

**Critique of Competitive Freedom  
and the Bourgeois-Democratic State**

**Outline of a Form-Analytic Extension  
of Marx's Uncompleted System**

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**With an appendix by Michael Eldred,  
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**Sydney-Konstanz Project  
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For  
Keith G.H. Eldred,  
who didn't know what hit him.

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## 2010 Preface

It would be easy to point to weaknesses in this work by the young Eldred, and detractors will enjoy doing that, but there are the strengths too (attributable also to my co-authors of the Appendix), which justify making the 1984 edition available in an emended, digitized version to comprehensively reassert in 2010 the insights of value-form analysis. No one will want to accuse this work of being infected by the tweedy complacency of academia. Nor does it cater to the needs of politically-ideologically motivated readers who tend to want ‘applicable’ results without bothering about the issues for thinking. The year 1984 was the tail-end of a period of intense interest in Marx on the part of youth in Australia and West Germany. In Australia this interest took the form of a reception of structural Althusserian Marxism, whereas in West Germany it manifested itself especially in reading and research groups around Marx’s critique of political economy. As a young Australian research student in philosophy, and well-tolerated by my Ph.D. supervisor György Markus, I joined these West German discussions in 1976, being initiated into all things *Capital* by Mike Roth.

Only in 1984, after completing work on my dissertation, did I come across Heidegger, who persuaded me that I had to learn ancient Greek to get to the deepest philosophical questions. Heidegger’s phenomenological readings of Aristotle and Plato opened my eyes for ontology explicitly, beyond the implicit understanding I had gleaned from reading the dialectical thinkers, Hegel and Marx. It gradually became apparent that form-analysis was another name for ontology and that Marx’s value-form analysis was nothing other than the key to a social ontology of capitalist society. Heidegger and Marx can be made to communicate via the detour of a phenomenological and ontological reading of the fifth book of the *Nicomachean Ethics* on which Heidegger offers no commentary, but to which Marx refers crucially in the first chapter of *Das Kapital* when dealing with the value-form. Thus can cross-fertilization happen. The exchange and distribution of goods is the core theme of the

fifth *Nicomachean* book, and those goods comprise not only useful material things, but the immaterial good of *esteem*. Hence a connection between the constitution of commodity-value in exchange and the mutual estimation of human beings becomes visible, especially through the interchange of human abilities. The phenomenological interpretation of this connection culminated in my *Social Ontology*, published in 2008.<sup>1</sup> To unfold a phenomenology of the power play of mutual estimation amounts to a socio-ontology of *whoness*.<sup>2</sup> But back to my 1984 book.

The value-form is already ontological, as signalled by the term ‘form’. In the realm of social ontology, the value-form is perhaps the ontological concept *par excellence* because it conceptualizes a fundamental form of sociation (*Vergesellschaftung*) which is at the same time an elementary form of *social power play* with its own ontological structure that differs in essence from the ontological structure of productive power focused on by Heidegger. The late Marx can therefore be read as the thinker who worked out and presented in fine detail the complex ontological structure of capitalist economy. At the heart of this structure is value as a power play. The Sydney-Konstanz Project’s endeavour to reconstruct *Capital* systematically and venture beyond it to the realms of the state and the private sphere, under the guidance of a critical reading of Hegel’s *Rechtsphilosophie*, therefore amounts to an explicit, detailed presentation of that total historical socio-ontological constellation called capitalist society.

Writing in the late 1970s and early 1980s, I imbibed the *Zeitgeist* of those New Left times in which the issue of overcoming capitalism in favour of a non-Stalinist, democratic, even libertarian socialism was on the agenda. Today I do not advocate any kind of socialism, and that not because I have become older, wiser, mellower, conservative and resigned, but for philosophical reasons. The sundering of universality from particularity in the value-forms is the *Leitmotiv* pervading my attempt at a social ontology of capitalist society, and the historical possibility of its practical overcoming forms the backdrop that envisages a conscious sociation replacing non-conscious, reified sociation.

Socialist humanity is to become the ultimate underlying subject of society and the movements of social life. Human being is thus thought as *subjectivity* within a metaphysics (or ontology) of subjectivity. People, in the plurality of some kind of politically instituted ‘we’ — whether it be in a more or less centralized state with democratic institutions, a structure of workers’ councils or whatever — are to become, as “freely associated producers”, the subjects of social life. The dominant medium of sociation is thus to become consciously political, democratic in the stead of reified, competitive, gain-seeking sociation via the various value-forms. The proper name for human beings in such a competition, as I now see in retrospect, is not subjects of competition, but rather *players in the gainful game*.<sup>3</sup> These players are free individuals exercising their various powers and abilities in an interplay with one another.

With an overcoming in socialism of reified sociation (*Überwindung verdinglichter Vergesellschaftung*), people themselves purportedly are to become ‘truly’ free on a higher plane of sociation than that enabled by bourgeois private property. The dream of a democratic socialism, however, is driven by a totalizing way of thinking that is out to collectively *set up* and *control* social living as a whole and is therefore a precipitate, in the socio-political realm, of what Heidegger calls the set-up (*Ge-Stell*). Since people are a *plurality*, the political, democratic sociation of living-together can only come about *as* ongoing political power struggle. Instead of mutually beneficial, agreed exchanges on the many different competitive markets (an economic power struggle), socialistic living must consist of endless, all-engulfing political power struggles on all levels. This amounts to the end of the individual *as such*, who is socio-ontologically possible only in conjunction with the state-protected, reified forms of sociation emanating from money (which translates as *private* property). Today I therefore affirm rather than question that “individual freedom without private property is impossible”. (§76Ab) The value-form of money and the other value-forms derived from money have historically enabled the individual and individual freedom in the West. That is, the free individual is a definite

historical form of sociation, and not some kind of imagined individual living in a pre-social ‘state of nature’.

With the striving for a democratic socialism (or for social-democracy), the free individual has to be overcome and subjugated to a politically constituted, social ‘we’. It is to lose its garden of privacy for, the reified social power afforded by the value-forms is to be overridden by the political, democratically organized, conflictual will. Politics becomes hegemonic, primary, all-pervasive. With the overcoming of free human individuality, however, freedom per se is socially eradicated. Anything resembling ‘libertarian socialism’ is a *contradictio in adjecto*. The free human individual can flourish only where it can be also private, i.e. where it is guaranteed protection from the incursions of a political plurality, a democratic ‘we’ institutionalized in the legitimated power structures of some kind of state.

The criticisms of individualistic egoism and individualistic consumerism from the left point indeed to deficiencies in desiring human being itself, which is ever seeking its individual advantage, but sociation via incessant political power struggle in any kind of democratic socialism by no means remedies these deficiencies. Self-seeking is merely displaced from the striving to gain income (reified social power) to the striving for influence within the political institutions of powers that be, including democratic economic and workers’ management councils. The private, free, bourgeois individual metamorphoses into a self-seeking element, whose privacy is no longer protected, enmeshed and struggling in a web of overarching, more or less democratic, political structures.

A social ontology of capitalist-democratic society therefore aims ‘modestly’ at bringing to light the structure of the world as it *is*. There are certain things which not even the best art, but only philosophical thinking, can show, and there’s no foreknowing what will come historically with such deeper insight. The figure of *Überwindung* (overcoming, getting-rid-of) is displaced by that of *Verwindung* (getting-over, twisting-free-of). Instead of striving to overcome reified, value-



form sociation practically-politically, philosophical insight into reified sociation and its necessary adjunct in the bourgeois-democratic institutions enables a *distancing* in the way of thinking (*Denkart*) from the gainful game of striving for income, from the endless political power struggles within the democratic institutions and also from the unreflected striving for social status as someone, but not in favour of entering another way of thinking that is out to politically-collectively set up and govern social living. Such distancing is a getting-over that, even whilst daily living continues to require engagement in power struggles, preserves those precious private interstices and niches in which individual freedom, both shared and solitary, can thrive in spite of all.

ME Cologne, February 2010

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# 1984 Synopsis

This work grew out of a research project on the reconstruction of the various drafts to Marx's *Critique of Political Economy*. Four of us (Roth/Kleiber/Hanlon/Eldred) have arrived at a form-analytic reconstruction of Marx's *Capital* reproduced here in the Appendix, which forms the indispensable conceptual basis for the present work.

Part 1 summarises *PROVISIONALLY* some of the principal categories of the capital-analysis (it cannot replace the development provided in the Appendix) by way of providing a transition to an analysis of the "surface of capitalist economy" (Parts II & III). The principal form-analytic categories of the competition-analysis are those of *PROPERTY*, *PERSON* and *SUBJECT OF COMPETITION*. These are developed through a consideration of the subjective activity of individuals in relation to the pre-given (value-)form-determinate capitalist economic objectivity. The subject of competition is the bearer of *COMPETITIVE FREEDOM*, the overarching concept of the competition-analysis, whose contradictoriness is to be laid bare.

Part IV investigates the universal social subject which necessarily complements the competitive economy. The state too is conceptualised in relation to the form-determinate contradictory freedom of the bourgeois epoch, as *REALISATION* of freedom.

The principal figure of the total analysis, from the beginning of the capital-analysis, is a *DIALECTICAL* one: the *DIREMPTION* of the (*ABSTRACT*) *UNIVERSAL* from the *PARTICULAR*. This diremption is first constituted in the double-character of bourgeois labour, conceptualised in the value-form analysis. The figure recurs again and again as the *INNER BAND* which, *IN REALITY* and *FOR THINKING CONSCIOUSNESS*, connects the bourgeois form of society into a contradictory *TOTALITY*. The claim of the present work, that our present form of society constitutes a totality, can only be validated by thinking in a *SYSTEM*. On the various levels of the analysis, right up to

its crescendo in the investigation of *DEMOCRATIC INSTITUTIONS*, the contents of *EVERYDAY CONSCIOUSNESS* are taken into account in order to demonstrate to it that the various aspects of contemporary life are only lived out as modes of expression of the underlying essential contradiction. /i>

# 1984 Preface

## Preliminaries

Why Marx? Why philosophy at all? The same ground which has prevented philosophy from withering away has also kept the first scientific socialist alive. Philosophy lives on, decrepit, in the learned institutions. It occupies itself with the past and with epistemology, in which contents come forward, mishandled, as case studies. Here and there it is able to maintain a flicker of vitality in those questions which gave it birth: “teachings about correct living” (Adorno 1951 p. 7). For those who have not swum with the tide of the dissolution of philosophy in the empirical social sciences, philosophy has maintained a fascination, even in connection with the attempt to come to grips with our contemporary life (and not as mere escape from life).

Marx has a reputation as a philosopher, and is read by some of those interested in philosophy. His status as ‘scientific socialist’ is a drawcard in the political arena rather than for students of philosophy. The latter are often attracted to philosophy because philosophy is precisely *NOT* science, at least not in the sense of the natural sciences. Marx lets himself be misused by those with an allergy against any form of science, who want to find philosophical inspiration in a free and easy manner, without the irksome constriction of rigorous thought-fetters. Their conception of philosophy borders on what everyday understanding often means by philosophy: wild, fanciful, subjective ideas without practical application.

Marx has suffered his ups and downs in his career as the originator of Marxism. At present, his popularity is at a fairly low ebb. For over a decade, some Marxists have spoken of a ‘crisis of Marxism’.<sup>1</sup> In popular understanding, and in some more serious interpretations of Marx, he is represented as the thinker who made various prophecies, including that of the ‘inevitability of socialism’. The agent of this ‘historical mission’ was to have been the proletariat. One can doubtless find evidence for

this interpretation of Marx in his writings. Elements of the Hegelian Philosophy of History found their way, with a radical turn to the left, into Marx's thinking. The comparison of these optimistic elements of a philosophy of history with the course of history in the 20<sup>th</sup> century has provided a childishly simple way of settling accounts with this revolutionary. A scientist whose predictions turn out to be wrong is obviously a quack, a mere idealistic soothsayer. With this judgment, many have saved themselves the trouble of gaining a closer acquaintance with Marx; others have read some Marx with this *idée fixe* in mind, which has prevented them coming to any fruitful understanding of the left-Hegelian.

Enlightened consciousness today – in contrast to the hopeful thinking of socialists, especially in Germany, up until the thirties – knows that history does not stand on our side, that it was a bad joke to talk of an 'objective necessity' of the proletariat reaching revolutionary consciousness. This enlightened consciousness is also cynical: it sees that, since the proletariat has failed to fulfil its prescribed historical mission, that we must make the best of things and set aims more modest than that of a socialist revolution. That is indeed one way out of a dilemma. The knowledge that we cannot rely on the current of history to move us forward is given a twist towards the affirmative: If history will not move us forward, then we should let ourselves be swirled along in its eddies. The graffito 'Only dead fish swim with the stream' makes a poignant point against this kind of resigned thinking. In the reified society, it is all too easy to allow things to have their way; this is one aspect of fetishised thinking. Everyday life is profuse with the compulsion of things, of the necessity of bowing to externally given circumstances. Marx's theory can be interpreted as a conceptualisation of these 'externally given circumstances', of the 'compulsion of things' apparently independent of human will. This conceptualisation should be able to point the way forward by showing the fulcrum where collective subjectivity could overcome reified relations and become subject of its own history.

A century of Marxism has left a sorry record behind. The world has not become socialist. Real existing socialism has been dubbed by the Free West a 'totalitarian' system, and that not entirely without justification (although with this designation, /iii> the West follows its own insidious tendentious aims). Critical theories which have abandoned any association with the aim of a socialist revolution have been born and have gained a following. From the fact that socialism has not been realised, these theories propose that one had better give up the idea altogether. In doing so, they take leave of the problematic circumscribed by Hegel and Marx, which is directed at a dialectical theory of the totality in its contradictoriness. The totality is pronounced to be ineluctable, or even evolutionarily advantageous for humankind. The category of contradiction is relegated the status of an Hegelian residue in Marx, smacking of idealism, whose retention can only hinder the development of critical thinking.

