bourgeois mode of production the simple circulation itself exists only as preposited by capital and as prepositing it. The exposition of the general concept of capital does not make it an incarnation of some eternal idea, but shows how in actual reality, merely as a *necessary* form, it has yet [B''-19] to flow into the labour creating exchange value, into production resting on exchange value.

It is essentially important to establish the point that the relationship, which here takes place as a simple relationship of circulation (initially still entirely belonging to it and going beyond the limits of the simple circulation only through the specific use

value of the exchanged commodity), is only a relationship of money and commodity, equivalents in the form of both opposite poles as they appear in the simple circulation, within circulation, and that the exchange between capital and labour, once it itself exists as the simple relationship of circulation, is not the exchange between money and labour, but the exchange between *money* and *living labour capacity*.

As use value, the labour capacity is realised only in the activity of labour itself, but in much the same way as with a bottle of wine which is bought and whose use value is realised only in the drinking of the wine. Labour itself falls as little within the simple circulation process as does the drinking. The wine as a capacity, δύναμις,^a is something drinkable, and the buying of the wine is appropriation of the drinkable. So is the buying of the labour capacity the appropriation of the ability to dispose over the labour.

Since the labour capacity exists in the vitality of the subject itself and manifests itself only as his own expression of life, the buying of the labour capacity, the appropriation of the title to its use naturally places the buyer and the seller in the act of its use in another relationship to each other than that in the buying of objectified labour existing as an object outside the producer. This does not affect the simple relationship of exchange. It is only the specific nature of the use value bought with the money—namely, that its consumption, the consumption of the labour capacity, is production, labour time which objectifies, consumption which posits exchange value; that its real being as use value is creation of exchange value—that makes the exchange between money and labour the specific exchange $M-C-M$ in which the exchange value itself is posited as the aim of the exchange, and *the bought use value is immediate use value for the exchange value, i.e. is value-positing use value*.

It does not matter whether money is considered here as simple means of circulation (means of purchase) or as means of payment. In so far as someone selling me, for instance, the 12-hour use value of his labour capacity, his labour capacity for 12 hours, will in fact sell it to me only when, if I so insist, he has worked off 12 hours, i.e. has delivered his labour capacity sold for 12 hours at the end of the 12 hours, it is in the nature of this relationship that money here appears as means of payment; the buying and selling are not realised at once, simultaneously, by both sides. What is here important is only *that the means of payment is the universal*

^a Potentially.—*Ed.*

means of payment, money, and that for this reason the worker does not enter with the buyer—as a result of some particular primitive way of payment—into other relationships than those of circulation. He transforms his labour capacity immediately into the universal equivalent, and as its possessor maintains the same relationship—within the scope of its value magnitude—the same relationship in the general circulation as any other; similarly, the aim of his sale is universal wealth, wealth in its universal social form and as a possibility of all gratification.^a

^a At this point, the manuscript breaks off. Written on the following page is only this title: “*Productive and Unproductive Labour.*” The final pages of this notebook are taken up by the subsequently written *References to My Own Notebooks.—Ed.*

[ADDITIONAL NOTES]¹⁰⁵

THE AESTHETIC PROPERTY OF GOLD

“Gold is flaming fire,
Because it sparkles in the night,
Mainly standing out among haughty wealth”

Pindara^a

INVARIABLE VALUE OF MONEY

“As means of payment, money—money for itself—should represent value as such; in fact, however, it is only an identical quantum [of some homogeneous substance] of variable value.”^b

MONEY AS MONEY

(WORLD COIN, ETC.)

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 reconverted 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 above all in that money is now money only as gold and silver, and not as a symbol, with the form of coinage. Hence the *façon*^c put on money as coinage by the State has no value, only its metallic content gives value to the coin. As such a *general commodity*, as world coin, gold and silver do not have to return to their point of departure, the movement of circulation as such is not necessary at all. *Example*: Asia and Europe. Hence the lamentation of the adherents of the mercantile system that gold vanishes among the heathens, and

^a Marx quotes a few lines from Pindar's *Olympica*, I, in Greek with a parallel Latin translation in prose.—*Ed.*

^b Marx renders in his own words an idea from Bailey's *Money and Its Vicissitudes* in *Value*, pp. 9-11.—*Ed.*

^c Stamp.—*Ed.*

does not return.^a (We are not yet concerned here with the fact that, as the world market itself develops, the world coin is itself gradually involved in circulation and rotation.)

Money is the negation of itself as simple realisation of the prices of commodities, where the particular commodity always remains the essential factor. Rather, money becomes price realised in itself, and as such also the material representative of universal wealth.

Money is also negated in the determination in which it is only a measure of exchange values. For it itself is the adequate reality of the exchange value, and it is such in its metallic existence. The determination of measure must here be posited in it 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 number of its own measuring unit. As a measure, its amount was of no consequence; as a means of circulation, its substance, the material of which its unit is composed, was of no consequence; as money in this third determination, its own amount as a definite material quantity (for instance, the number of pounds) 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, depending on whether a greater or lesser number of a determinate measure magnitude of itself is possessed. If it is general wealth, one is the richer the more of it one possesses, and the sole right process is its *accumulation*. By its concept, it has withdrawn from circulation. Now this withdrawal from circulation, its *hoarding*, appears as an essential object of the greed for enrichment, and as the essential process of enrichment. In gold and silver I possess general wealth in its pure form; the more of it I hoard up, the more general wealth I appropriate to myself. If gold and silver are general wealth, then, as certain quantities, they represent it only to a certain degree, i.e. inadequately. The whole must keep driving beyond its own limits. This accumulation of gold and silver, which takes on the appearance of 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.

“The [Greek] tragedians contrast δίκην and κέρδος”.^b

^a See present edition, Vol. 28, p. 161, and this volume, p. 448.—*Ed*

^b “Justice” and “gain”; Marx quotes from an unknown source in Latin (cf. this volume, p. 370).—*Ed*

FORM OF PROPERTY

The property in the alien labour is mediated through the property in one's own labour.

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DRAFT PLAN OF THE CHAPTER ON CAPITAL¹⁰⁶

[1]

I

THE PROCESS OF PRODUCTION OF CAPITAL

1) *Transformation of money into capital*α) *Transition*

Nothing is expressed if capital is designated as a mere sum of values (II, 12). HOARDING of money is not capitalisation (ibid.). II (13, 14, 15). VI, 23, 24. VII, 28 (bottom. Capital and money).

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II, 19, 20 (capital as exchange value confronts labour as use value).

II (21) (II, 22).

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[2] β) *Exchange between commodity and labour capacity*

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[3] γ) *The labour process*

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[4] δ) *The valorisation process*

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[5] 2) *Absolute surplus value*

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[6] 3) *Relative surplus value*

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[7] γ) *Machinery*

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4) *Primitive accumulation*

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[10] *J. St. Mill: time of circulation* (VI, 19) (DORMANT CAPITAL).

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[11] *Longer time of circulation*=smaller number of acts of reproduction or smaller quantity of capital caught up in production process. *Continuity* [of production process] becomes necessary with development of fixed capital. *Interruption* [in this process] thereby becomes loss of the *preposited value* (VII, 2).

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^a Maintenance costs.—*Ed.*

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^a Costs, advances.—Ed.