The critics of dialectical theory are right in one point: the dialectical aspects of Marx's theory have to date not become a political force. The party in which Marx and Engels had the greatest direct influence – German Social Democracy – never at any time embodied the radical politics implied by the dialectical aspects of Marx's theory.<sup>2</sup> Instead, it was the evolutionist aspects in Marx and Engels which caught the imagination of Social Democracy and allowed it a comfortable path. The evolutionist Marx is also the exoteric Marx, who admits of an uninvolved interpretation conducive to contemporary Marx-reconstructors, among others. The dialectical Marx remains hidden behind the evolutionist Marx, who employs a 'logical-historical' mode of argumentation in his main work and thereby gives credence to a Marxist 'science of History'. Marx himself was responsible for this popularised version of his theory, in that he modified his dialectical presentation increasingly to a 'logical-historical' theory.

Above all, Marx wanted to have a political effect with his theory. Although he states in several places that he never made compromises to vulgar understanding, the way his work was received. gave him cause to

think twice, to avoid further disappointment. The *Critique* of 1859 did not exactly take the world by storm.

Biskamp himself said to me, he doesn't see the "à quoi bon"; I expected attacks or criticism, but not to be fully ignored, which must also significantly impair sales. ... In America /iv> the first book has been extensively discussed by the entire German press from New York to New Orleans. I am afraid only that it is held to be too theoretical for the working public there ... (Marx to Engels 22.7.1859, Marx to Lassalle 6.11.1859 B100)

Such reactions, no doubt, moved Marx to "popularise as much as possible" (Preface to the first edition of *Capital*). A deeper ground for the popularisations – which are simultaneously historicising vulgarisations – is Marx's own "methodological unsureness"<sup>3</sup> (despite the imperturbable calm with which Marxists talk of 'Marx's materialist method').

What could be more popular than a theory which implies that history, (in the last instance?) is on our side? If a dialectical theory is to reveal the contradictoriness of the peculiar object, which is to be superseded and annulled, if at all, by the conscious act of a revolutionary subject, an evolutionary theory lightens the task considerably by suggesting that the revolutionary subject has only to release the trip-lever in history to unleash the potential inherent in the historical development brought about by capitalism. The ripened fruit needs only to be plucked from the tree; and conversely, one has to sit back and wait for the fruit to ripen.

With the critique of the teleological tendentiousness of an evolutionary theory, Marxism could regard itself as having freed itself from a pernicious illusion. This liberation would lead – if consistently pursued – to an unearthing of the esoteric, 'dialectical' Marx, whose critical potential has never, in the relatively long history of Marxism, been realised. As the debate in and around Marxism now stands, the 'dialectical' Marx remains unpopular, one could say, almost completely unknown and disregarded. Instead, the evolutionary Marx has been cut down to size: there is no necessary evolution towards socialism, but one can employ some Marxian categories in a 'science of History', or a 'critical sociology' of social change. This capitulation of critical theory



to historiography and sociology is not without its sociological explanations (which do not interest us here). Some have remained committed socialists politically, and pursue a Marxist sociology or historiography in theoretical endeavour.

With words one can only ever achieve so much. Nevertheless, the words contained in the following pages are placed to stem the tide in Marxism and all theories with critical pretensions; a perilous enterprise, considering the fury with which some waves thunder in to shore and the mighty undertow of ancient, sluggish undercurrents. The thesis is the following: Only a *DIALECTICAL* theory can be critical; all else, on closer inspection, turns out to be froth and foam. This claim can only be evaluated by studying the entire presentation offered here.

## **I The Marxian System Fragment, its Reconstruction and Extension**

The work concerned is a *critique of economic categories* or, if you like, the system of bourgeois economy critically presented. It is simultaneously presentation of the system and through the presentation a critique of it. ... The whole is divided into 6 Books. 1) On Capital (contains some preliminary chapters) 2) On Landed Property 3) On Wage-Labour 4) On State 5) International Trade 6) World Market. I can of course not avoid taking critical notice of other economists occasionally, especially polemics against Ricardo ... (Marx to Lassalle 22.2.1858 B80f)

With these words, Marx describes, as in several other places<sup>4</sup> the entire system initially outlined by him in September 1857 during the writing of the introduction to an enormous rough draft. Striking is that the critique is to be performed through presentation of the system, already a hint at dialectics. In March of 1858 Marx writes again to Lassalle:

It is in no way my intention to work out all six books into which I divide the whole to an equal extent; but rather in the latter three to give merely the basic outlines, whereas in the first three, which contain the basic economic development proper, elaborations are not always to be avoided ... (Marx to Lassalle 11.3.1858 B87)

My purpose here is not to investigate in detail the extent to which Marx executed or altered the plan of his system. Instead, I want to make some elementary observations about this planned system as a prelude to outlining a research program which has grown out of the attempt to reconstruct the Marxian drafts to this system. A point which cannot be over-emphasised is that the system aims at “critically presenting” a theoretical object existing in the bourgeois epoch. The system aims at presenting “for the first time an important view of social relations *scientifically*.” (Marx to Lassalle 12.11.1858 B93 my emphasis) We are thus dealing with a proposed critical science of “bourgeois economy” (including the state).

The rough outline of six books is elaborated, in accordance with the above-quoted view that the latter three books are only to provide the broad strokes, in more detailed plans for the first book. To my knowledge, extensive plans for the books on landed property and wage-labour do not exist (cf. however the discussion of the change of plan below). The book on capital has the following structure:

- a) Capital in general
  - 1) Production Process of Capital
  - 2) Circulation Process of Capital
  - 3) Profit and Interest
- b) The Section on Competition “or the action of the many capitals on one another” (B87)
- c) The Section on the Credit System
- d) The Section on Share-capital<sup>5</sup>

As a rough structure which was only partially filled out with drafts, even this articulation of the first book cannot be regarded as a blueprint strictly to be observed. In particular, the place of competition within the plan for the first book was never concretised with a draft. In the envisaged work to be published under the title of *Capital*, only the section on capital in general was to be covered. The plan for six books thereby shrinks in the years from 1859, when the *Critique* was published, to 1863, when work on the drafts for *Capital* was properly

begun, to merely the first section of the first book. In this vein Marx writes to Kugelmann in December of 1862; the manuscripts for *Capital*, which are yet to be written, are described by Marx simply as the “copying out and final filing down for printing” of a manuscript entitled /vii> “On the Critique of Political Economy”, written between 1861 and 1863.

It indeed comprises only that which should form the third chapter of the first section, namely, ‘capital in general’. It therefore does not include the competition of the capitals or the credit system. ... It is the quintessence (together with the first part<sup>6</sup>) and the development of the following parts (with the exception perhaps of the relation of the various state forms to the various economic structures of society) could be easily carried out by others on the basis of that already provided. (Marx to Kugelmann 28.12.1862 B113)

One could say today that Marx overestimated both his own powers and those of others. Not only did Marx not come to publishing his own theory of ‘Capital in general’, but no one else has ever ventured into an extended work on the remaining parts of his system. The reference to the difficulty of working out the relation of the various forms of state to the various economic structures remains enigmatic. According to the editors of the *Grundrisse* (cf. G p. X), the most extensive plan for the book on State consists of merely three printed lines:

(state and bourgeois society – taxes, or the existence of the unproductive classes – the state debt – the population – the state towards the outside ...) (G175)

The last-mentioned theme belongs already to the fifth book, on international trade. With regard to the present work, which has as one of its objects the bourgeois form of state, these remarks by Marx are of no positive help in the contemporary theoretical task of a state theory. The same holds for a work on competition, belonging to the “eventual continuation” of *Capital*. Despite hints in the draft for Volume 3 of *Capital*, and despite comments on competition in the first volume (cf. IV below), one is confronted with an autonomous task of research in any contemporary attempt at completing a systematic theory of bourgeois society. No amount of Marx-research will be able to uncover what Marx had in mind for the unwritten – even in draft form – parts of his system.

The title for the whole system – System of Bourgeois Economy – the references to competition in the rough draft for Volume 3 of *Capital*, as well as the above-cited plan for the book on state, suggest a rather economic work. The present work diverges from these Marxian intentions in a way to be explained in following subsections of this preface.

As to whether Marx ever actually gave up his plan of 6 books extending as far as a theory of state, international trade and world market, the view of Rosdolsky is of interest. Referring to the second detailed plan Marx works on from 1864-65 for *Capital*, he notes that

these books (the latter three ME) were never really ‘given up’, that is, that the themes falling within their area were never assimilated fully into the second structure of the work, but rather remained basically reserved to its ‘eventual continuation’. (Rosdolsky 1977 p. 23;1968 I p. 39)

This is to be contrasted with the plan-changes concerning the first three books. The plan for Volume 3 of *Capital* which Marx writes to Engels on 30.4.1868 suggests the interpretation that at least aspects of the section on competition are incorporated in the treatment of the average rate of profit and that the books on landed property, wage-labour and “the three classes” (referred to in a structure to be found in the *Grundrisse* G175) are to gain at least a condensed presentation in the seventh and last part of *Capital* Volume 3. This last part, containing the investigation of the “three revenues” and their corresponding classes, is to end with

the *class struggle* as conclusion, in which the movement and dissolution of the whole shit dissolves ... (B 172)

It is an undecidable question to what extent this analysis of revenue-forms, a draft of which first appears in the 1861-63 manuscripts. can be regarded as a modified concretisation of the second and third books of the originally planned Marxian system.<sup>7</sup> Whatever new insights are to be won in future philological investigations of Marx’s writings, one must conclude that Marx’s project of a critique of bourgeois society, however one may interpret this project, remained unfinished,<sup>8</sup> indeed no more than a skeleton. Even the skeleton was left as a mere torso<sup>9</sup> – two

published volumes, *A Contribution to the Critique of Political Economy* /ix> and Volume 1 (in two German and one French edition prepared by Marx himself) – and the ‘arms and legs’ of voluminous unpublished manuscripts<sup>10</sup> to Volumes 2 and 3 of *Capital*, as well as to the historical presentation of the theory, *Theories of Surplus Value*. As for the projected ‘flesh and blood’ of an analysis of the bourgeois superstructure, alluded to in the notorious 1859 Preface as “the social, political and spiritual process of life”,<sup>11</sup> not even a systematic plan was left behind by Marx.

In the 1859 Preface, which publicly announces the system of six books, Marx is misleading about the state of readiness of his work. He claims that “the whole material lies before me in the form of monographs” (Crit 19; MEW13 7), although the last three books are scarcely represented in these monographs, comprising excerpt notebooks from the years 1851-52<sup>12</sup> and the rough draft of 1857-58, first published in 1939 and 1941 under the title provided by the editors of the Marx-Engels-Lenin Institute in Moscow, *Grundrisse der Kritik der Politischen Ökonomie*.

That Marx’s system remains a fragmentary skeleton has not been seriously taken into account by the Marxist tradition, and especially not by English-speaking Marxism. An index for the infantile state of English-speaking Marx-research is that the *Grundrisse* first appeared in English translation as late as 1973. Its publication stimulated the printing of a flurry of articles, which however quickly gave way to boredom with the topic. Under the bland formulation ‘Marx’s main work’, *Capital* is treated almost without exception as a more or less completed work. This illusion of completeness, with or without the admission that various special themes, such as a theory of capitalist crisis or of the credit system, remain contradictory or incomplete, and the almost total lack of a critical evaluation of the one volume published by Marx and other manuscripts to *Capital*, reflect an apparently impenetrable complacency and unwillingness of English-speaking Marxism to immerse itself in the minute details of Marx (not Marxist) research. Even the long and extensive debate on the value theory engaged in by a few Marxists, and

followed by a couple more, in Britain and the U.S. taps around in the dark or completely ignores the issue of the dialectical character of the /x> esoteric strand in Marx's value theory. (cf. III below). Perhaps a perturbing sign for an English-speaking Marxism which, through the experience of the New Left, has tried to distance itself<sup>13</sup> from the official Marxism of the Soviet Union is that, at least on the question of there being no need for a minute fundamental reassessment of Marx's system fragment, they are, through either disinterest or dogmatism, in fundamental agreement. The historico-empirical attitude or the mathematico-logical inclinations of English-speaking Marxists have by and large precluded any minute and radically uncompromising re-evaluation of Marx's writings.

In the notes provided by the editors of the Institute for Marxism-Leninism in Moscow and Berlin to the first volume of *Kapital* (MEW23), the books projected by Marx on state, international trade and world market are silently written out of even ideal existence. After mentioning the planned six books of the 1859 Preface, the editors write:

In the course of further work Marx decided to construct his whole (sic) work according to the plan which he had earlier worked out for the section 'Capital in general' with its three subsections. (MEW23 845)

This statement partly confirms the interpretation given above of Marx's letter of 30 April 1868, according to which the first three books are taken up in modified form in the three volumes of *Capital*. Following the last-quoted passage is a quotation from a letter from Marx to Kugelmann of 13.10.1866, in which Marx refers to his "whole work" as falling into the structure of the three volumes of *Capital*, as published, plus a fourth book, "on the history of the theory". The editors could sensibly put forward the suggestion that Marx, in 1866, had already abandoned any intention of writing the last three books of his planned system. They present the matter with apologetic slyness however, as if the whole system were now somehow taken up into the three books of *Capital*. The new plan of Marx in any case cannot be represented as bringing new contents under the structure of the analysis of 'Capital in general', but as an abandonment of the previous systematic structure.

The editors, of course, do not underline the fragmentary character of *Capital* itself. To the asserted completed construction of socialism in the Eastern Bloc corresponds the asserted completeness of Marx's system. It is inconceivable that Soviet Marxism question the theological underpinnings of the state religion. Although English-speaking Marxism of late vigorously repudiates any uncritical acceptance of the social system in the East, it has not yet shaken, through an exacting, but rejuvenating, reassessment of Marx's critique of political economy, the petrified image of a solid foundation of Marxism. In some cases, the stony image is adhered to, in others, a net is cast in entirely new waters. Neither attitude is able to bring an ossified Marxism to life.

The kind of theory put together by Marxists more often than not resembles the wedding robes of Penelope, who unravels the weaving of the previous day in the night, and starts every day afresh. There are ever new facets and events in the phenomenal world which draw the attention of some Marxist theoretician or other, and cause him/her to devote energy to an obviously undone task. Why this task is given priority is determined in the first instance by personal interest. When pressed for a justification as to the critical relevance of the study, the answer often runs as follows: some organisation, social movement or group urgently needs empirical knowledge in some area for their 'struggle'. Or recourse is taken to the significance of a tradition or author (whose standing and relevance remain unquestioned). A Marxist theoretician, like anyone else, cannot jump over his/her own shadow. This fact notwithstanding, one could hope that the question of what critique is, and how it relates to socialist revolution (for which the Marxist waits since many years past) could be posed for a Marxist.

In the present work, the object of attention is not the Marxian oeuvre itself. The starting-point is rather the project of a systematic theory of the bourgeois form of society, which relates directly to Marx insofar as his writings on the critique of political economy form the indispensable theoretical raw material for a reconstructed capital-analysis. Marx's theory is the best in a long series of attempts to analyse capitalism. This reconstructed capital-analysis, in turn, serves as foundation for a theory

of the surface of capitalist economy and of the bourgeois /xii> superstructure. There is already a marked change of accent from Marx's intentions, in that not the "system of bourgeois economy" is the object of analysis, but rather the totality of the bourgeois *form* of society. The structure of the total system, of which the present work comprises a version<sup>14</sup> of the fifth, sixth and eighth sections, is as follows:

I Commodities and Money

II The Capital – Wage-labour Relation and Capitalist Production

III Interest and the Revenue-form

IV The Circulation and Reproduction Process of Capital

V The Surface of Capitalist Economy: Competitive Freedom and Compulsion

VI The State as Leviathan

VII Bourgeois Subjectivity and Private Life

VIII The State as Expression of the Will of the Citizens: Bourgeois Public Life and Democracy

IX Culture and Aesthetic Experience

X Ideology and Critical Social Philosophy

The first four headings cover the structure of a reconstructed capital-analysis (contained in the Appendix under joint authorship). In following subsections of this preface, a more detailed description of some parts of the system will be given. At first sight, the challenge of offering a contribution to a system appears to be beset with insuperable difficulties. Apart from the general distaste for thinking systematically, the debate in and around Marxism over Marx's system fragment, even one hundred years after Marx's death, is marked by severe divergences<sup>15</sup> of interpretation on the one hand and by unshakeable complacency<sup>16</sup> on the other. The present work does not deal with the disputes around the critique of political economy directly. It is founded on the Sydney-



Konstanz group's reconstruction of *Capital* (cf. the Appendix), which has crystallised out of research and discussions starting with a research project organised by Mike Roth in Konstanz in 1971. Genuine critique aside, no one will be able to accuse us of putting forward half-baked ideas in our concise reconstruction. Reference will be made throughout in the main text to this reconstruction, as well as to Marx's texts. /xiii>

Our reconstruction, like all scientific argumentation, is open to criticism. This criticism presupposes of course the rare reader who is willing to take the trouble of mastering the argumentation and uncovering any defects therein. The attempt to build on the capital-analysis in the areas of competition and the state has shed light also on the fundamental concepts of the capital-analysis in connection with the aim of grounding a *critique of the bourgeois forms*. This form-analysis does not seek to 'reduce' superstructural phenomena to economic phenomena, nor to 'explain' superstructural phenomena causally in terms of economic factors. Instead, it aims at grasping the *whole in thought*, at laying bare the 'inner band' constituting this whole and at showing in which sense humans are not subject of their own social life and history, and the consequences thereof.

The present work is a philosophically oriented critique of two spheres of modern bourgeois reality, not a treatise on economics, nor a sociological study. Qualitative form is the focus of attention and not objective economic (or other) 'laws of motion' (which in any case are a hoax). The analysis makes no claim to being able to chart the historical development of bourgeois society. This latter activity of Understanding is to be contrasted with the speculative Reason of critique,<sup>17</sup> which modern social science thought it had banished forever under a cloud of disgrace. In its fundamental characteristics and through all the immense variation in particularity thrown up by bourgeois history, the bourgeois form of society is subject – according to the programmatic claim – to the same essential critique as when Marx published in 1867 the first volume of his theory of the "present society" (CI 21;KI 16). In conceiving this work as the second part of a form-analysis, I have without doubt diverged from Marx's intention, in *Capital*, of explicating "the

economic law of motion of modern society” (CI 20, KI 15). There is nevertheless a line of development in Marx’s critique of political economy, starting with the infamous and neglected value-form analysis of the third subsection of the first chapter of *Capital* and with corresponding texts in the *Grundrisse*, the *Critique* and the first edition of *Capital*, which, although entirely at odds with the exoteric labour theory of value, can be fruitfully interpreted and reconstructed.<sup>18</sup> In the /xiv> work of reconstruction – and self-evidently of necessity in the work of extension – it cannot be a matter of the juxtaposition of Marx quotations or the recounting of argumentation, but of developing an autonomous argumentation which, whilst owing a great deal to Marx, ultimately has to be assessed on its own merits.

## II General Methodological Remarks

In this subsection, an outline of general methodological conceptions will be provided. The following remarks do not constitute an argumentation, but rather provide *rules for a dialogue* (Roth 1976) between systematic thinking and everyday consciousness. Since as methodological remarks the contents of the presentation will be initially abstracted from, only the most general impression of the methodological way of proceeding can be given. In the following subsection, where the kernel thoughts constituting the guiding thread for the reconstruction of the capital-analysis are set out, certain contents will be briefly discussed.

In recent times, the efforts to reconsider the Marxian theory as a system in which concepts are derived one from the other, has not found especial favour, particularly not in English-speaking Marxism. Even in West Germany, the spiritual home of *Ableitungs-Marxismus*, the approach enjoyed only an ephemeral flowering. Part of the debate centred on the conflict between a logical and a logical-historical mode of presentation. The representatives of the ‘logical’ approach were in the main accused of operating with dry, abstract concepts which have a restricted validity in analysing the historically given capitalist societies. The abstract, bloodless categories, according to this position, should take on some colour by incorporating historical material arising in

overabundance in every phase of capitalist development. The defenders of a logical position maintained on the contrary that little clarity about the status of the categorial development in Marx's *Capital* has been won, especially not by the proponents of a logical-historical position. The relationship between dialectical transitions in the capital-analysis and historical material, when not treated in a comically dogmatic and cursory way by referring to Engels' (in any case contradictory) remarks on the subject, has not received any satisfactory treatment at the hands of the logical-historicists. Here, a more detailed discussion of this debate cannot be gone into.<sup>19</sup>

The doctrinaire defenders of a derivationist approach have been unable to give a clear and plausible account about how a 'logical' theory can be constructed. This inability has served to reinforce the prejudices of 'common sense' Marxists. Here we clear away a few of the most obvious misconceptions. With the term 'logical', everyday conception usually associates a way of argumentation bound by strict rules in which one step follows from the preceding one with necessity. Mathematics is taken as the paradigm for such an argumentation. For those allergic to mathematics, it can be said that systematic thinking does not work with a mathematical form of proof (although it does make strenuous demands on the reader). Not only are the contents of a systematic social theory entirely different from mathematics – the one deals with the qualitative forms of social relations and phenomena, the other with space and time – but also the form of presentation. As Hegel points out in the preface to the *Phenomenology of Spirit* and elsewhere, the mathematical form of proof – contrary to a popular misconception – possesses no inner necessity but only the reassurance that the steps of the proof lead eventually to the desired result, namely, to the theorem which is to be proven. As opposed to this, systematic thinking argues for each transition in the presentation not by the application of axioms and rules of deduction, but by making clear why the presentation cannot come to rest at the systematic level already reached.

A further difference of systematic thinking from mathematical or other types of logical thinking is its relationship to the phenomenality of

the social world. This phenomenality is not negated and replaced by axioms and formal rules of deduction. Rather, the initial and further development of the presentation depends on its taking account of the contents of everyday consciousness.<sup>20</sup> The latter is not abstractly negated by systematic thinking, but enters into a dialogue with it. Hegel formulates this as follows: /xvi>

Against that therefore, which consciousness declares within itself to be the in itself or the true, we have the yardstick which it itself erects and against which it measures its knowledge ... Consciousness gives its yardstick in itself and the investigation will be thereby a comparison of itself with itself. (Ph.G 77, 76)

The yardstick is not dragged in from the outside, as a normative Ought which is to blame reality for its shortcomings on the basis of an a priori moral code, but is an immanent “comparison of itself with itself”.

At the beginning of the presentation stand the proponent of the dialectical theory and the opponent, who has a practical, everyday knowledge of life in modern bourgeois society. The proponent takes certain elements of this everyday consciousness in forming the first concepts of the analysis. In doing this, the proponent does not deny the opponent his/her everyday knowledge, but makes the claim – indispensable for the construction of the system – to be allowed to determine the systematic level at which the contents and arguments of everyday consciousness may be brought into play. So far, this sounds deceptively simple for anyone acquainted with the endless literature on ‘Marx’s method’, Hegel’s speculative logic, or with the methodology of empirical social research.

With the construction of the first concepts of the presentation through an investigation of certain contents of everyday knowledge, the *language of analysis* is inaugurated. The opponent, who has followed through the construction of these concepts, must now continue the dialogue with the proponent by paying regard to the language of analysis, i.e. to the conceptual categories, developed to that point. The objections formulated by everyday consciousness now have to take the appropriate form of conceptually articulated objections. Everyday consciousness feels itself a little hemmed in, but may nevertheless abide

by the rules of the dialogue, and see what comes next. Everyday consciousness is raised beyond its prosaic level – it becomes *gebildet* and is *aufgehoben*. Everyday consciousness is gradually taken up and dissolved in the systematic presentation without ever having been negated. The aim of systematic thinking is to achieve a knowledge of the inner connection /xvii> of the bourgeois form of social totality which can be mediated to everyday consciousness by way of the presentation. The presentation comes to a close when the general phenomenality of this social totality has found a place within the presentation at which it has been conceptualised to the satisfaction of the opponent. Everyday consciousness thereby can agree that its general contents have been taken into account by systematic thinking whilst simultaneously gaining insight into the inner coherence in the essential structure of bourgeois social relations, diffracted by the chaos of impressions and experiences of everyday life. Dialectical thinking is a coming-to-rest amidst the chaos which continues to exist as an inchoate mass of confused fragments. Everyday consciousness maintains its validity in daily life in practically dealing with the multi-faceted world with which it is confronted.

The first categories of the analysis initiate the investigation of the essence of capitalist society, an essence which the analysis claims to have found within the anatomy of capitalist economy. These first fundamental concepts are the basis upon which the whole conceptual structure arises, and are thus crucial for the presentation. They formulate the inner thread that can be drawn through the whole analysis and which allows the bourgeois form of society to be conceptualised precisely as a *TOTALITY*. Systematic thinking reveals bourgeois society to be a connected whole in a sense which can only be shown by the presentation itself. This is simultaneously a ground for thinking in a system. According to its claim, the real object, the bourgeois form of society, is indeed a connected whole, a system, which can only be successfully comprehended when thinking likewise constructs conceptually the connection between the parts.

The true is the whole. The whole however is only the essence which completes itself through its development. (Ph.G 24)

Formulated in another way, systematic thinking can be conceived as the investigation of the general form of society which arises necessarily on the basis of the indirect *Vergesellschaftung* of labour through the commodity form. The generality of the theory as form-analysis arises from the fact that the phenomenality /xviii> of bourgeois society is not uniquely determined by the essential relations of production but is nevertheless unique in its form – and that not as an ‘ideal type’ from which reality diverges to a greater or lesser extent. (cf. further below, on epochal validity).

If on the one hand systematic thinking does not abstractly negate the phenomenality of everyday life, on the other, it does not surrender the stringency of a conceptual development. It exerts itself to make the transitions from one level of the analysis to the next convincing and unarbitrary. The incorporation of new elements of everyday consciousness into the analysis does not happen capriciously, but is prepared by the preceding level of the analysis.

Scientific knowing however demands rather the surrender of oneself to the life of the object or, in other words, to have before oneself and express the inner necessity of the object. (Ph.G 52)

The necessity of the movement of the presentation is bound to the concept of *CONTRADICTION*, which gives systematic theory its *DIALECTICAL* character. The first concepts of the presentation articulate a *DOUBLEDNESS* in reality consisting of two moments, *PARTICULARITY* and *UNIVERSALITY*, which are *MUTUALLY DEPENDENT* and simultaneously *SUNDERED* from one another. This sundering means that each moment contains within it the implicit claim to be the *WHOLE*; the moments are thus in this sense *MUTUALLY EXCLUSIVE*. The contradiction can only exist in reality in that one moment is *SUBORDINATED* to the other. The movement of the presentation is the movement of the contradiction between the two moments. In part, the analysis is the investigation of the *DOMINATION*

*OF THE ONE MOMENT, UNIVERSALITY, OVER THE OTHER.* In other parts, the analysis is of the *FORM OF MOVEMENT OF PARTICULARITY* in the shadow of universality. In yet other parts, the analysis is of the forms in which the two moments strive for *RECONCILIATION* and *IDENTITY* with one another. Identity, however, could only be achieved if the contradiction ceased to exist in reality, in which case, it would no longer make sense to speak of two separated moments. The *CONTRADICTION BETWEEN UNIVERSALITY AND PARTICULARITY* is thus the *INNER MOTOR* of the presentation, which at the same time /xix> constitutes the *INNER BAND*. The revelation of this contradiction in *ALL* its ramifications is the *CRITIQUE* of the bourgeois form of society.<sup>21</sup>

In this way the dialogue with everyday consciousness, expressible in Hegelian terms as a phenomenology, is also an immanent movement, driven by the necessity of the concept. In the attempts at the reconstruction of a critical social philosophy, the one aspect of the argumentation should not be played out at the expense of the other. The systematic presentation is neither a logical deduction of one concept from another, nor is it a mere stringing together of everyday phenomena in a convenient order which does not exceed the self-understanding of everyday consciousness.