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^a That is, the same notebook at the end of which these *References* are placed.—*Ed.*

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NOTES
AND
INDEXES

NOTES

¹ This is the concluding part of Marx's economic manuscript of 1857-1858. Consisting of seven large notebooks, which Marx numbered I-VII, the manuscript is the first rough draft of *Capital*. On the cover of the last, seventh, notebook, Marx wrote *Political Economy, Criticism of* in English and "Fortsetzung [Continuation]" in German. This implies that Notebook VII is a continuation of the preceding six notebooks and that Marx did not consider it to be the concluding one. The words *Political Economy, Criticism of* can be regarded as the author's title for the whole manuscript. The words "rough draft" are taken from Marx's letter to Engels of November 29, 1858 in which Marx calls his economic manuscript of 1857-1858 a *Rohentwurf* (Rough Draft). The manuscript is, indeed, a rough draft, for it is unfinished and breaks off in mid-sentence.

A major part of the manuscript is included in Volume 28 of the present edition and begins with Chapter II—"Chapter on Money", followed by a long third chapter, "Chapter on Capital". Notebook VII contains the conclusion of this chapter, followed by fragments intended as additions to the two chapters—on money and on capital.

The Economic Manuscript of 1857-1858 is being published in the sequence given by Marx. The numbers of the notebooks are indicated in Roman numerals and the pages in Arabic ones, in square brackets. The square brackets in the manuscript are, therefore, replaced by oblique lines. Some passages have been transposed—as indicated by Marx in the manuscript or where there are obvious additions relevant to the preceding text. All such cases are mentioned in the footnotes, which also indicate passages crossed out by Marx and sometimes reproduce them.

Where Marx, in quoting, gives references to pages of his excerpt notebooks, these have been supplemented, in brackets, with references to the pages of the editions Marx used. Where he merely gives the authors' names, the titles of the quoted works have been supplied.

Foreign words and expressions, including Greek and Latin, are preserved when the author used them for stylistic or terminological purposes. English phrases, expressions and separate words are given in small caps. Quotations from English sources are given according to the editions used by the author. In all cases the form in which Marx quoted is respected. The language in which Marx quotes is indicated, unless it is German.

The manuscript was first published in full in the language of the original (German) in Karl Marx, *Grundrisse der Kritik der politischen Oekonomie (Rohentwurf). 1857-1858*, Moscow, 1939-41 and reproduced by Dietz Verlag, Berlin, in 1953.

In English, the manuscript was published in full in Karl Marx, *Grundrisse. Foundations of the Critique of Political Economy (Rough Draft)*. Translated with a foreword by Martin Nicolaus. Penguin Books in association with *New Left Review*, London, 1973. Separate extracts had been published previously in *Marx's Grundrisse*, ed. David McLellan, Macmillan Press Ltd., London, 1971.—Title-page

- 2 Marx dealt with the circuit and turnover of capital in the preceding part of Section Two of the "Chapter on Capital" (see present edition, Vol. 28, pp. 439-72), but then he interrupted his exposition of these problems and wrote a section about bourgeois theories of surplus value and profit (see Vol. 28, pp. 473-537). He did, however, return to the topic.—7
- 3 In his manuscript, to denote these categories Marx uses mostly the French terms "capital circulant" and "capital fixe", but sometimes he also uses the German ones "zirkulierendes Kapital" and "fixiertes Kapital", or the English "circulating capital", "floating capital", and "fixed capital".—9, 201, 515, 526
- 4 This refers to the discovery of rich deposits of gold in Australia in 1851. The development of these deposits, alongside the extraction of gold discovered in California in 1848, spurred industrial and stock-exchange activity in capitalist countries.—11, 265
- 5 The reference is to the 1845 Brussels Excerpt Notebook. Other quotations from Storch are on pages 26, 34-35 of this notebook.—24, 118
- 6 When speaking about circulation between dealers, and that between dealers and consumers, Marx has in mind Adam Smith's division of the whole circulation into these two different branches (see Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. II, Book II, Ch. II).—27, 65
- 7 Marx has in mind Notebook XVI of the 24 notebooks of excerpts on political economy he made in the early 1850s. The notebook contains excerpts from *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, Paris, 1850. Proudhon's formula on the surplus added by labour is to be found on p. 200 of this book, as well as in Proudhon's *Système des contradictions économiques, ou Philosophie de la misère*, Vol. I, Paris, 1846, p. 73. Cf. present edition, Vol. 28, p. 531. For criticism of this formula, see also Marx's work *The Poverty of Philosophy* (present edition, Vol. 6, pp. 152-60).—29
- 8 In the 1857-1858 manuscript Marx as a rule uses the term "Arbeitsvermögen" (labour capacity), but in some cases "Arbeitskraft" (labour power). In *Capital*, Vol. I, Ch. VI, he treats the two terms as identical: "By labour-power or capacity for labour is to be understood the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description" (see present edition, Vol. 35).—29, 63
- 9 Marx is referring to Excerpt Notebook I (London, September 1850).—30
- 10 The reference is to Excerpt Notebook X (London, mid-June-July 1851).—30, 102
- 11 The reference is to Excerpt Notebook IX (London, mid-May-mid-June 1851).—31, 52, 79, 137, 145, 167, 169

- 12 Marx quotes Ricardo from his Excerpt Notebook VIII (London, April-mid-May 1851).—33, 77
- 13 The Roman numeral refers to a page in Marx's Excerpt Notebook that has not survived.—36, 78, 143
- 14 The reference is to the Brussels Excerpt Notebooks VII-VIII of 1845.—36, 78, 80
- 15 Marx is referring to the Excerpt Notebook compiled in Manchester in 1845.—76
- 16 The page Marx is referring to is in the Paris Notebook (spring 1844).—78, 127
- 17 Marx is referring to Notebook VI (London, February 1851).—78, 96, 112
- 18 Marx gave a detailed analysis of the concept of *coexisting labour* in his Economic Manuscript of 1861-63, when examining Thomas Hodgskin's views (see present edition, Vol. 32). In connection with this, Marx noted, in particular: "*Division of labour* is, in one sense, nothing but *coexisting labour*, that is, the coexistence of *different kinds of labour* which are represented in *different kinds of products* or rather commodities."—86
- 19 Marx examined Lauderdale's explanation of profit in his Economic Manuscript of 1861-63 (see present edition, Vol. 31 and this volume, pp. 78-79).—87
- 20 Thomas Hodgskin's pamphlet *Labour Defended against the Claims of Capital*, London, 1825, p. 16 contains the following: "One easily comprehends why ... the road-maker should receive some of the benefits, accruing only to the road-user; but I do not comprehend why all these benefits should go to the road itself, and be appropriated by a set of persons who neither make nor use it, under the name of profit for their capital."—89
- 21 The author's views on the origin of surplus value, expressed in the anonymously published socialist pamphlet *The Source and Remedy of the National Difficulties* (London, 1821, p. 6), were described by Marx as an "important advance on Ricardo". Marx gave a detailed examination of this pamphlet in his Economic Manuscript of 1861-63 (see present edition, Vol. 32).—92
- 22 Marx is referring to Excerpt Notebook XI (London, July 1851).—95
- 23 Here and elsewhere Marx uses the term "production costs" in the sense of "the immanent production costs of the commodity, which are equal to its value", i.e., "the real production costs of the commodity itself" and not the costs defrayed by the capitalist, who pays only part of the labour time contained in the commodity (see Economic Manuscript of 1861-63, present edition, Vol. 32).—97
- 24 Marx is referring to this passage from Robert Owen later, in Section Three (see this volume, p. 153).—98
- 25 This refers to the great economic crisis that reached its peak in the autumn of 1857 and was the first ever, in the history of capitalism, to develop on a worldwide scale. In March 1858, when these lines were written, in many countries the effects of the crisis had not yet been overcome.—107, 314
- 26 Marx presumably has in mind the passage in Hegel's *Encyclopädie der philosophischen Wissenschaften im Grundrisse*. (Th. I, Die Logik, *Werke*, Vol. 6, Berlin, 1840, p. 382,) that he later reproduced in the footnote to Chapter VII of Volume I of *Capital*, i.e.: "Reason is just as cunning as she is powerful. Her cunning consists principally in her mediating activity, which, by causing objects

to act and re-act on each other in accordance with their own nature, in this way, without any direct interference in the process, carries out reason's intentions."—119