The systematic presentation brings social phenomena to their concept. The concept itself is first developed in dialogue with the contents of everyday consciousness. In this sense, systematic thinking is a *constructivist* methodology.<sup>22</sup> It builds its language of analysis up in a stepwise dialogical development. The bringing of a phenomenon to its concept is simultaneously the demonstration of its place within the total connection of the social phenomenality. At the same time, this bringing of a phenomenon to its concept is strenuous and demands an attention to the formulation of the conceptual language of the analysis as well as to the distinction between systematic levels. Libertarian and lazy elements in everyday consciousness experience a strong disinclination at this thought, which however is not insuperable if consciousness makes clear to itself that the effort will not be wasted.

To refrain from one's own interference with the immanent rhythm of the concepts, not to intervene with caprice and other acquired wisdom, this reservedness is itself an essential moment of attentiveness to the concept. (Ph.G 56)

Although systematic thinking remains in dialogue with everyday consciousness, its claim to be able to determine the place at which the moments of everyday consciousness are brought into the presentation can seem to everyday consciousness to do violence to it. The demands of the systematic presentation can lead to the separation of moments which for natural consciousness 'naturally' belong together. As real imagined object, the concept formed of /xx> it by bracketing certain aspects, for everyday consciousness, seems poor and unreal. The real object appears dismembered. This appearance of dismembering, this "activity of separating" (Ph.G 36), arises in the contrast between the natural connections, including causal relations, assumed by everyday consciousness in daily life and the unfamiliar connections which systematic thinking exposes through its determinations by reflection (*Reflexionsbestimmungen*). To everyday consciousness, the inner connection constructed by separating its moments appears alien and fictitious. The former can only convince itself of the adequacy and justice of the systematic ordering and dissecting by following through the argumentation itself to see if in fact an inner connection is successfully constructed. The strangeness of the methodological dissection is to be compensated for by the insight into the essential relations, which strips away the natural self-evidence of accepted everyday phenomena and forms of consciousness. Everyday consciousness is shaken by its encounter with systematic thinking, and may resist the attempt to reconstruct its apparent obviousnesses. It often does this by refusing to accept the rules of the systematic dialogue, and counterposes its own idea of what social theory should look like (Marx's 'materialist method', 'history', 'concrete analysis', 'discourse analysis', 'semiotic delinquency', etc. etc.). Through this stratagem, a dialogue never gets off the ground. Well and good; there are lots of fascinating things in the world, and one can't do everything. Systematic thinking can only make clear its demand that everyday consciousness take leave



of the well-known and its preconceptions and give itself over to the unfolding of the systematic argument. “Conversely, the individual has the right to demand that science reaches to him/her the ladder to this standpoint.” (Ph.G 29)

The final question to which we turn in this subsection is that concerning the epochal validity of the analysis. Against the astounding rush of historical change and specificity, for naive consciousness it seems daring to claim as theoretical object an epochally valid form of society. Systematic thinking enters into dialogue and dispute with everyday consciousness as it exists in contemporary, modern society. It claims to conceptualise the specific form of bourgeois society by relating to certain moments /xxi> of everyday consciousness in a characteristic way. Everyday consciousness itself knows only its present form, and what it has heard of history, and cannot itself select those elements which possess an epochally universal validity. This selection is a task left for systematic thinking. It must be able to construct its categories in such a way that not only the definite limited phase or only a particular society is conceptualised. The systematic presentation is exposed to a test of its validity in every historical phase and every particular society through the reader’s attempt to make sense of the argument. Although bourgeois society is characterised by continuous rapid and sometimes momentous change, systematic thinking claims to have grasped the general forms within which this change takes place. The forms themselves are universal. Not only the particular situation (structure of institutions, state of technology, concentration of capital, etc. etc.) as it actually exists at a specific point of time is of relevance for systematic thinking, but above all the *forms of consciousness*, which may represent a demand on reality rather than encapsulating the actually existing state of affairs. Forms of consciousness are not tied to the here and now of the historically particular situation, but can refer to both past and future. The forms of consciousness refer not only to how in a particular society the social and private life is actually organised but also to how consciousness thinks reality could or should be. This consciousness of Should and Could exists in the present and forms part of the material

with which systematic thinking disputes. Systematic thinking aims at grasping the general social form of the social spheres, economy, state and private life, as well as their relation to one another. Their particular shape and relation to one another can alter historically without invalidating the systematic analysis.

Epochal validity refers immediately to a philosophical theme. Whereas sociology, economic and other social sciences concern themselves with particular constellations of phenomena observed within definite co-ordinates of time and space, philosophy occupies itself with the universal character of our social situation. The historical birth of bourgeois society was simultaneously the period in which classical bourgeois social philosophy attempted to give an account of bourgeois society per se. In doing this, it concerned itself with questions of morality, ethics and the general character of capitalist economy. The dissolution of philosophy in the various social sciences has meant that sight has been lost of central universal socio-philosophical themes. Certain key phenomena nevertheless recur again and again in various disguises in philosophy and the social sciences, even if they are today quickly gone over in favour of more particular, context-bound questions, or held at arm's length with a positivist scepticism. One question which has been suppressed more and more by philosophy and social science, to a point where most academics no longer see any point whatsoever in posing it, is: What is capital? Economics talks continually about capital, and does very well even in its lack of being able to ground one of its basic concepts. A similar remark holds for the question: What is bourgeois freedom? Sociology fashions the question into a problem which can be treated by empirical methods, and gives at most definitions of what is meant by the term. Philosophy handles the question in ethics and finds itself incapable of providing a form-determinate concept. This incapacity is intimately bound to the failure of philosophy to adequately conceptualise private property. Classical bourgeois philosophy operated in a problematic inseparable from that of political economy. Since the two have parted company, neither is able to provide a concept of private property; they mutually hinder one another.

A further external indication that a critical social theory concerns itself with central, epochally valid categories is the necessity of a *dispute* with alternative theories and partial theories during the course of the presentation. In this dispute, the alternative theories are treated as aspects of everyday consciousness, or more precisely, as attempts to work up everyday consciousness or aspects thereof into an understanding of itself. In the centre of this dispute stands the consideration of a correct conceptualisation of the 'free market' capitalist economy, the bourgeois-democratic state, the private life of the bourgeois individual, and the relations between them. In this way, systematic thinking carries on a dialogue not only with the naive conceptions which spring literally out of everyday life, but also and especially, with opposed, more or less elaborated theoretical positions. The latter dialogue represents also the greater exertion for systematic thinking, because elaborated theories make pretensions to scientific legitimacy and therefore enjoy a following which is prepared to argue against or dismiss the arguments of systematic thinking. "It is however far more difficult to bring fixed thoughts into motion than sensuous consciousness." (Ph.G 37) If one proceeds from the conception of an ideal speech situation, one could take the attitude, let the fisticuffs begin, and let the better position win. The present work is called an outline partly because it does not try to fight out every skirmish; rather, it sounds a battle cry.

An explication of the object of systematic thinking, the relation of the presentation at hand to the Marxian theory, and a description of the whole system into which the present work fits will be provided in the following subsections.

### **III Value-form Analytic Reconstruction of the Capital-Analysis**

The theoretical object of the capital-analysis, as understood in our efforts at reconstruction, is the capitalist form of social material reproduction. In theoretically investigating this object, the analysis is

simultaneously a critique of bourgeois economic categories, in that it lays bare the contradictoriness of this form of material reproduction. We will return to the theme of 'contradictoriness' below. The capital-analysis investigates the forms and process of capitalist economic objectivity. This analysis of a form-determinate objectivity is to be complemented by an investigation of the forms and action of economic subjectivity, in the competition-analysis (see IV below).

Form-analysis is to be distinguished from the predominant understanding of historical-materialism as a theory of historical development. Adorno polemicised against this conception of social theory, which can be found also in the writings of the founders of scientific socialism: /xxiv>

It was a matter of the deification of history also with the atheist Hegelians Marx and Engels. The primacy of the economy is supposed to ground with historical rigour the happy ending as immanent to it; the economic process is supposed to produce the political relations of domination and revolutionise them to the point of a compulsive liberation from the compulsion of the economy. (Adorno 1966 p. 313)

Modern Marxism and other critical theories cannot be regarded as having freed themselves from some variant or other of a mechanics of history. Such theory has no way of intervening in history as an explicit critique of consciousness which could initiate a movement leading away from the present form of society. Without this explicit critique, consciousness will never see the sense of putting the forms into question.

Developmental theory can be understood in two senses: firstly, as a theory of the progression of class societies from epoch to epoch, and secondly, as a theory of capitalist development within the bourgeois epoch.<sup>23</sup> Both these variants of Histomat are well represented within Marxism. The first owes its classical formulation to Engels' *Origin of the Family, Private Property and the State*, that served as basic text for a series of vulgarisations within German Social Democracy, and which was elaborated on by Stalin in *On Dialectical and Historical Materialism*. The second variant is represented by massive amounts of

contemporary Marxist literature, and finds its classical formulation perhaps with Hilferding's *Finance Capital* and Sweezy's *Theory of Capitalist Development*. A competing developmental theory, both transepocheal and within the bourgeois epoch, is Habermas' and his school's proposed reconstruction of historical materialism.<sup>24</sup>

Form-analysis, in marking itself off from developmental theory, takes as its starting-point the striking autonomy of the argumentation in *Capital* when understood as a systematic argumentation aiming at the conceptualisation of epochal categories. The debate between systematic theory and developmental theory finds a firm ground for contestation in the interpretation of the Marxian capital-analysis. There, the decisive point is a clarification of the distinction between a logical-dialectical and a logical-historical mode /xxv> of presentation. The theorist who has occupied himself most intensively with this question is Hans-Georg Backhaus. He has shed light upon the methodological problems of Marx's texts in relation to the perplexing phenomenon of the various versions (published by Marx himself) of the Marxian value theory. According to Backhaus, of the four versions of the Marxian form-analysis of commodities and money, the first, which appeared in the *Critique* of 1859, presents the value theory most consistently as a dialectical, 'logical' argumentation. The logical analysis is clearly separated from the historical, which latter comprises only the last two pages of the analysis of commodities and money in the first chapter of the *Critique*.

In this pseudo-historical appendix to the first version of the Marxian value theory however one must see the germ of its later 'historicisation' and 'vulgarisation' by Marx himself, above all however by the late Engels and the Marxist interpreters. (Backhaus 1981 p. 156f)

This statement by Backhaus is the result of a painstaking study of Marxian and Engelsian texts as well as of letters written by both. Backhaus shows that even Engels did not consistently represent a logical-historical interpretation, but rather oscillated from an historical-logical position in the 1859 review of the *Critique*, to a logical position in the *Konspekt* and *Anti-Dühring* to a final logical-historical position in

the foreword and appendix to the third volume of *Capital* of 1894-95. The Engelsian theory of simple commodity production developed in this appendix can be viewed as a consistent conclusion to the tendency towards historicisation already present in the value theory as presented by Marx in the second edition of *Capital*. Backhaus also shows that Marx's silence on Engels' 1859 review, which confusedly outlines a logical-historical mode of presentation, can plausibly be interpreted as an unsureness and unclarity on Marx's part as to the distinguishing characteristics of his 'materialist' manner of presentation as opposed to an Hegelian 'idealist' presentation.

It is of course not to be overlooked that he (Engels ME) feels similar scruples to Marx with regard to 'dialectically won' results. The central problem for their conceptual /xxvi> construction: how, on the basis of a non-idealist 'scientific' theory, 'dialectically won' results can be grounded, occupies both again and again. ... The Engelsian statements on method in the 1859 review have scarcely anything in common with Marx's actual procedure. If Marx did not 'tear up' or 'rectify' even this passage of the review, then one can only see in this a further indication for the fact that he was not able to gain any proper clarity about the distinctiveness of his procedure. (Backhaus 'Materialien 4' 1979 pp. 21f, 23)

It can easily be shown that the reference to historical data as an additional means of proof for dialectical argumentation, at least in relation to the value theory, reveals itself to be an empty, mythological construction. Marx's unclarity about his own methodological mode of procedure and the resultant multitude of versions of the value theory must be seen as the primary source of vulgarisation and neglect of the niceties of the value theory in the hands of Marx's interpreters.