²⁷ Marx is quoting F. M. Eden's book according to the synopsis, drawn up by Engels in July-August 1845 in Manchester.—120

²⁸ The promulgation of the 1534 Act of Supremacy, which proclaimed the king head of the church, was followed in England by the confiscation of Catholic Church lands and property in favour of the king and the dissolution of the monasteries, sanctioned by the Parliamentary acts of 1536 and 1539.—122

²⁹ This alludes to the proposal made by Dr. Richard Price, the British economist and writer of the second half of the eighteenth century, that the state should borrow money at simple interest and grant credits at compound interest. On the basis of this proposal, in 1786 the government of William Pitt Jr. tried to form a special sinking fund to defray the growing public debt through credit operations with it. This attempt did not, however, alleviate the financial difficulties, but caused serious complications in the sphere of the state credit. For details, see Chapter XXIV of Volume III of *Capital*, Marx's article "Mr. Disraeli's Budget", written in April 1858 (present edition, Vol. 15), and Vol. 28, p. 298.—140

³⁰ Marx used the term "production costs" in the sense of "the immanent production costs of the commodity, which are equal to its value" (see Note 23). At the same time, however, he gives below another interpretation of the term "production costs of capital", excluding the surplus value embodied in the commodity, appropriated by the capitalist in the production process and realised in circulation.—144

³¹ The *law of apprenticeship* was adopted in England in 1563. It envisaged a seven-year period of trade or craft instruction. It was consistent with the level of British industry at the time, the mediaeval guild-craft structure being in many ways preserved (manufactory was just beginning to appear), with some division of labour and semi-patriarchal relations between master and apprentices. The laws of apprenticeship declined at the beginning of the Industrial Revolution and the development of the factory system in the second half of the eighteenth century, but were repealed formally in the wool industry only in 1809 and in all other branches of industry in 1814. On these laws and why they were still in force in the period of manufactory see Chapter XIV of Volume I of *Capital* (present edition, Vol. 35).—153

³² Marx is referring to Benjamin Thompson (also known as Count von Rumford), author of *Essays, political, economical, and philosophical*, Vol. I (London, 1796) which contained recipes for preparing food from cheap substitutes, instead of the more expensive foodstuffs. These recipes were meant for the workers and the poor. A soup prepared from bones and substitutes was ironically called Rumford broth.

Marx presents the essence of Rumford's recommendations to lower the reproduction costs of labour power in Chapter XXIV of Volume I of *Capital* (present edition, Vol. 35).—159

³³ Here Marx gives the page of Excerpt Notebook VIII (London, April-mid-May 1851).—162, 164, 166

³⁴ Marx took the information about the first representatives of the quantity theory of money from Steuart's book *An Inquiry into the Principles of Political*

Oeconomy: being an essay on the science of domestic policy in free nations, Vol. I, Dublin, 1770, pp. 398-99; J. Locke, *Some Considerations of the Consequences of the Lowering of Interest, and Raising the Value of Money. In a letter sent to a Member of Parliament in the year 1691*, London, 1692; "On conquest and population", an article marked with the sign "T" and published in the London magazine *The Spectator*, No. 200, October 19, 1711; Ch. de Montesquieu, *De l'esprit de loix*, Geneva, 1748 and David Hume, *Political Discourses*, Edinburgh, 1752.—164

- 35 The source of this quotation has not been ascertained.—175
- 36 Here Marx criticises the views of the so-called "little shilling men", the Birmingham school of bourgeois political economy initiated by the banker Thomas Attwood. These views were set out in *The Currency Question. The Gemini Letters*, a book published anonymously by Thomas Wright and John Harlow, who called themselves Gemini. On this school, see also Volumes I and III of *Capital* (present edition, vols 35 and 37).—185, 319
- 37 *Assignats*—paper money, issued in France in 1789-90 during the French Revolution by the Constituent Assembly as bonds on the security of property confiscated from landowning aristocrats, counter-revolutionary nobles and the Church, and proclaimed "national property". By 1796 they had depreciated greatly.—188, 318
- 38 Marx is referring to his Excerpt Notebook XIV (London, August-September 1851).—212
- 39 The *Punic Wars* (264-241, 218-201 and 149-146 B.C.) were fought by Rome and Carthage, the two biggest slave-owning states of antiquity, for domination in the Western Mediterranean and for the conquest of new territories and slaves. The wars ended in the destruction of Carthage.—212, 434
- 40 The *Laws of the Twelve Tables* (*Leges duodecim tabularum*)—the most ancient legislative documents of the Roman slave-owning state. They originated from the plebeians' struggle against the patricians (the plebeians sought to deprive the patricians of their privileges to interpret legal customs) and were recorded in 451-450 B.C. They concerned private property, credit, family relations, prohibited marriages between patricians and plebeians and formed a basis of Roman law.—214
- 41 *Riparian law*—a monument of common law of a Germanic tribe—the Riparian Franks, which was created from the 6th to the 8th century; it belongs to the so-called barbarian laws.—214
- 42 Marx is referring to Excerpt Notebook XVII (December 1851-April 1852).—215, 217
- 43 The reference is to the special tax-based sinking fund formed by the government of William Pitt Jr. in 1786 (see Note 29).—218
- 44 $S=C(1+i)^n$ is the formula for compound interest, where S is the sum of capital and the interest on it, C—the initial capital, i—the rate of interest, and n—the number of years the process lasts.—219
- 45 In the book quoted here Arnd devoted a special paragraph to substantiate the lawfulness and expediency of the dog tax (§ 88, pp. 420-21).—226
- 46 By "producing class" J. St. Mill here means the industrial capitalists.—230
- 47 The ancient philosopher Epicurus believed in an infinity of worlds, each originating and existing according to its own natural laws. The gods, though he

- believed in them, he saw as being outside and between the worlds, and not exerting any influence on either the development of the Universe, or human life.—233
- 48 A reference to the Anglo-Scottish Union of 1707 which led to Scotland's final unification with England. As a result, the autonomous Scottish parliament was abolished, Scots were granted seats in the English parliament and all economic barriers that existed between the two countries were removed.—237, 310
- 49 A reference to the English law on the resumption of the obligatory convertibility of bank notes into gold. In fact, exchange was fully resumed in 1821. Until that time, the Bank Restriction Act of 1797 remained in force. It established a compulsory exchange rate for bank notes and cancelled their convertibility into gold.—237, 247
- 50 As Marx points out, he is quoting Mill in German from the French edition of 1823. The double translation led to some divergences from the original. In this volume Mill is quoted according to the English edition of 1821.—240, 410
- 51 A reference to Napoleon I's decrees on the blockade of the British Isles, signed in Berlin on November 21, 1806 and in Milan on November 23 and December 17, 1807. They initiated the so-called Continental Blockade, which prohibited France and her European allies from trading with England.—247
- 52 "Currency principle" or "Currency theory" was advocated by some supporters of the quantity theory of money in the early 1840s in England. Its representatives—Loyd (i.e., Lord Overstone), Norman and others—asserted that the value and the price of commodities were determined by the quantity of money in circulation.—249, 414
- 53 A reference to J. Maclaren's *A Sketch of the History of the Currency*, London, 1858. Marx quotes, in English, a review of it that appeared in *The Economist* on May 15, 1858. Marx learned from the review that the book had come off the presses and became interested in it (see Marx's letter to Engels of May 31, 1858, present edition, Vol. 40, pp. 317-18). Subsequently Marx used Maclaren's book in his *A Contribution to the Critique of Political Economy*, Part One (see this volume, pp. 309, 398, 399).—250
- 54 Marx's manuscript *Outlines of the Critique of Political Economy* begins with Chapter II ("Chapter on Money"). Judging from the text on page 63 of Notebook VII, which gives an outline of the beginning of Chapter I, Marx intended to entitle this Chapter "Value". Later on, however, when preparing his economic work for publication, he entitled it "The Commodity".—252
- 55 A reference to A. Haxthausen's *Studien über die innern Zustände, das Volksleben und insbesondere die ländlichen Einrichtungen Rußlands*, Parts 1-3, Hanover-Berlin, 1847-52. The author was a Prussian official and writer who, in the 1840s, travelled in Russia. Marx criticises the author's attempts to attribute the remnants of communal property he discovered in the Russian agrarian system to the natural specifics of the Slavonic peoples.—253, 275
- 56 Here the manuscript *Outlines of the Critique of Political Economy* breaks off. All the remaining sheets of this rather thick notebook are filled with excerpts from various books and periodicals.—253
- 57 In February 1858, Marx started seeking an opportunity to have his economic work based on the *Outlines of the Critique of Political Economy* published in

Germany. He intended to do this with Lassalle's help. The anticipated structure of this work was based on the plan he had formulated in the "Introduction" (see present edition, Vol. 28, p. 45). As Marx wrote to Lassalle on February 22, 1858, the plan envisaged a work consisting of six 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" (see present edition, Vol. 40, p. 270). In March 1858, it became known that Duncker, a Berlin publisher, had undertaken to bring out this work. By arrangement with the publisher, from May 1858 onwards, at intervals of several months, Marx was to send him completed parts of his work to be printed in separate small instalments. However, for various reasons, among them his liver trouble, only at the end of May did Marx begin to prepare material for the first instalment, having interrupted his work on the rough manuscript, which remained unfinished. This first instalment was to consist of three chapters: "1. Value, 2. Money, 3. Capital in General (the process of production of capital; process of its circulation; the unity of the two, or capital and profit; interest)" (see Marx's letter to Lassalle of March 11, 1858, present edition, Vol. 40, p. 287). It took Marx a long time to examine and systematise the collected material. In the course of this work, he compiled two drafts of the "Index to the 7 Notebooks". His work was greatly hindered by material hardships, which became especially acute in the summer of 1858, and by his wife's illness. From August to October 1858, Marx prepared the preliminary text of the first two chapters of the first part: "The Commodity" (as he decided to entitle the first chapter, instead of the contemplated "Value") and "Money"—and the beginning of the third chapter: "Capital". Only a fragment of this original text, containing the end of the chapter on money and the beginning of that on capital, is extant (in this volume it is included in the section "From the Preparatory Materials"). In subsequent months, after greatly improving his manuscript, Marx prepared the final version of the first part. On January 26, 1859 the manuscript was sent to Berlin; the Preface to it followed in February 1859. The first part grew to 12 printer's sheets instead of the five or six originally contemplated and consisted not of three chapters, as had been planned, but of two: "The Commodity" and "Money or Simple Circulation". Marx did not include here the material of the two sections of the original text of the chapter on money: "The Manifestation of the Law of Appropriation in the Simple Circulation" and "Transition to Capital". He now intended to deal with all these issues, as well as the problem of capital as a whole, in the second part. In June 1859, *A Contribution to the Critique of the Political Economy* came off the presses. The subtitles "Book One. On Capital" and "Section One. Capital in General" indicate that the author considered it as the beginning of the first of the six books planned.

By the publication of his economic work, as he wrote to Joseph Weydemeyer on February 1, 1859, Marx wanted "to win a scientific victory for our party" (see present edition, Vol. 40, p. 377). Once the first part had appeared, Marx began to prepare the second part for publication. Soon, however, other party work, such as editing the newspaper *Das Volk* and the polemics with Vogt (see Vol. 17 of the present edition), distracted him from the economic studies he considered necessary in order to clarify all aspects of the problem of capital. Only in 1861 was Marx able to resume his systematic studies of political economy. While preparing the second part, he drew up *References to My Own Notebooks* and *Draft Plan of the Chapter on Capital* (both works have been included in this volume, in the section "From the

Preparatory Materials"). Subsequent work on this part substantially exceeded the set limits, however. Between 1861 and 1863, he wrote a voluminous manuscript representing the first more or less systematised version of the three theoretical volumes of *Capital* and containing the only version of its fourth, historical and critical volume: *The Theories of Surplus Value*. Marx's plans regarding the structure and form of the publication of his economic work changed as he wrote this manuscript. The structure of the second part, devoted to "Capital in General", with its division into three aspects (the process of the production of capital, the process of the circulation of capital and the unity of the two) now formed the basis of the whole work, which Marx correspondingly intended to publish in three books, supplemented by a fourth, historico-critical one. An important landmark in the realisation of this new plan was the publication, in September 1867, of Volume I of *Capital*, in which the main problems of the first part of *A Contribution to the Critique of Political Economy* were also presented more profoundly.

Official scientific circles met Marx's book with a prolonged conspiracy of silence. Nevertheless, it attracted the attention of progressive scholars. For example, I. K. Babst, a professor at Moscow University, expounded its contents in detail in his lectures on political economy in the winter of 1860. Engels was the first to popularise Marx's work among proletarian revolutionaries. In August 1859, he published two sections of his review of the book in the newspaper *Das Volk*. The third section was not published because the newspaper closed down.

A Contribution to the Critique of Political Economy was not reprinted in Marx's lifetime. Marx made unsuccessful attempts to have the book published in English in Britain or the USA. Only the Preface was published in the newspaper *Das Volk* on June 4, 1859, in a somewhat abridged form. An extract (from Chapter Two), devoted to the critique of Gray's utopian theory of "labour money", was supplied by Engels for the German 1885 and 1892 editions of Marx's *The Poverty of Philosophy*. Subsequently, the book was published several times, in many languages.

It was published in English for the first time in the USA, in 1904 (K. Marx, *A Contribution to the Critique of Political Economy*, translated by N. I. Stone, Charles H. Kerr & Company, Chicago, 1904). Translated by Salo Ryazanskaya and edited by Maurice Dobb, it was published by Progress Publishers (Moscow), Lawrence & Wishart (London) and the International Publishers (New York) in 1970.