After the appearance of the first version of the value theory, Marx admits in a letter to Kugelmann that there must be "something defective in the first presentation". (Marx to Kugelmann 13.10.1866) This admission is connected with the disappointing reception of the *Critique* even in the circle of political comrades. Wilhelm Liebknecht commented that he had never before "been so disappointed by a book" (Marx to Engels 22.7.1859). Such evidence leads Backhaus to the conclusion that

Very quickly after the appearance of the *Critique*, Marx must have had the experience of not having been properly understood. (Backhaus 'Materialien 4' 1979 p. 15)

Marx's disappointments at the reception of his work did not stop with the appearance of the first edition of *Capital* Volume 1 in 1867. We pursue this matter of how Marx's theory was immediately received in order to highlight the difficulties with which Marx was confronted in having his theory taken seriously at all. In particular, the story following is instructive in showing how the stubbornness of editors and readers who basically do not want to upset their prejudices tempts Marx to make a greater effort to popularise – and thereby cut off access to the radical kernel of his theory. The editors of the *Marx-Engels Werke* write:

The nine reviews by Engels of Marx's *Capital* hitherto discovered were part of a plan worked out by Marx and Engels to counteract a bourgeois 'conspiracy of silence' (directed against the *Critique* ME). (Engels 1981 p. 143 n. 1)

The editors do not mention that not only German *Nationalökonomie* but by and large also the German workers' movement had ignored the *Critique*. To avoid a recurrence of this fate, Marx and Engels organised the publication of reviews in Germany and elsewhere, and had hopes of publishing a longer review, in two parts, in a British magazine, *The Fortnightly Review*, "founded in May 1865 by a group of bourgeois radicals" (MEW editors in Engels 1981 p. 146). According to the editors,

For this review Marx and Engels repeatedly exchanged opinions as to content and form, as can be seen from their correspondence. Marx gave advice and wrote also variants for individual passages, which Engels completely took up in the text. The article was to appear under the name of Samuel Moore, a friend of Engels'. (Engels 1981 p. 146)

If one goes through the correspondence between Marx and Engels between January and July 1868 (when Engels had finished writing the review), some curious points come to light.

Marx had contact with a certain Prof. Beesly of the University of London, who was closely associated with the First International.

Prof. Beesly, who is one of the triumvirate which secretly runs this rag, has ... declared, he is “morally certain” (it depends on him!) a criticism would be accepted. (Marx to Engels 8.1.1868)

In his letters to Marx of 16 and 23 January, Engels asks Marx’s advice concerning the review. The following sentences deserve attention:

In the first article I will probably be able to touch on the money-system – although important for England – only fleetingly; otherwise it will take up the whole article. If we could bring a second, then it could still come in. What do you think? (Engels to Marx 23.1.1868)

In answer to this question, one finds only the sentence: /xxviii>

As soon as your article for the ‘Fortnightly’ is at hand, Lafargue can turn it into French for the ‘Courier francais’. (Marx to Engels 1.2.1868)

Engels could not have found this answer very satisfying. He writes:

Although the matter concerning money is important and interesting, also for England (?!), I think it is appropriate this time to let it fade into the background; it would detract from the main topic and demand a long discussion so that the English reader would even understand that it is a matter of *simple money as such*, which s/he is used to imagining only in its intertwining with credit money, etc. What do you think? (Engels to Marx 2.2.1868)

In Engels’ estimation, the “matter concerning money” is a secondary matter, which “would detract from the main topic”, namely, the surplus-value theory as theory of class exploitation. The review he finally writes in June 1868 indeed deals almost exclusively with the surplus-value theory, and makes only a passing reference to the money theory:

(The first chapter of the first edition ME) contains a new and very simple value- and money-theory that is scientifically speaking extremely interesting, which however we will leave out of consideration, since for that which we hold to be the essence of Mr. Marx’s views on capital, it is on the whole secondary (!) (MEW16 289)

In this cursory way, Engels pushes Marx’s “value- and money-theory” to one side. Quite astounding is the description of the “value- and money-theory” as “very simple”. This description contradicts not only Marx’s self-estimation (Preface to the first edition CI 18;KI 11), but even Engels’ estimation in a review he wrote on 12.10.1867 for the



*Rheinische Zeitung* (which was never published). In this review Engels writes:

We add that, apart from the somewhat strongly dialectical matters in the first forty pages, the book, despite all scientific rigour, is nonetheless very easy to grasp... (Engels 1981 p. 22)

It seems that Engels took an easy way out in the review for the 'Fortnightly'. Perhaps not wanting to scare the English reader with a mention of dialectics, he misrepresents the value and money theory as "very simple". In any case, that Engels regarded the exploitation theory as the central point of the first volume, is clear. In reply to the above-quoted letter, Marx writes to Engels:

I am completely of your opinion that at first you should not go more closely into the money theory, but only hint that the matter is treated in a new way. (4.2.1868)

Marx was thus in agreement with Engels that the money theory was secondary for the purpose of introducing his work to the public, although he only puts the word "new", and not the words "very simple" into Engels' mouth. Marx himself therefore concurs with the introduction of a hiatus between the value theory and the theory of surplus-value (here including the theory of absolute and relative surplus-value production). The latter is obviously viewed by Marx as containing the critical content amenable to political agitation. The value theory is relegated to a scientific status, important for superseding other economic theories, but secondary from the viewpoint of radical politics. The history of Marxism has entrenched this caesura between the first and second Parts of Volume 1. A critical content of the value and money theory has never made itself felt in the political sphere. Marx himself was not in a position to clarify the critical import of the connection between the categories of the value theory and those of the surplus-value theory. The dialectical figures of the value-form analysis were not regarded by Marx as being essential for making the critique of capitalist relations implied by the surplus-value theory lucid. If this had been so, then it would have been folly to suppress the value theory in even a short article which was to have had political reverberations. Marx's increasing vulgarisation of the dialectical aspects of the value theory, and the lack

of a dialectical development of the category of capital out of that of money, have sealed off the critical content of the Marxian theory for over one hundred years.

Because Engels is taken up with business in the Manchester factory, he cannot find the time to come to writing down the “Beesly article” (Engels to Marx 10.4.1868). He has considerable trouble with settling on an appropriate beginning to the article and again asks Marx’s advice in letters of 10 and 22 May. Marx replies on 23 May, with a draft of a beginning, which Engels actually reworks and incorporates into the review. Concerning the value theory, Marx reiterates his view that it should be skipped, but distances himself slightly in his choice of words:

In my view, since you want (sic) to begin with Chapter II (Part II in the second edition ME) (you must not forget however to draw the reader’s attention somewhere to the fact that s/he will find the value- and money-theory presented in *a new way* in Chapter I) the following could be used as introduction, of course in a form suitable to yourself. (Marx to Engels 23.5.68)

Again, here there is only a reference to the newness of the value- and money-theory, and not to its extreme simplicity. Marx is concerned only to point out to the reader the newness of his value theory, and not that it is crucial for his analysis of capitalist production. He apparently has the attitude that the value theory is the logical prerequisite of his theory of capitalist production, but is not indispensable for understanding what this latter theory means, and especially, what the critique is of capitalist production. The Marxist discussion in recent years has adopted this apparent Marxian attitude (cf. also Marx’s advice to Mrs. Kugelmann) in every way by setting up the problem of whether the Marxian value theory is necessary for the Marxian theory of class exploitation. The Neo-Ricardians have revelled in demonstrating that value magnitudes are redundant in demonstrating that the capitalists expropriate a surplus-product.<sup>25</sup>

“From 29 May until about 15 June Marx and his daughter Eleanor stayed in Manchester with Engels.” (MEW17 734 ed. note 127) Marx presumably gave Engels more tips for the review during his stay (passages to quote, etc.). In any case, Engels writes to Marx on 22 June

with the news that “the article is coming along famously and will be positively ready this week”. On 28 June: “The article is ready”.

The piece was sent to Prof. Beesly, who “sent it to Henry (Marx is mistaken; he’s called John ME) Morley (chief editor of the ‘Fortnightly Review’)” (Marx to Engels 23.7.1868). And then a couple of weeks later: /xxxi>

Enclosed letter from J. Morley, the chief editor of the ‘Fortnightly’. Beesly did his best, but Mr. M. found the thing unreadable. Never mind! (Marx to Engels 10.8.1868)

Engels is understandably upset in his next letter about the “petty-minded lousy clique-system”, etc. (Engels to Marx 12.8.1868) The affair with the ‘Fortnightly’ closes with a meeting between Marx and Prof. Beesly:

I had a meeting with Beesly. The sub-editor of Morley explained, the development is irreversible. Indeed, the article is too ‘dry’ for a magazine. Beesly proposes that I popularise the thing, without sacrificing the scientific points. This is rather difficult. However, I will try to. (Marx to Engels 15.10.1868)

In the course of the months, Beesly’s attitude changes from “moral certainty” that a review could be published, to the view that Marx should try to popularise and not be so dry. Beesly offers an alternative, namely, that the popularised article should appear in the ‘Westminster Review’. It appears that here too, nothing came of the off-hand offer.

It is clear from this and other stories that Marx had considerable trouble in finding readers (Samuel Moore was an exception: “The most conscientious reader of your book here is Sam Moore; he has thoroughly worked through over 600 pages, and swots on unflaggingly.” (Engels to Marx 19.3.1868) and editors who would take his work seriously. Wilhelm Liebknecht, for example, was frightfully enthusiastic to propagate Marx’s theory, although Marx was convinced that he had not “read 15 pages of the book”. (Marx to Engels 25.1.1858)

The detailed investigations by Backhaus serve as grounds for initiating a reconstruction of at least the value theory. And since the value theory is the conceptual foundation of the entire conceptual

structure of *Capital*, reconstruction cannot stop short with a new version of the value theory. The methodological remarks provided in II above explicitly set out a particular mode of argumentation which unambiguously marks itself off from any logical-historical methodology. This methodology has been formulated in a consideration not only of Marx, but also of Hegel /xxxii> and of modern German constructivism. By taking an explicit methodological position, the character of dialectics is brought into the open. An explicit dialectics which emphasises the category of contradiction in the context of the contents of the analysis, is able to demonstrate what is implied by critique. This methodology has been applied in our reconstructed capital-analysis (see Appendix). The starting-point is a new value theory which results from separating a form-analytic strand of argumentation from a classical labour theory of value of the Ricardian type. Arguments for this separation of the grain from the chaff cannot be gone into here (cf. App.). The reconstruction lays particular emphasis on the fact that the value theory is the foundation of a particular theory of money, namely, as form of value. This value theory of money is simultaneously a critique of all pre-monetary value theories. Commodities and money are to be understood as the form of social synthesis (*Vergesellschaftung*) of bourgeois labour. This specific concept of the *Vergesellschaftung* of labour enables then an analysis of the capitalist production, circulation and reproduction processes during which further value-forms, such as wages, surplus-value, capital, rent, interest, profit, fixed and circulating capital, arise. The reader will note from the overall structure given in I above that the order of presentation of the various themes also diverges from Marx's.

Here I do not give a more detailed explication of salient features of our reconstructed capital-analysis. I conclude this subsection with an anticipation of a result won by value-form analytic considerations, which distinguishes it from common interpretations of Marx's theory. The inspiration for this divergence can be found in Marx himself, above all in certain passages in the *Grundrisse*, and also in aspects of Adorno's interpretation of Marx. In *Negative Dialectics* Adorno stresses a

characteristic of capitalist relations as “a universal which realises itself over the heads of the subjects” (Adorno 1966 p. 345):

Because the constitutive forms of social synthesis ... maintain their unconditional supremacy over the humans, as if they were divine destiny. (ibid. p. 347)

In support of this view Adorno quotes the *Grundrisse*: /xxxiii>

The individuals are subsumed under social production, which exists outside them as a stroke of fate; but social production is not subsumed under the individuals, which employs them as its communal asset. (G 76 cited in ibid. p. 327)

This passage occurs in a discussion of money and exchange-value, and cannot therefore be interpreted as applying only to the labourers who are subsumed under capital, but to all the individuals caught up in capitalist economy. This generalisation of those who are the ‘prisoners’ of capitalist relations is taken up by Adorno in his later writings, where he refers to the extension of the power of reified social relations over the capitalists themselves:

Domination over humans is still exercised through the economic process. Its objects are long since not only the masses but also those with power of disposal and their appendage. (Adorno 1970 p. 155)

This shift of emphasis in the critical import of a social theory signals the displacement of the theory of surplus-value as a theory of class exploitation from its central place in the traditional self-understanding of Marxism. The labourers are indeed subsumed under capitalist relations in a characteristic way which involves the generation of surplus-value. The surplus-value theory however is reformulated as the theory of a contradiction on the basis of a form-analytic value theory. The point of the surplus-value theory is not the scientific proof of class exploitation. The concern with an exploitation theory in this sense belongs to the tradition of Marxism understood as a science of history of the various class societies, through to bourgeois society. The next step in the march of history should abolish this class exploitation once and for all. Some Marxists refer to the surplus-value theory as a theory of the form in which surplus-product is appropriated under capitalism. This is a bare improvement on a vulgar Histomat. Surplus-value is indeed the

value-form of the surplus-product appropriated by capital. Some Marxists interpret this as a theory of how class exploitation under capitalism is disguised under the value-form. This leads back to an understanding of scientific socialism as uncovering the (hidden) exploitation in capitalism, disguised by the deluding formal equality of labourer and capitalist as free persons. The formal equality of free persons comes somewhat closer to the crux of a critique of capitalism, but not in connection with the fact that surplus-product is appropriated. Attention should instead be focused on the relation between these free persons, namely, the wage-labour relation.

By virtue of the wage-form (of value), the labourer stands under the *domination* of the capitalist in the production process. The latter employs the former as an object, as far as possible, like a piece of machinery, in the production of commodities. This *NEGATION OF THE LABOURERS' SUBJECTIVITY* is the kernel of the critique of capital. The value-categories allow the subjugated subjectivity of the labourers to be expressed. The labourers are subjected to the wage-form – an aspect of the value-totality – and to the capitalist's command in the production process – which he can exercise only as personification of the value-totality. The value categories articulate that wages and the alien power of capital are nothing but the alienated form of their own labour. The reified form of their own labour subsumes them in the production process. The capitalist is the agent of this subjugation, and simultaneously is himself subsumed under the value-form, as buyer and seller of commodities. In providing the categories for the analysis of the negation of subjectivity through the universal domination of abstract social labour over living labour, the value-form analysis lays the ground for a negation of the negation. If subjectivity were to become aware of the extent of its negation through the abstract universality, this knowledge could lead to a consistent collective act to overcome this subjugation once and for all.

The theme, negation of subjectivity, cannot be restricted to a critique of economy. The bourgeois private sphere presents itself as the realm where subjectivity can flower. Critical thinking can show just how

illusory this flowering of subjectivity is in a society where social labour exists as reified totality.<sup>26</sup>

The fragmentary character of Marx's theory shows itself as having decidedly political consequences. The critique cannot be made clear without an analysis which grasps the whole. /xxxv>

## **IV The Analysis of Competitive Freedom**

The object of the competition-analysis is the forms of consciousness and action of the individuals on the surface of capitalist economy. The characterisation of this object as surface is already a reference to the fact that here it is not a matter of an autonomous object which is immediately accessible to analysis. The capital-analysis constitutes the necessary systematic prelude to the analysis of competitive freedom. The essential relations of production, the bourgeois economic categories which are foreign to everyday consciousness, now assume forms of appearance which mask the pre-given economic objectivity and which, as forms of action and consciousness, are near to the familiar conceptions of everyday consciousness. The imaginary character of these surface relations as independent social forms is to be demonstrated through the construction of an inner connection with the categories expressing the abstract-universality of the capitalist mode of production. In particular, the way in which the total movement of valorization proceeds through the opposed strivings of the subjects of competition is to be explained.

The competition- and capital-analyses are complementary not only from the side of the former, but also from the side of the capital-analysis. The latter operates with a reduced concept of subjectivity; the economic actors appear there merely as the representatives of economic categories, who fulfil roles which are adequate to and identical with aspects of the total valorization process of capital. If terms of intentionality – aims, means, etc., i.e. a terminology of subjectivity – are employed in the capital-analysis, it must be understood that this is the surrogate subjectivity of executors of an economic process which asserts itself in conceptual categories foreign to the conceptions of the subjects of

everyday economic life. For this reason, we refer to the actors in the capital-analysis as character-masks. On the level of the competition-analysis, by contrast, forms of subjectivity are thematized which correspond to everyday notions. Here it is a matter of the pursuit of individual aims with appropriate means. The means, property, are well-known to everyday consciousness as is the struggle which results from the implementation of these /xxxvi> means. The concepts formed of these well-known phenomena however are alien to everyday consciousness. The concepts of the competition-analysis reveal the underlying connection existing between the competitive struggle and the process of the value totality; the freedom of private property turns out to be based on an inversion (*Umkehrung*) of (competition) subject and (value-form) object.

The subjects of competition who appear in the competition-analysis are not to be identified with subjects per se. The concept of subjectivity on the level of competition remains restricted to the pursuit of economic interests. In this sense, the subjects of competition remain economic character-masks. For the sake of terminological clarity, however, the term ‘character-mask’ is employed only for the level of the capital-analysis. A fuller concept of subjectivity, where for example human needs and emotions come under conceptual scrutiny, will first be developed in the analysis of the private sphere. Roughly speaking, there are four tiers in the articulation of bourgeois subjectivity: character-mask (capital-analysis), subject of competition, private subject; the participation of the subject in the life of the (concrete) universal as citizen can be designated as a fourth broad level of subjectivity (treated in §§100ff). (Parts IX and X of the whole system are here left to one side.)

The conceptual transition from the capital- to the competition-analysis is made via the level of the revenue-form analysis, which is presented in an appropriately modified form in Part I. This is taken as transitional level in the present work because the various value-form categories and character-masks are there summarised. On this level too, a certain mystification of the process of value-creation has been articulated, which



smooths the way to the increasingly imaginary (in relation to the essential value-form objectivity) character of the social relations. It would be a peculiar misconception of the character of systematic thinking to turn this use of categories which to a certain extent mystify the essence into an objection against a systematic mode of presentation which takes forms of appearance of value seriously. In employing revenue-source relations as transitional categories, /xxxvii> the systematic thread to deeper-lying relations is not lost. On the contrary, thereby, the inner thread is first *demonstrated* to consciousness. The insistence is made that the essence does not appear immediately – in which case, a dialectical theory would be entirely superfluous – but mediated through forms of appearance. This mediation is performed through successive levels of the analysis. In the main text, we pass over Part IV of the system with only a brief mention (cf. §10). This has been done for pragmatic reasons of space, to allow the reader eager to gain a vista of the plains lying behind the capital-analysis the quickest possible access to this new territory. The risk with this propaedeutic strategy is that the reader *COMPLETELY MISSES THE POINT* of the analysis. I make therefore the following caveat: the reader wishing to fully understand or criticise the present work has no alternative in the long run but to work his/her way through the appendix. Since philosophy is a circle, it matters little where consciousness enters it; but it must be prepared to follow this circle back to its starting-point, if it is to completely unearth its own presuppositions.

Although in his systematic plan, Marx envisaged a treatment of competition separate from the analysis of capital in general (cf. I above), in the published first volume of *Capital* remarks on competition are made which can only be regarded as systematic anticipations. In the chapter on the working day, for example, the struggle between the capitalists and wage-labourers over the length of the working day – a theme which properly belongs to the competition-analysis – is discussed. In this context, Marx makes the following statement:

The free competition enforces the immanent laws of capitalist production vis-à-vis the individual capitalist as external compulsion. (CI 257; KI 286)

Similar statements can be found also in the treatment of relative surplus-value production in connection with the introduction of new methods of production (cf. e.g. CI 371; KI 414). Such assertions, in spite of their ring of common sense in the ear of everyday consciousness, are necessarily programmatic. A concept of competitive subjectivity must first be developed before one can grasp what the compulsions of competition are. Marx nowhere /xxxviii> clearly poses nor solves this conceptual problem. If one can claim that dialectical elements are increasingly eliminated in progressive versions of the value theory, then a much more drastic diagnosis holds for later portions of Marx's theory: the care with which Marx worked out a concept of money stands in rude contrast to the conceptually slovenly way in which certain contents of everyday consciousness are drawn into later levels of the analysis as self-explanatory obviousnesses. The analysis does not in the least get behind these obviousnesses to allow consciousness to gain a critical distance from them. Only the course of the analysis, the systematic relation of the competition-analysis to the capital-analysis, is able to elaborate Marx's remarks on the subject of competition in *Capital* as statements about the competitive action of a form-determinate subjectivity.

In the same section of the *Grundrisse* where formulations of the overhang of social objectivity are to be found, as quoted above in III, passages can be read which indicate the necessity of complementing the capital-analysis with an analysis of competitive freedom in order to clarify how the subjects of competition deal with the overhang of objectivity with which they are confronted. We quote some *Grundrisse* passages which hint at the task to be fulfilled by systematic thinking:

...rather, a universal negation results from this bellum omnium contra omnes. The point lies rather in the fact that private interest itself is already a socially determinate interest and can only be achieved within conditions posited by society; that is, it is bound to the reproduction of these conditions and means. It is the interest of the private individual; but its content, as well as form and means of realisation, is given by social conditions independent of all. The social character of the activity, as well as the social form of the product, and the portion which the individual has of production, appears here as something alien

and thing-like, opposed to the individuals; not as the behaviour of their mutual opposition, but as their subjugation under relations which exist independently of them and which arise out of the clash of indifferent individuals with one /xxxix> another. The universal exchange of activities and products, which has become a condition of life for each single individual, their mutual connection, appears to them itself alien, independent, as a thing. Although the whole of this movement appears as social process, and although the single moments of this movement proceed from the conscious will and particular purposes of the individuals, the totality of the process appears nevertheless as an objective connection which arises as a natural growth; indeed proceeds from the effect on one another of the conscious individuals but lies neither in their consciousness, nor is it as a whole subsumed under them. (G74 75, 111)

Marx's discussion of these topics in the chapter on money indicates that he regards the kernel of this reification of social relations as lying in the commodity form. The adequate articulation of the confrontation of individuals with an alien social objectivity however requires the mediation of many categories that allow such categories as 'private interest', 'means of realisation of private interest', 'mutual opposition of individuals', 'universal exchange of activities and products' to be brought to an adequate conceptualisation. The conceptual language on the level of the analysis of commodities and money, which only initiates the analysis of capitalist form-objectivity, is too poor for the formulation of the richer, more concrete categories of the surface of economic life.

Why is the competition-analysis characterised as a critique of competitive *FREEDOM*? With this characterisation, it should not be overlooked that freedom is only one side of the coin: the other is the economic *COMPULSION* of the pre-given value-form objectivity. The analysis of competitive freedom is simultaneously its critique, in that it demonstrates the conditional character of the freedom of competition subjects; it consists precisely in the freedom to compete. The freedom is realised in the pursuit of the economic interest to earn income with appropriate means, namely, with various types of property. This freedom is not to be criticised as illusory, but as merely the obverse side of an indifferent compulsion of social objectivity. Competitive freedom does not /xl> exhaust the bourgeois forms of freedom; consideration of other forms is reserved to later systematic levels.

In terms of bourgeois society's consciousness of itself, freedom constitutes its principal category. Freedom is also a central concern of classical bourgeois philosophy. In particular, the concept of freedom is the fundamental category of Hegel's social theory of modern society in the *Philosophy of Right*. The present work provides the basis for an immanent critique of Hegel, which is outlined in several of the additions to the systematic paragraphs. This does not exclude that some of Hegel's arguments express with social validity the logic of the present form of life. Some Hegelian arguments will thus be found in the main text, mainly in connection with the analysis of state (cf. V below). The critique of Hegel, who has written one of the most systematically elaborated theories of the bourgeois totality, is not a matter of blank negation of his system, say, on methodologico-epistemological grounds, but rather one of raising it to a new, higher level<sup>27</sup> on which the contradictoriness of the totality is thrown into sharper relief.

The Marxist tradition has come to regard Hegel as already superseded, as encapsulated in the all-purpose litmus of the dichotomy, materialism/idealism. Marx is presupposed to have settled accounts with idealism early in his philosophical career, thereby discovering, together with Engels, the 'dialectical-materialist' method, which disposes of Hegelian idealism, and in which historical material serves as reassuring underpinning. As we have discussed in III above, a closer scrutiny of Marx's texts reveals an unsureness on Marx's part in methodological questions. If one begins to doubt whether Marx had developed a dialectical-materialist method which stands Hegel's idealism on its feet, then the convenient dichotomy materialism/idealism in the bag of tricks for disposing of theories loses its credibility. A sensible borderline between Marx and Hegel cannot be drawn methodologically with a bald reference to materialism and idealism. The two thinkers are to be distinguished from one another on the level of *content* of their theories and in their respective theoretical starting-points. Marx is namely the theorist who explores the "anatomy of bourgeois society" from the starting-point of the analysis of commodities and money.

The relevance of today providing a critique of competitive freedom is poignantly highlighted when one casts a glance at the apologists of this freedom, such as Friedrich von Hayek and Max Weber. Hayek is a modern defender of the benevolent workings of Adam Smith's 'invisible hand', which purportedly works a miracle that could not be consciously construed. Form-analysis can elucidate the more crippling sideswipes of this capricious hand, which is certainly no helping hand for those with no visible means of support, among others. The influence of Weber in modern social theory is not to be underestimated. He systematises some of the principal prejudices regarding the advisability of bourgeois freedom and the impossibility of achieving anything better historically. The centrality of the concern with the freedom of the individual in economic life from Hobbes to the present day is an index for the fact that we are here dealing with an epochal category. A dialectical concept of competitive freedom is crucial for a critique of bourgeois consciousness.

The tendency within Marxism has been to try to show that bourgeois freedom is merely an illusion, that the bourgeois ideals of freedom are never realised<sup>28</sup> and that these ideals are merely a mask for class domination. This tendency finds it hard to accept that there are institutionally guaranteed forms of freedom in bourgeois society (not restricted to the sphere of competition). It further fails to perceive that the mere measuring of empirical reality up against the ideals of bourgeois society leaves the ideal itself uncriticised. In Hegelian language, the reality of bourgeois society may well not correspond to its concept (which can have disastrous consequences for some of its members), but its concept cannot be criticised through this sort of comparison. To be radical, the critique of bourgeois society must be able to criticise it *in its concept*, so that consciousness will take leave of certain deceptive ideals. Thirdly, it is not the sole task of theoretical critique to reveal the class character of bourgeois society. This adherence of Marxist critique to one aspect of bourgeois reality has rendered it incapable of grasping the whole of the bourgeois social form. It substitutes one contradiction in bourgeois society (which has not been adequately characterised, even by Marx himself) for the whole and,

when it does not actually ignore other social contradictions, proceeds to subsume the bourgeois world under the schematism of its one critical insight. A variegated dialectical theory would be able to show how the unfreedom of the bourgeois human is perpetrated and perpetuated in and through the bourgeois forms of freedom. Such a theory can open a perspective for consciousness on a conscious, unfetishised form of social freedom, by breaking “the spell of the totality”.<sup>29</sup>

## **V The Analysis of the Bourgeois-Democratic State**

The object of analysis of Part IV is the state, firstly as unified social subject standing over against the society of competitive individuals, and secondly as a subject apparently embodying the will of the people. The analysis is to investigate the necessary doubling of society into society and state (so concretising remarks by the young Marx) and the equally necessary attempt at reconciling this doubling through the constitution of a democratic identity. The guiding thread for this part of the analysis too is the concept of bourgeois freedom, but now not restricted to competitive freedom. New forms of freedom and compulsion arise in connection with the mighty subject, the state. The analysis will be an investigation of why bourgeois freedom is inextricably bound to means of physical repression and force. Both the doubling and the intimate bonds between freedom and force are forms of appearance of the sundered moments of particularity and (abstract) universality inaugurated in the value-form. This claim can be substantiated only by the whole of the analysis. The form-analysis of state presented in the main text has scarcely any resemblance with Marxist theories of state. The further one moves from the beginnings of the analysis in the value theory, the greater the difference between Marxist thinking and a dialectical form-analysis.