The present publication is based on the text of the first German edition of 1859, prepared for publication by the author himself. The amendments made by Marx in his own copy of the book are reproduced here in footnotes, with appropriate comments. The amendments and notes he made in the copy he presented to Wilhelm Wolff on August 19, 1859 are also taken into account. Engels used some of these amendments and notes in preparing Volume III of *Capital* for publication. Taking certain quotations from *A Contribution to the Critique of Political Economy*, Engels cited them as amended and specified by Marx. Photocopies of the above-mentioned books, with Marx's amendments and notes, are kept in the Archives of the Institute of Marxism-Leninism of the CPSU Central Committee. Some other misprints found in the original have also been corrected. In the 1859 edition, the quotations are, as a rule, given in the German translation, but in the author's notes they are, with certain exceptions, in the language of the quoted source. In the present edition, all quotations are in English, with editorial notes indicating the language, unless it is German in the original.—257

- ⁵⁸ Marx is referring to his economic manuscripts of 1857-1858, and to his numerous preparatory materials, outlines and excerpt notebooks.—261
- ⁵⁹ Marx used the term *bürgerliche Gesellschaft* (see G.W.F. Hegel, *Grundlinien der Philosophie des Rechts*, in: *Werke*, Vol. 8, Berlin, 1833, § 182, Addendum) in two senses even in his earlier works: in a broad one, to denote the economic system of society regardless of the historical stage of its development, i.e. the totality of material relations determining the political institutions and ideological life; and in a narrower one, to denote the material relations of bourgeois society (later, bourgeois society as a whole), i.e. capitalism. Depending on the context, the term is translated either as “civil society” or as “bourgeois society”.—262
- ⁶⁰ The *German Workers' Society* in Brussels was founded by Marx and Engels at the end of August 1847 for the political education of German workers living in Belgium and for the popularisation of the ideas of scientific communism among them. Under the leadership of Marx, Engels and their associates, the Society became the legal centre rallying German revolutionary proletarians in Belgium. The Society's best members belonged to the Communist League. Soon after the February Revolution of 1848 in France, the Society ceased its activities because its members were arrested and deported by the Belgian police.
- Marx's work *Wage Labour and Capital* (his lectures to the German Workers' Society) was published as a series of articles in the *Neue Rheinische Zeitung*, in the spring of 1849, but not in full, because the newspaper ceased publication (see present edition, Vol. 9, Note 183).—264
- ⁶¹ Marx contributed to the *New-York Daily Tribune* from August 1851 to March 1862. Articles by Marx and Engels in the *New-York Daily Tribune* dealt with key issues of foreign and domestic policy, the working-class movement, the economic development of European countries, colonial expansion and the national liberation movement in colonial and dependent countries. Their profundity, political insight and literary merits immediately attracted attention. The *New-York Daily Tribune's* editors publicly acknowledged their quality. The articles reached Europe, too. For example, in his speech in the House of Commons on July 1, 1853, John Bright, leader of the Free Traders, specially noted Marx's article on Gladstone's budget, published in the *Tribune* (see present edition, Vol. 12, p. 176).
- The *Tribune's* editors sometimes took liberties with articles, printing them unsigned, in the form of editorials, especially from September 1854 onwards. In some cases they tampered with the text, making insertions, some of which were in direct contradiction with the content of the articles. Marx protested repeatedly against these practices. In the autumn of 1857, he was forced to reduce the number of his contributions in view of the *Tribune's* weak financial position, a result of the economic crisis in the USA. He ceased contributing to the paper altogether after the outbreak of the American Civil War, mainly because the *Tribune* had come under the influence of people advocating a compromise with the slave-owning states.—265
- ⁶² This presumably refers to McCulloch's note in his edition of A. Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, Edinburgh, 1828, p. 9.—269
- ⁶³ The *monetary system*, an early form of mercantilism, a system of economic views and economic measures applied by European states in the seventeenth and eighteenth centuries. Its advocates equated wealth with money and favoured

- economic measures that ensured an inflow of money into the country by maintaining an active trade balance and imposing protective tariffs.—276
- 64 The *glorious revolution*—this is how English historians refer to the coup d'état of 1688-89, as a result of which the Stuart James II was overthrown and William III of Orange was proclaimed King of England. It led to a limitation of the king's powers in the interests of the commercial and financial bourgeoisie and the circles of the landed aristocracy connected with them.—294
- 65 The *parallelograms of Mr. Owen* are mentioned by Ricardo in his work *On Protection to Agriculture*, 4th ed., London, 1822, p. 21. Developing his utopian project of social reform, Owen maintained that, from the point of view of the economy and arrangement of domestic life, it was most expedient to build a communist settlement in the form of a parallelogram or square. Hence the expression.—300
- 66 The *Theory of Exchange* is the title of the fourth chapter in H. D. Macleod's work *The Elements of Political Economy*, London, 1858.—301
- 67 The *Act of 1844 on the Bank of England*, passed by Sir Robert Peel's government, fixed a maximum for the amount of bank notes in circulation. These were guaranteed by a special gold and silver reserve. Bank notes in excess of the fixed amount could be issued only given a proportional increase in the precious metal reserves. The Act was repeatedly infringed by the government itself, particularly during the 1847 and 1857 monetary crises. Marx analysed the content and significance of the 1844 Act in a series of articles written for the *New-York Daily Tribune* in 1857 and 1858 ("The Bank Act of 1844 and the Monetary Crisis in England", "The British Revulsion", "The English Bank Act of 1844" and others (see present edition, vols 15 and 16). Subsequently, Marx made a detailed analysis of the Act in *Capital*, Vol. III, Ch. XXXIV (see present edition, Vol. 37).—303, 404, 414
- 68 *Leges barbarorum* (barbarian laws)—records of the common law of various Germanic tribes, compiled between the fifth and ninth centuries.—312
- 69 A reference to the period of wars waged by England against Republican and Napoleonic France, when the Bank Restriction Act of 1797 was in force (see Note 49).—319, 400
- 70 A reference to the Paris peace treaties concluded in 1814 and 1815 by the countries of the anti-French coalitions—Russia, Britain, Austria and Prussia. on the one side, and France, on the other.—319, 368
- 71 The *Crédit mobilier* (Société générale du Crédit mobilier)—a big French joint-stock bank founded by the Péreire brothers in 1852. It was notorious for its speculation. The Crédit mobilier took an active part in building railways and setting up industrial enterprises. Though closely linked with and enjoying the protection of Napoleon III's government, it went bankrupt in 1867. In 1856 and 1857, Marx wrote a series of articles about its speculative activities for the Chartist *The People's Paper*, in London, and the *New-York Daily Tribune*.—331
- 72 A reference to J. Mill's *Commerce Defended. An answer to the arguments by which Mr. Spence, Mr. Cobbett, and others, have attempted to prove that commerce is not a source of national wealth*, London, 1808.—333
- 73 Marx is referring to Say's treatise *Lettres à M. Malthus, sur différens sujets d'économie politique, notamment sur les causes de la stagnation générale du commerce*, Paris-London, 1820. It contains the proposition (p. 46) that "products are

bought only for products"; elsewhere the author's idea, that products produced must always find demand, is being repeated in a variety of ways.—333