The Marxist theory of State is in a parlous, even scandalous, condition. Scarcely any progress has been made in the entire Marxist discussion towards winning a well-grounded concept of state. /xlili> It

has been a matter of elaborating on the notions about the state as set down already in the works of Marx, Engels, Lenin and Gramsci. In attempting to construct a critical theory of state from classical sources, the scientificity of the theory has been surrendered. A theory of state must be able to stand on its own feet in order to present an argumentation which would have to be accepted as inter-subjectively binding and not merely insightful for the Marxist who, in any case, mostly proceeds from certain unquestioned postulates. The construction of a state theory cannot be compared with the task of reconstruction of the capital-analysis (cf. III above). As we have seen above (I), Marx's plan for a system comprising a theory of state remained unexecuted. There exist no elaborated systematic writings of Marx which could be sensibly taken as the raw material for efforts at reconstruction. The writings of the early Marx on state have either polemical character, e.g. against Hegel (from a radical-democratic standpoint), or are programmatic in the sense that notions of the alienation of the state from society require for their adequate conceptualisation the analysis of economic categories, to which Marx turned only later, with his critique of political economy. In this programmatic sense, the mature Marx fell far behind the young Marx. As early as 1844, in the preface to the *Economic-Philosophical Manuscripts*, Marx announces an even more ambitious project than that planned at the time of writing of the *Grundrisse*. Decidedly non-economic themes are named:

I will therefore publish successively in different independent brochures the critique of right, morality, politics, etc. and in conclusion try to give the connection of the whole, the relation of the individual parts as well as finally, the critique of the speculative treatment of this material. For this reason, in the present work one finds the connection of national economy with state, right, morality, bourgeois life, etc. only mentioned insofar as national economy itself mentions these objects ex professo. (*Ökonomisch-philosophische Manuskripte* Leipzig 1970 p. 87 MEW Erg. Bd. p. 467)

On the other hand, the mature Marx carries out an elaborate realisation of at least the first part of a program whose argumentation is well-explicated and -grounded compared to the early works.

Marx's political and historical writings cannot be regarded as having independent scientific-philosophical value. They contain certain views of Marx on the state, such as its class nature, which first have to be grounded by a conceptual argumentation, if at all. The *Communist Manifesto* (written together with Engels), *The Eighteenth Brumaire of Louis Napoleon* and the *Civil War in France* possess interest as historical works or in connection with Marx's views on socialist society. In Part IV therefore, we will not discuss these texts.

The roots of the classical Marxist theory of state can be found in Engels rather than with Marx. Engels' book *The Origin of the Family, Private Property and the State* must be regarded as the foundation text for all further Marxist views on the state. This work, quickly thrown together in the space of two months, during which Engels had visits from friends (Roth 1982 p. 145 n. 16), suffers from being based on a (mytho)logical-historical mode of presentation rather than a dialectical theory. Historically questionable descriptions stand in for concepts. I was able to learn nothing from this text in my research.

The third influential classical source of the Marxist theory of state is Lenin's *State and Revolution* and related texts. We are confronted with a text which merely re-mouths Marx's and Engels' views on state and which therefore forfeits interest from a scientific perspective. Lenin's polemical aim in writing *State and Revolution* was to beat the revisionists Kautsky et al. over the head with quotations from Marx and Engels. Faithfulness to the masters is the yardstick of his critique, not insightful argumentation which could be assessed independently by the reader. The legacy of this incestuous mode of theory formation is the strikingly unsystematic character of the classical Marxist texts on state, which goes hand in hand with the adherence to certain dogmatically held – because conceptually ungrounded – ideas about the state. The most important of these is the *class nature* of the bourgeois state. Even Gramsci, whose genuine innovations in thinking on the state (although, systematically speaking, chaotic) /xlv> cannot be gone into here, does not problematize the axiomatic character of the class state. For any systematically argued critical theory of the bourgeois state (we are not



interested in developing a general, transepochal notion of state), the dispute around the Marxist notion of class state must assume a central position. Quotations from Marx supporting this view cannot decide the dispute one way or the other. The question is not whether the bourgeois state is a sphere of a form of society in which there are social classes. (Although it is to be noted that the common understanding of social classes constitutes a point of contention in the present work.) The question to be settled by form-analysis is whether the bourgeois state is to be conceptualised as class-state, in the sense of an agency of the ruling classes (*Ausschuß der herrschenden Klassen*). To satisfy the reader's curiosity, it can be said that this latter notion of the state is discarded by form-analysis as a piece of pure dogma useless to anyone trying to give a convincing account of the social form, state. The reader interested in what form-analysis positively has to offer for a critique of the state is referred to Part IV. We mention only that we do not serve up the old Marxist (not necessarily Marx's) soup one more time, and provide arguments instead which can counter other (bourgeois) conceptions of the state by showing the grain of truth within them, but not at the cost of sacrificing the critique of value-form categories. On the contrary, a successful critique must be able to enter into a dialogue with other views on the state, and thereby dissolve them in the systematic argumentation. The senselessness of the confrontation between Marxist and bourgeois theories of state, at least on the Marxist side, can be seen in the failure of the Marxists to self-critically reflect whether, or in which sense, the notion 'class state' can be made a grounded critical category.

The conception of state as an instrument of class domination is presented nowhere-more unequivocally than with Lenin. Despite all the critique of Leninism in its political form, a reassessment of his views on state has not led to any advance on the conceptualisation of state in the Marxist discussion. Like Engels, and Marx in his popularising *Histomat* variant, Lenin poses the /xlvi> problem of state historically rather than conceptually:

The most important thing if one is to approach this question scientifically is not to forget the underlying historical connection, to examine every question from the standpoint of how the given phenomenon arose in history and what were the principal stages of its development, to examine what it has become today. (Lenin, 'The State' SW3 261)

This methodology is firmly in the tradition of the logical-historical mode of argumentation, which, in the end, simply replaces conceptual problems with historical questions as to origins, sequences and correlations. In the hands of Lenin, this historical approach leads to bone-crunching, overbearing orthodoxy where theory is treated as the distillation of a quintessence extracted from historical material:

Engels' book *The Origin of the Family, Private Property and the State...* is one of the fundamental works of modern socialism, every sentence of which can be accepted with confidence, in the assurance (!) that it has not been said at random (cf. p. xlv above ME) but is based on immense historical and political material. (ibid.)

This is nothing other than an invitation to scientific paternalism, an attitude amenable to moulding Marxism into a state religion. No wonder then that the average Soviet citizen has a stomachful of Marx, and those intellectual refugees from the East who still find something useful in Marx are deeply imbued with a Histomat<sup>2</sup> conception.

The historical mode of argumentation is to assert that where class society has existed, the state has also existed, from which the conclusion can be drawn, *voilà*:

The state is a machine for the oppression of one class by another, a machine for holding in obedience to one class other, subordinated classes. (ibid. p. 267)

Does this conception capture the character of state? Is anyone to be critically enlightened in the long run by such statements without ossifying into dogmatism? Is the conception of state as "an apparatus of physical coercion, an apparatus of violence" (ibid. p. 265) adequate? It presupposes that the instrument of domination /xlvii> is met by the active resistance of the dominated class. Otherwise, the physical coercion and violence would be only latent. Where the exploited class does not organise its political resistance to the state itself, or to the dominant classes, as in the present period in all bourgeois countries, the

Leninist conception of state has an empty ring of revolutionary fervour appealing only to Trotskyist sects. Lenin's notion of state derives basically from revolutionary periods, from which we today are far removed. (Which raises the question for a critic of bourgeois society: *Was Tun?*) The one-sided notion of class domination precludes Lenin from taking bourgeois freedom and equality at all seriously: "all citizens supposedly become equal" (ibid. p. 269) in the bourgeois epoch, "all were regarded as equal before the law irrespective of what capital each owned" (ibid.). The labourer is treated as "a poor man who own(s) nothing but his labour-power" (ibid.) and at the same time as "possessing no property" (ibid.), as "propertyless workers" (ibid. p. 270). This inconsistency in formulation of the property status of the labourer, an inconsistency running through the entire Marxist literature (cf. e.g. §74Aa-e), indicates a deeper-lying misconception of the critique of capitalism. Lenin's emphasis on the propertylessness of the labourers in capitalism allows him to criticise the 'illusion' of equality under the system of private property. The underlying inequality expresses itself, as Lenin emphasises in ever new variants, in "a situation in which some gorge while others starve" (ibid. p. 274). The critique of capitalism is thus a critique of the gap between rich and poor. Since this injustice should be obvious even to naive bourgeois consciousness, the task of socialist politics is not so much predicated on a conceptual understanding of the reality which is to be changed, but on political organisation around slogans about class oppression and inequality in material wealth and economic power. Those who point out the real (abstract) formal equality of bourgeois individuals as property-owners and the freedom to compete with this private property, can only be answered with a demand for 'concrete' equality and the accusation that they are class enemies of the proletariat. End of the discussion; the revolutionary class struggle begins. No further clarity is striven for about the category of the labourers' freedom of private /xlviii> property in their own bodies. In denying that in the bourgeois epoch the labourers have certain forms of universally valid freedom, the crude view of the state as "a machine for the suppression of some people by others" (ibid. p. 273) lies to hand. All other accounts of the state have to be discarded

as lies and insidious obfuscations which mask the interests of the capitalist and land-owning classes. Lenin is only able to write a dogmatic view of the state which denies a validity to views that take the existing forms of bourgeois freedom seriously, and, in spite of this, *SUBJECT THEM TO CRITIQUE*. Lenin's critique avoids debate on the very issues which would allow him a genuine contestation with his bourgeois revisionist opponents. The problems which Lenin perceives are political rather than theoretical in nature, of the political propagation of correct and easily understood historical ideas. The question of state is posed by him in a simple either/or manner:

Is the state in a capitalist country, in a democratic republic ... an expression of the popular will, the sum total of the general decision of the people, the expression of the national will, and so forth; or is the state a machine that enables the capitalists of those countries to maintain their power over the working class and the peasantry? (ibid. p. 270)

The author who exaggeratedly emphasises the absolute necessity of studying the "*WHOLE of Hegel's LOGIC*" to understand anything of *Capital*, expresses himself here in a somewhat less than dialectical manner. With this either/or logic, a real problematising of a concept of state is foreclosed once and for all. One can be either a defender of the bourgeoisie or a champion of the proletariat. The critique of the bourgeois state is already encapsulated in its asserted class nature. The tenacity with which Marxism has clung to this view of state, which can say nothing worth mentioning about the contradictoriness of the bourgeois forms of freedom, lies at the core of the impasse at which modern Marxism finds itself. Instead of posing the problem of a critique of state, Marxism has taken the easy way out, and fled into the empirical social sciences.

An awakening of interest in a theory of the bourgeois superstructure /xlix> based upon a systematically conceived capital-analysis blossomed briefly in the first half of the seventies in the West German *Staatsableitung* debate. Only relatively late in the piece did English-speaking Marxism come to read about this debate with the publication of a collection of papers in Holloway and Picciotto (eds.) *State and*

*Capital: A Marxist Debate* (London 1978). In the following pages, the editors' introduction will be discussed in order to show how a German development in theory, which offered at least the *prospect* of a serious rethinking and consolidation of Marx's theory, has been entirely misused and misinterpreted in the context of British Marxism,<sup>30</sup> by selecting only those (brashly orthodox) elements of the debate which can affirm entrenched prejudices. With phrases such as the "limits of the logical 'state derivation' approach" (Holloway & Picciotto 1978 p. 25), the fact is masked that the German debate came to no successful execution of even the "first step" of its original task, formulated by Holloway and Picciotto as:

to 'derive' the state as a political form from the nature of the capitalist relations of production, as a first step towards constructing a materialist theory of the bourgeois state and its development. (ibid. p. 2)

Even this formulation, which makes a concession to a systematic problematic, treats the "derivation" as an irksome prelude to the real task of a "developmental" theory. With the ebbing of the student movement, the rollback against Marxists in German universities, and the West German left's farewell to Marx, the occupation with capital-analytic theory has become more and more of a curiosity (from the perspective of 1984). The worsening of political conditions reinforced and furthered an inner tendency of the debate to capitulate and dissolve into empirical and historical studies. This does not prevent this dissolution being presented in a thoroughly positive light not only by British and American Marxists, but also by West German leftists.<sup>31</sup>

To return to our authors: the scare quotes around 'derive' in the above-quoted passage already indicate that Holloway and Picciotto are sceptical about derivation. They make several apologies to the reader with the effect that his/her Anglo-Saxon wariness about /l> a project of systematic derivation is left unshaken, so that in the end form-analysis becomes a vague and empty phrase signifying a development in theory whose assimilation and truncation by traditional Marxism should pose no insurmountable difficulties. The West German debate never reached any clarity over what 'derivation' means, and thus drew on notions of

formal-logical deduction on the one hand, and of causality on the other. Neither notion offers much at all for the aim of a critique, and it is no wonder that West German Marxists quickly came to the apparent limits of the derivation debate. A logical deduction exhausts itself with analytic conclusions drawn from a prioristic axioms, not exactly the thing to set a critical spirit on fire. The search for causal relations, in the time-honoured manner of the social sciences, seeps very quickly into historical and empirical research. The project of a dialectical theory of the superstructure seems to vaporize before the eyes. The derivationists themselves never came across the idea of critique as phenomenological form-analysis. There thus exist some grounds on which Holloway and Picciotto can be excused for their wooden, sclerotic representation of derivation, especially when one considers that their contact with the German debate was mediated by Joachim Hirsch.