- ⁷⁴ Marx is probably quoting P. Boisguillebert's *Dissertation sur la nature des richesses de l'argent et des tributs* from memory. It was published in *Économistes financiers du XVIII^e siècle*. On p. 392 Boisguillebert has: "précis de toutes les denrées" (summary of all commodities).—358, 496
- ⁷⁵ A reference to the biblical legend of how Jacob, the father of ancient Hebrews, when blessing his grandchildren, Joseph's sons, contrary to tradition, laid his left hand on the elder, and his right hand on the younger, thus foretelling a more glorious future for the latter (Genesis 48:1, 8-20).—359, 447
- ⁷⁶ Marx is referring to the war of independence waged by the Spanish colonies in Latin America from 1810 to 1826, as a result of which most of them threw off Spanish domination.—368
- ⁷⁷ A reference to the Kyakhta Treaty, signed by Russia and China on October 21, 1727. It envisaged a duty-free border trade in Kyakhta, mainly barter, which considerably expanded the overall trade between the two countries.—382
- ⁷⁸ A reference to the so-called Second Opium War, actually started by Britain and France in 1856 but officially waged from 1857 to 1858, the aim being to turn China into a semi-colony. It ended with the China's defeat and the signing of the unequal Tientsin Treaty, which increased China's dependence on the colonial powers (their trade, diplomatic and military privileges were expanded, opium imports legalised, indemnities paid, etc.). In 1859 Britain and France resumed military operations (the Third Opium War), and in 1860 imposed on China the still more onerous Peking Peace Treaty.—382
- ⁷⁹ Marx quotes, in Latin, Pietro Martire Anghiera's *De orbe novo* (edition of 1530), according to W. H. Prescott, *History of the Conquest of Mexico, with a preliminary view of the ancient Mexican civilisation, and the life of the conqueror, Hernando Cortés*, 5th Edition, Vol. I, London, 1850, p. 123.—386, 458
- ⁸⁰ This quotation is from *Lectures on Gold for the Instruction of Emigrants about to Proceed to Australia*, London, 1852. Marx took many excerpts from this book for his Economic Manuscript of 1857-1858, "Chapter on Money" (see present edition, Vol. 28, pp. 113-15).—387
- ⁸¹ Strabo's statement, made in *Rerum geographicarum libri XVII* (XVI, 4, 18) is cited by Marx from Dureau de la Malle, *Économie politique des Romains*, Vol. 1, Paris, 1840, p. 52. Marx used extracts from this work in his Economic Manuscript of 1857-1858, "Chapter on Money" (see present edition, Vol. 28, pp. 109-10 and 116).—388, 459
- ⁸² This is an allusion to the mediaeval legend about the Holy Grail, a miraculous cup in which Joseph of Arimathea had received the blood of Christ.—389
- ⁸³ The *Historical School of Law*—a trend in German historiography and jurisprudence in the late eighteenth century. The representatives of this school, Gustav Hugo, Friedrich Karl Savigny and others, sought to justify the privileges of the nobility and feudal institutions on the basis of the inviolability of historical traditions.—398
- ⁸⁴ John Law, the Scottish economist and financier, sought to implement in France his financial projects, based on the erroneous idea that a state can increase the country's wealth by issuing bank notes without security. Backed by French

ruling circles interested in his projects, in 1716 Law founded a private bank that, in 1718, was turned into a state bank. In addition to implementing the unlimited emission of bank notes, Law, who had been appointed Controller General of Finance in 1720, withdrew metallic money from circulation and supported various speculative undertakings, such as the opening of shady trading companies, the issue of fictitious shares, etc. The fuss aroused by Law's activities culminated, at the end of 1720, in the final collapse of the bank and "Law's system".—400

- 85 *Threadneedle Street*—the street in London on which the Bank of England is situated.—400
- 86 The *Continental Blockade*, or *Continental System* proclaimed by Napoleon I in 1806 (see Note 51) forbade the countries of the continental Europe to trade with Great Britain. The countries that participated in the Continental Blockade were Spain, the Kingdom of Naples, the Netherlands, Prussia, Denmark, Russia, Austria and others.—408
- 87 This refers to the British government's measures to counter Napoleon I's Continental Blockade. A number of royal decrees of 1807 ordered neutral countries to cease all trade with France and the states that joined the Continental System. Britain's decrees were aimed at strengthening the naval blockade of France and depriving her of access to colonial goods.—408
- 88 As can be seen from Marx's letters, once the first part of his work had been published, he intended to proceed immediately with preparing the second part, which was to contain the chapter "Capital in General". As he wrote to Ludwig Kugelmann on December 28, 1862, however (see present edition, Vol. 41, pp. 435-36), a number of circumstances prevented him from carrying out his intention at once. Only in August 1861 did he begin his work on the second part, giving it the general title: *A Contribution to the Critique of Political Economy*. The extant covers of the 23 notebooks containing the rough manuscript bear this title. The covers of the first two notebooks have the subtitle: "Chapter Three. Capital in General".—417
- 89 This manuscript marks the transitional stage in Marx's work on a draft version of his economic work in preparing it for publication in parts, as agreed by contract with the German publisher Duncker (see Note 57). In order to develop the rough manuscript further, Marx drew up a kind of index that would help him select material for the first part. In his letter to Engels on May 31, 1858, Marx wrote that his hefty manuscript (308 densely written pages in seven notebooks) was a real hotchpotch, much of it intended for later sections. "So I shall have to make an index," Marx wrote, "briefly indicating in which notebook and on what page to find the stuff I want to work on first" (see present edition, Vol. 40, p. 318).
- First of all, Marx had to elaborate the material that was to form the first part of the planned work. By the "first part", Marx then meant that which he soon began to designate as the "first section" of his book "On Capital", consisting of three chapters: "The Commodity", "Money", and "Capital in General". In the Economic Manuscript of 1857-1858, however, there is no special chapter on the commodity; the beginning of it is only outlined, under the title: "Value". Individual digressions in other sections of the manuscript also belonged to it.
- The *Index to the 7 Notebooks* (to the first part) consists of two unfinished drafts; in the first one, Marx gathered all the material of his manuscript

belonging to the "first part", up to the section on the circulation of capital, but this section and some other passages preceding it remained without page references; the second draft embraces only the chapter on money and presents a more detailed structure of this chapter.

Marx left big gaps between the main headings of his *Index*, later to be filled in with additional subheadings and page references.

The *Index to the 7 Notebooks* (to the first part) fills the last eleven pages in Notebook M (figures in the editorial square brackets denote pages of this notebook), which contains the outline of Marx's "Introduction" (see present edition, Vol. 28, pp. 17-48). In this edition Marx's marks in the margins are not reproduced.

In his *Index*, Marx indicates the numbers of notebooks containing the outlines of the *Critique of Political Economy* by Roman numerals, and the pages of those notebooks by Arabic numerals.—421

- ⁹⁰ Wilson is not mentioned on p. 55 of Marx's Notebook VII. It was most probably a slip of the pen and instead of Wilson it should be Morrison, who is quoted on this page. Alternatively, Wilson is mentioned here as the editor of *The Economist* and an author of a series of articles for the magazine, which Marx quotes on this page. In this and other cases, Marx gives the title of the magazine in his references rather than the name of its editor.—424
- ⁹¹ This point of the *Index* is made in addition to the manuscript of 1857-1858 and refers to the extract from J. G. Wirth, *Die Geschichte der Deutschen*, 2nd improved edition, Vol. I, Stuttgart, 1846, in one of Marx's excerpt notebooks of 1858. The extract states that among the ancient Germans, up to the fourth or fifth century, the use of money was rather uncommon and all kinds of monetary duty were often paid in such material values as cattle, weapons, or corn. The price of oxen, cows, horses, swords, helmets, shields, spears and other objects accepted in payment instead of guildens was established by law.—424
- ⁹² A reference to Macleod's *The Theory and Practice of Banking*, Vol. 1, London, 1855, pertains to the manuscript of 1857-1858. The extracts from this book are in Marx's Excerpt Notebook of 1857. On page 15 of his book, Macleod writes about Josiah Child's treatise *A Discourse upon Trade* (this treatise, Macleod alleged, appeared in 1698), which contained a plan for lowering the rate of interest by law.—424
- ⁹³ Marx has in mind his Excerpt Notebook V, which he began to compile in January 1851. On pp. 14-17 of this notebook there are excerpts from chapters XXVI-XXX of the second volume of William Jacob's *An Historical Inquiry into the Production and Consumption of the Precious Metals*, London, 1831. Further on Marx has in mind his Excerpt Notebook IV, filled in in November-December 1850. It contains excerpts from chapters IV-XIV of the first volume and from chapters XV-XXV of the second volume of Jacob's book.—428
- ⁹⁴ There is no page 49 in Excerpt Notebook I (see present edition, Vol. 28, p. 153). The notebook has 48 pages. This problem is elucidated in Excerpt Notebook I on p. 47 and in Excerpt Notebook II on p. 1.—428
- ⁹⁵ Marx wrote the original text of the first part of *A Contribution to the Critique of Political Economy* between August and October 1858, basing himself on the *Index to the 7 Notebooks*, which he had drawn up in June (see this volume, pp. 421-29). As Marx then planned, this part was to include a chapter on capital, besides the chapters on the commodity and on money. In November 1858, Mrs. Marx began a fair copy of the final text of Part One of *A*

Contribution to the Critique of Political Economy, consisting already only of the chapters on the commodity and on money.

The original text has only partly survived, including the last three quarters of Chapter Two and the beginning of Chapter Three (two concluding passages of Chapter Two and the beginning of Chapter Three were not included in the final version). The surviving text is in two notebooks that Marx marked B' and B". Notebook B' starts with the end of a sentence. It was preceded by Notebook C which has not survived and most probably contained the chapter on the commodity (originally entitled "Value") and the beginning of the chapter on money.

On the cover of Notebook B' Marx wrote five short notes referring to the chapters on money and on capital. In this volume they are published after the original text, as an addition to it.

The editorial heading, in square brackets, of Section 2 (its beginning was contained in Notebook C) was formulated on the basis of the extant fragment. Given in square brackets are also the letters denoting notebooks, and the page numbers in these notebooks. Footnotes indicate the language in which Marx quotes, unless it is German.

Extremely long passages have been divided into shorter ones for the reader's convenience.—430

- ⁹⁶ *Nexus rerum*—"the link between things". In one of his excerpt notebooks of 1851, entitled "The Completed System of Money Relations", Marx describes money (p. 41) as the "nexus rerum et hominum" (the link between things and people) and refers this quotation to p. 34 which has not survived. Unfortunately it has been impossible to establish which work he meant. In calling money the "nexus rerum et hominum", Marx means the state of society that resulted from the disintegration of all the formerly dominant social links: patriarchal, feudal, family, religious, all of which were superseded by the rule of "cash". In the "Chapter on Money" of the 1857-1858 manuscript, Marx applied this expression to exchange value (see present edition, Vol. 28, p. 155). In the final text of *A Contribution to the Critique of Political Economy*, he designated money as the "social *nervus rerum*", the initial or motive force of all things (see this volume, p. 365).—430
- ⁹⁷ Here Marx quotes in German from the Greek writer and compiler Athenaeus, *Deipnosophistarum libri quindecim*, Edidit Schweighaeuser, Tomus II, Argentorati, 1802, p. 121. Below Marx gives this quotation in Greek (see this volume, p. 451).—435
- ⁹⁸ Marx quotes Körner's treatise in English from *Lectures on Gold for the Instruction of Emigrants about to Proceed to Australia*, pp. 94-95 (see Note 80). In his note to *A Contribution to the Critique of Political Economy*, he gives this quotation in German (see this volume, p. 387).—441
- ⁹⁹ Marx is quoting Luther's treatise from A. L. Schlözer, *Briefwechsel meist historischen und politischen Inhalts*, Siebender Theil, Heft XXXVII-XLII, Göttingen, 1780, pp. 265-66.—449
- ¹⁰⁰ The *Code of Manu* (Mānava Dharma-Āstra)—an old Hindu compendium of laws and precepts, the product of an early attempt to codify common law in accordance with the needs of the ancient Hindu state and the dogmas of Brahmanism. It is attributed to Manu ("man" in Sanskrit), the mythical progenitor of human beings. The laws and precepts making up the *Code of Manu* accumulated over the centuries and were given their more or less

definitive formulation at about the beginning of the Christian era. They reflected the specific nature of early class society in India, which retained many survivals of the primitive communal system.—460

- ¹⁰¹ Marx's footnote made at the bottom of the page, but not marked in the text, presumably refers to the passage where Smith's name is mentioned.—463
- ¹⁰² Here Marx put quotation marks and left space for inserting the title of Carey's book later. Marx most probably had in mind *The Slave Trade, Domestic and Foreign*, Philadelphia, 1853, about which he wrote to Engels on June 14, 1853 calling it *Slavery at Home and Abroad*.—477
- ¹⁰³ An ironic allusion to Kant's *Critique of Pure Reason*.—477
- ¹⁰⁴ Marx is quoting, in Greek, the beginning of Epigram 166 in Book XI of *Greek Anthology* (*Anthologia graeca ad fidem codicis olim Palatini nunc parisini ex apographo Gothano edita*, Curavit F. Jacobs, Tomus secundus, p. 370). The epigram's author is not known.—489
- ¹⁰⁵ Marx wrote these notes on the cover of Notebook B': the first note is on its right side, the other four on its reverse. The third note largely reproduces the text on page 4 in Notebook II, the "Chapter on Money" of the 1857-1858 manuscript (see present edition, Vol. 28, pp. 161-62).—508
- ¹⁰⁶ The draft plan of Part Two of *A Contribution to the Critique of Political Economy*, which was to contain Chapter Three ("Chapter on Capital"), is in a separate small notebook (without number or letter designation) and has no general title. (In this edition, the pages of the notebook are given in editorial square brackets and the author's brackets are replaced by oblique lines.) In the draft, the problems treated in notebooks II-VII of the 1857-1858 economic manuscript are divided into three sections: I. The Process of Production of Capital, II. Circulation Process of Capital, III. Capital and Profit. The draft plan ends with the section "Varia", which includes mainly issues of the history of political economy. Many points of the plan are separated from one another by big spaces; on pp. 13 and 15 there is no text at all (the former has drawings of geometrical figures and the latter logarithmic formulae that have nothing to do with this work). In the course of his further economic studies, Marx used the structure of Chapter Three fixed in this plan as a basis for generally dividing his future work into three theoretical parts, though later the contents of each of them, especially the third, were considerably extended.
- In references to the 1857-1858 manuscript Marx uses Roman numerals to denote notebooks and Arabic ones to denote the relevant pages.—511
- ¹⁰⁷ According to the original plan Marx intended to divide his economic work in six books. The first, "On Capital", as can be seen from Marx's letter to Engels of April 2, 1858, was to be divided into four sections: 1) Capital *en général*, 2) Competition, or the interaction of many capitals, 3) Credit, 4) Share Capital (see present edition, Vol. 40, p. 298). This remained the general plan in 1861, when Marx resumed his work on the planned second part of *A Contribution to the Critique of Political Economy* (it was changed only in the course of further studies). Here Marx has in mind the second section of his book "On Capital".—514
- ¹⁰⁸ *References to My Own Notebooks* belong to the period when, after an interruption caused by his editorial work on the newspaper *Das Volk* (summer 1859), writing his pamphlet *Herr Vogt* and other circumstances, Marx resumed intensive studies of political economy and returned to his work on the

subsequent parts of *A Contribution to the Critique of Political Economy*, primarily on its third chapter, devoted to capital. "A week ago I made a serious start on my book," he wrote to Engels on June 10, 1861 (see present edition, Vol. 41, p. 292). Evidently, the first thing Marx did was to systematise the material already collected. For this purpose, he made use of the last, as yet empty, pages of his Notebook B". Pages 1-19 of this notebook contain the end of the fragment of the original text of *A Contribution to the Critique of Political Economy*, written as far back as the autumn of 1858. Pages 20-27 contain passages from different economic sources, evidently written later on as they include references to editions published in 1860. The *References* published here are to be found on pages 28-36 of Notebook B" (these pages are given here in editorial square brackets, and oblique lines are substituted for the square brackets used by Marx himself).

The *References* constitute a concise review of the contents of the notebooks containing the economic manuscripts of 1857-1858 (Notebook M with "Introduction", notebooks I-VII) and also of notebooks with the original text of *A Contribution to the Critique of Political Economy* (notebooks C, B' and B"). In this review, Marx included material he had not used in the first part of *A Contribution to the Critique of Political Economy*, completed in January 1859. He wrote this review in order to facilitate writing the part of his economic work that was to be the continuation of the first part of *A Contribution to the Critique of Political Economy*. When writing the *References*, Marx worked out a plan for the third chapter of *A Contribution to the Critique of Political Economy* and later on implemented it in a large Economic Manuscript of 1861-1863, which was a new, already systematised, though rough version of all the parts of the future *Capital*.

In Marx's *References*, Arabic numerals indicate the pages of the notebooks.—518

- ¹⁰⁹ Notebook C is not extant. Judging from the available material, it contained the original text of the first and the beginning of the second chapter of *A Contribution to the Critique of Political Economy*.—518
- ¹¹⁰ Notebook A is another title of Notebook I of the main 1857-1858 manuscript, which Marx entitled *Outlines of the Critique of Political Economy (Rough Draft)*. Both designations are to be found on the cover of the notebook.—518
- ¹¹¹ This presumably refers to the missing cover of Notebook B", the reverse side of which Marx marked as page 1a.—518
- ¹¹² This is Marx's designation of that part of Notebook B" which contains the concluding portion of the original text of *A Contribution to the Critique of Political Economy*. That portion constitutes the beginning of Chapter Three (pp. 16-19 of this notebook).—521
- ¹¹³ Page 29 (the last page) of Notebook II referred to here and below has not survived.—522
- ¹¹⁴ The text beginning on page 8 of Notebook III is the continuation of the text of Notebook II. The first seven pages of Notebook III contain the unfinished draft manuscript "Bastiat and Carey" (see present edition, Vol. 28, pp. 5-16) to which references are given below.—522

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- Anderson, A.*—English manufacturer, owned factories in Glasgow and Manchester, published the booklet *The Recent Commercial Distress* in London in 1847.—30, 528
- Anderson, James* (1739-1808)—British economist, worked out the theory of differential rent.—221
- Anghiera, Pietro Martire d'* (c. 1457-1526)—historian and geographer, born in Italy; for a long time served at the Spanish court as an expert in the New World affairs.—211, 458
- Anne* (1665-1714)—Queen of England (1702-14).—166, 230, 235
- Antonines*—dynasty of Roman emperors (96-192).—212
- Antoninus Pius* (86-161)—Roman Emperor since 138.—212
- Arbuthnot, George* (1802-1865)—official of the English Treasury, wrote a number of works on money circulation and credit.—414
- Areino, Pietro* (1492-1556)—Italian satirical writer of the Renaissance, author of pamphlets against the Papal court and European monarchs.—399
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- Arnd, Karl* (1788-1877)—German economist, representative of vulgar political economy.—226, 532
- Ashworth, Edmund* (1801-1881)—English factory-owner, member of the Anti-Corn Law League, opposed legal limitation of the working day.—204
- Athenaeus* (end of the 2nd-beginning of the 3rd cent.)—Greek rhetorician and grammarian.—311, 435, 451
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- Augier, Marie* (mid-19th cent.)—French journalist, wrote on economics.—238, 242
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- Aurangzeb, Mohi ud-din Mohammed* (1618-1707)—ruler (1658-1707) of the Great Mogul Empire in India.—363, 446
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- Bailey, Samuel* (1791-1870)—English economist and philosopher; criticised Ricardo's labour theory of value.—29, 189, 310, 376, 421-22, 424, 428, 455, 508, 527
- Baines, Sir Edward* (1800-1890)—English journalist and economist, author of *History of the Cotton Manufacture in Great Britain*.—205
- Barbon, Nicholas* (c. 1640-1698)—English economist, forerunner of the so-called state theory of money.—316
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- Bekker, August Immanuel* (1785-1871)—German philologist, prepared for publication a few editions of works by ancient authors (Plato, Aristotle, Aristophanes and others).—269, 291, 307
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- Berkeley, George* (1685-1753)—Irish bishop, subjective idealist philosopher; in his economic works regarded labour as the main source of wealth, exponent of the nominalistic theory of money.—277, 316-17, 352
- Bernier, François* (1625-1688)—French physician, traveller and writer.—224, 363, 446
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- Blanc, Jean Joseph Louis* (1811-1882)—French petty-bourgeois socialist, historian, took part in 1848-49 revolution.—398
- Boisguillebert, Pierre le Pesant, sieur de* (1646-1714)—French economist and statistician, father of French classical political economy.—63, 292-95, 301, 332, 339, 358-60, 379, 431, 449-50, 463, 468, 488, 496
- Bosanquet, Charles* (1769-1850)—English manufacturer and economist, argued with Ricardo on problems of money circulation.—401, 405
- Bosanquet, James Whatman* (1804-1877)—English banker, economist and historian.—164, 248, 333, 441
- Bray, John Francis* (1809-1897)—English economist, utopian socialist, Owen's follower, developed the theory of "labour money".—186, 243, 323, 427, 445
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- Carey, Henry Charles* (1793-1879)—American economist, set forth the theory of class interests' harmony in capitalist society.—29, 138, 139, 227, 476, 477, 512, 523, 527, 530, 532
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- Carlyle, Thomas* (1795-1881)—British writer, historian and idealist philosopher, Tory; preached views bordering on feudal socialism up to 1848, later ardent opponent of the working-class movement.—431
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- Cato, Marcus Porcius (the Elder)* (234-149 B.C.)—Roman statesman and writer, author of the treatise *Agriculture*.—362, 448
- Cecil, William, Lord Burleigh (or Burgley)* (1520-1598)—English statesman, Secretary of State (1558-72) and Lord High Treasurer (1572-98) and principal minister to Queen Elizabeth.—376
- Chalmers, Thomas* (1780-1847)—Scottish Protestant theologian, economist, follower of Malthus.—225, 514, 527
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- Charles V* (1500-1558)—Emperor of the Holy Roman Empire (1519-56) and King of Spain (1516-56) under the name of Charles (Carlos) I.—213
- Charles the Great (Charlemagne)* (c. 742-814)—King of the Franks (768-800) and Emperor (800-14).—178, 188, 216
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- Coquelin, Charles* (1803-1852)—French economist, supported Free Trade.—217-18
- Corbet, Thomas*—British economist of the 19th century, follower of Ricardo.—218, 229-30, 333, 422, 425
- Cotton, William* (1786-1866)—English merchant, a director of the Bank of England; invented automatic scales for weighing gold.—254, 346

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- (1822-27 and 1828-30), Prime Minister (1834-35 and 1841-46), repealed the Corn Laws in 1846.—185, 303, 312, 319, 404, 414
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- Ricardo, David* (1772-1823)—English economist.—12, 33-35, 39, 76-77, 108, 135-38, 140, 164, 169, 185, 225, 226, 242, 244, 247, 251, 292, 300-01, 333, 390, 398, 400-09, 412-15, 421-23, 426, 436, 463, 476, 517, 522, 526-28, 530
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- Sempere (Sempèrè) y Guarinos, Juan* (1754-1830)—Spanish lawyer and historian.—212, 362, 446
- Senior, Nassau William* (1790-1864)—English economist, vulgarised Ricardo's theory, opposed shortening the working day.—188, 203-05, 367, 376, 513, 517, 528, 531, 532
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- Townsend, Joseph* (1739-1816)—English priest, geologist and sociologist, exponent of the theory of population later borrowed by Malthus.—221, 532
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- Tuckett, John Debell* (d. 1864)—English journalist, author of a two-volume book on the history and condition of the working people published in England in 1846.—166-68, 170, 230, 531

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