Their summary of the debate opens with the acquiescing phrase: “Since the ‘state derivation’ debate often appears to be so abstract...” (ibid. p. 15) and concludes with the calming reassurance: “If the reader finds the debate at times too formal and abstract, these criticisms (*Wer denkt abstrakt?* ME) are partly justified.” (ibid. p. 30) With such remarks, the authors guarantee that the distaste for conceptual thinking will only be reinforced. The three contributors to the book who represent the dissolution and provisional failure of the derivation debate (Hirsch, Gerstenberger, Braunmühl) are presented as its saviours in that they “raise in different forms the question of the limits of the form-analysis of the state.” (ibid. p. 29)<sup>32</sup>

Why it is that a derivation of state should only be a “first step” (ibid. p. 2) in the construction of a materialist theory of the state, is revealed by the authors’ idea that an adequate theory /li> must be able to account for the historical development of the bourgeois state. They criticise Blanke, Juergens and Kastendiek for making a “rigid distinction between form analysis and historical analysis.” (ibid. p. 21) “...the actual history of the development of state functions and state institutions is therefore something which has somehow to be added after the logical derivation has been completed ...” (ibid. p. 26) “... it is hard to see how an adequate

form analysis can be anything other than historical.” (ibid. p. 27) Here we have it: the derivation, conceived as a form-analysis, collapses into history, because any alternative is “hard to see”. Over a hundred years of Marxism is a support for this statement.

Backhaus’ pioneering work, which aims at a radical shake-up of Marxism, should have made Holloway and Picciotto a little circumspect in methodological and reconstructive questions concerning Marx’s writings. They cite Backhaus’ early article (ibid. p. 179), without showing any evidence whatever of having learnt anything from him. They refer unproblematically to Marx’s “derivation of the money form from the contradictions of the commodity” (ibid. p. 16), although it is precisely this derivation which has been problematized by Backhaus.<sup>33</sup> The conception of a “derivation” from “contradictions of the commodity” only makes sense as a logical-dialectical transition. In the light of the critical German literature on the subject, which is accessible to the authors, the naivety with which they regurgitate Engels’ vulgar view on method is nothing less than astounding. Even the famous methodological remarks by Marx in the introduction to the *Grundrisse*, which at least partially contradict the Engelsian conception, are not cited.

Holloway and Picciotto conceal the fragmentary character of Marx’s *Capital* when they insist that

the task is not to develop ‘political concepts’ to complement the set of ‘economic concepts’ but to develop the concepts of *Capital* in the critique not only of the economic but also of the political form of social relations. (ibid. p. 4)

The conceptual structure, according to the authors, is already complete and requires merely an extension of application of the categories of *Capital* to the “political form of social relations”. Whereas Poulantzas produces notions to grasp the specificity of the political, but without providing any mediation with a capital-analysis (cf. §74Aa), Holloway and Picciotto bend the stick entirely the other way in proposing that the capital-analysis already contains the categories necessary

to illuminate the structure of class conflict in capitalist society and the form and conceptions (economic and otherwise) generated by that structure. (ibid.)

With respect to systematic analysis, the authors' view is that not only is the Marxian capital-analysis in no need of *reconstruction* but also that no autonomous systematic extension is required to grasp the superstructure. If this were so, one could only be dumbfounded as to what the objective of the state derivation debate ever was. The authors claim that this debate has viewed

the categories elaborated in *Capital* (surplus value, accumulation, etc.) ... not as being specific to the analysis of the 'economic level'. (ibid.)

From such a reductionist standpoint, nothing more than reduction could be achieved, a grotesque subsumption of superstructural categories under economic categories which could only reinforce the worst suspicions gladly set abroad by anti-Marxists about Marxism's economism. By treating Hirsch's contribution to the debate most kindly, the authors concur with the former's economism, expressed in banning the consideration of the state as an object requiring its own concept and which therefore cannot be grasped in terms of economic categories.<sup>34</sup> This is apparent in that the authors repeatedly encapsulate their view of form-analysis as a demonstration of "the relation between the state and the contradictions of capitalist accumulation" (ibid. p. 6). That the problem of a form-analytic concept of state is not comprehended (the solution of a problem is often simultaneous with its posing) in the headlong rush to a theory of development is indicated by the slide from mention of the "state form" (ibid.) to the "changing forms of state" (ibid. p. 7). The dialectical-speculative task of developing a concept of the bourgeois state is substituted by the historiographical task of accounting for different historically defined forms of state. The concept of 'form' in the singular and plural usage of the word have two entirely different, unrelated meanings. /liii> The latter has little relevance in a dialectical critique, and that restricted exclusively to historical illustrations employed to elucidate conceptual categories. Despite the approving reference to the German debate's form-considerations as a way out of the "rather infertile rut of the Miliband-Poulantzas debate" (ibid. p. 3), the criticisms made of Miliband, Poulantzas and Gramsci owe nothing to



form-analytic considerations (in the sense outlined in III above) but rather to Holloway and Picciotto's opinion of how an adequate theory of state should look:

first, they are unable to analyse the *development* of political forms (note the plural ME); secondly they are unable to analyse systematically the limitations imposed on the state by the relation of the state to the process of capital accumulation. (ibid. p. 10)

The first criterion is historical; the second concerns the economic *functions* of state, not its form. The authors' incomprehension of the program of form-analysis as a dialectical theory (it is to be noted that Backhaus' early article was decisive in opening the derivation debate) is understandable on the background of their conception of the relation between capitalist economy and state as one of causality and functionality, rather than as a dialectical *Reflexionsbestimmung* arrived at through the consideration of a contradiction. In II and III above we have hinted at characteristics of a dialectical form-analysis which must seem strange to Anglo-Saxon eyes. One can be sure that such hints hit a nerve centre which provokes a sharp unreflected Pavlovian response; the search however is rather for the Archimedian point. Holloway and Picciotto only managed to find a suitable dust bin for the derivation debate by referring euphemistically to the evaporation of form-analysis as: "the limitations of form-analysis have become clear." (ibid. p. 30)

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Having come this far, the reader is posed with the decision as to whether to proceed to the heavier-going stuff of a conceptual development. I have put in some rasping jokes and mischievous, ironical remarks to ease the way. No compromise has been made with the temptation to popularise by vulgarising the conceptual development. /liv> A century of Marxism has shown that nothing is to be gained by way of popularisation, when the point of the critique becomes thereby irretrievably lost. It would be comforting to delude oneself that in the hurly-burly of politics the finer points of theory do not make much difference. Alternatively, one could throw one's hands into the air and exclaim: "If the masses are expected to plough their way through these

dialectics, then we may as well give up now!” That however would be to put the cart before the horse; in the first place, it is only the present reader who is posed with this decision. It would be appropriate to pose the question of what to do with a dialectical knowledge only *AFTER* it has been won. If the presentation has been at all successful, the world should look a little different then. The reader will have to be prepared to grapple with some reconstructed Hegelian categories (which presupposes that the reader hold his/her anti-Hegelian prejudices provisionally in abeyance). The Hegelian categories are not to be bandied around like advertising slogans (as happened with Althusserian terminology in the seventies). No apology is made for the demand that the concepts be thought through according to the rules of the systematic dialogue. It has become a customary obeisance in English-speaking Marxism to at first embarrass oneself when presenting “abstract theory”. Hegel’s question, “Who thinks abstractly?”, if pursued, would lead to the paradoxical result that those who pride themselves on being intimately in contact with the empirical-concrete are in fact the most abstract thinkers in the worst sense of the word. This kind of paradox is familiar to dialectical thinking under the concept ‘inversion’ (*Umkehrung*). For the reader whose curiosity I have succeeded in awakening, I promise some dialectical surprises. /1>

# Part I Introduction:

## The Analysis of the Revenue-Form<sup>1</sup>

### §1 Elements of Labour and Loan Relations in the Capitalist Labour Process

The capitalist labour process, be it a commodity-producing process, a commercial commodity-dealing process or a money-dealing process, is predicated upon bringing together and setting into motion three *ELEMENTS OF LABOUR*: living labourers, the nature-given (cf. §3A) conditions of labour and produced means of labour (§4). The entrepreneur, who organises such a labour process, only comes to dispose of the elements of labour by entering into *LOAN RELATIONS* with labourers, landholders and money-capitalists.

a) In terminology we do not follow Marx in his concept of labour process. For him the labour process is labouring activity free from any specific social relations, a process designating transepoachally the interaction of humans with nature. For us, labour process is form-determinate, signifying the capitalist labour process generically, thereby encompassing not only the commodity-producing process, but also the circulation labour processes of commercial and banking capital. A labour process is therefore always a capitalist valorization process, but not always a capitalist (commodity) production process. Behind this divergence in terminology lies not merely an adaptation of terms to suit the presentation given here but rather a deeper-going disagreement with the attempt to formulate transepoachal social categories. Marx introduces his treatment of the transepoachal labour process in the seventh chapter of Volume 1 of Capital ‘Labour Process and Valorization Process’ with the argument:

The production of use-values or goods does not change its general nature through the fact that it proceeds for the capitalist and under his control. The labour process is therefore (?) to be viewed at first independently of every determinate social form. (CI 173;KI 192)

All that can be said about the labour process in general can be summed up in the terms: labourer, means of labour and object of labour. The designated elements of labour are to be distinguished from this characterisation of the labour process transepoachally, which in turn differs from Marx’s formulation of the “simple /2>

moments of the labour process” (KI 193) as “purposeful activity or labour itself, its object and its means” (ibid.). The three “elements” refer to separable elements which the entrepreneur can bring together in setting up a labour process. The three “moments” referred to by Marx are not separable, for “purposeful activity” already presupposes its object and means, and therefore encompasses them. It presupposes however also the labourer him/herself as active agent of the labour process. In Marx’s formulation therefore “purposeful activity or labour itself” is not a sufficiently sharply defined moment, since it presupposes other moments which are not all explicitly mentioned. Even allowing for differences in formulation, the transepochal labour process can only be characterised extremely generally. For, all other characteristics of the labour process vary over epochs, since the kinds of products produced vary so enormously. Marx, in fact, devotes most of the pages of the section of this chapter on the labour process precisely to the demonstration of the vast variety of labour processes ranging from fruit gathering to the modern chemical industry. Talk of “mediated means of labour” such as “workshops, canals, streets” has no general validity for all historically existing societies. Rather, under the guise of discussing quite general characteristics of the labour process in general, Marx in fact discusses for the greater part examples of capitalist production. The distinction made within raw materials between “principal material” and “auxiliary material” is investigated almost entirely on the basis of examples from capitalist production:

The auxiliary material is consumed by the means of labour, such as coal by the steam engine, oil by the wheel, hay by the draught horse, or is added to the raw material, in order to effect a material change in it, or it supports the performance of the labour itself, such as e.g. materials used for lighting and heating the workshops. The difference between principal and auxiliary material dissolves in chemical industry proper, since none of the raw materials employed reappears as the substance of the product. (CI 177;KI 196)

Marx’s discussion of the labour process is thus modelled on the capitalist commodity production process and one asks oneself why /3> occupy oneself with a concept which has to be formulated so generally as to be empty of significant content. Striking is that commercial and banking labour processes are not mentioned, although they too fall under such a general heading. Even the general formulation of the labour process is unsharp with respect to the distinction between means of labour and object of labour. The earth is treated by Marx as both object of labour (CI 174;KI 193) and means of labour (CI 175f;KI 194f). The earth is an object of labour insofar as “all things which labour separates from their immediate connection with the whole earth” (KI 193) are considered. The means of labour, on the other hand, are defined as “a thing or complex of things which the labourer

inserts between him/herself and the object of labour and which serves him/her as the conductor of his/her activity on this object” (KI 194). Marx notes: “The earth itself is a means of labour, presupposes however a whole series of other means of labour in its service as means of labour in agriculture ... “ (ibid.). The earth appears once again as “universal means of labour” (KI 195) in “giving the labourer the locus standi and his/her process its field of employment” (ibid.). When one considers the examples of ploughing a field or sowing seeds or harvesting a crop, it becomes unclear whether the earth functions as means or object of labour. In agriculture, the earth apparently changes role in the various stages of production of an agricultural product.

The treatment of the general labour process before the specifically capitalist production process can also not be justified by the following historical observation:

He (the capitalist ME) must initially take labour-power as it is to be found on the market, therefore also its labour, as it arose in a period in which there were still no capitalists. The transformation of the mode of production through the subordination of labour to capital can take place only later and is therefore (?) to be treated later. (CI 180;KI 199)

The pre-capitalist mode of production is in any case no general labour process; its investigation would presuppose a separate analysis. Moreover, as Marx himself emphasises in the introduction to the *Grundrisse* the order of concepts is in no way determined simply by historical sequence, but rather by the order in which /4> they can be thought. The writing of the history of the transformation in Europe, or more especially, in Britain, from feudal society to developed capitalist industry is to be distinguished from the conceptualisation of the capitalist mode of production itself. The contradictions of contemporary social life cannot be explicated by the past history of transition between epochs.

b) The loan-relations in this and following paragraphs are initially conceptualised independently of consideration of ownership categories. The various figures are treated as the personifications of economic categories purely and simply. The concepts of property to be developed in Part II will incorporate elements of subjectivity and individual interest not yet introduced into the analysis. Individual disposal over definite objects is indeed presupposed on this level, but it is a disposal exercised by character-masks in a way corresponding to their economic roles. As will be seen later, the concept of property contains further determinations. To the objection that in reality loan relations are only possible by virtue of private property relations, which in turn are secured by the state, can be countered that causal relations in reality do not lay down the systematic order of conceptualisation. There is in any case no ‘first cause’ from which everything else could be derived as an effect.

## §2 The Wage-Relation

Labourers are incorporated into the labour process by entering into a *WAGE-RELATION* with the entrepreneur. Labourers possess the capacity to labour, or *LABOUR-POWER*. This labour-power is put at the disposal or *LOANED* to the entrepreneur for a definite period. We make the assumption of presentation that the labourers are not paid until after their labour-power has been expended, say, at the end of the working week or month. So long as the labourer has a hireable labour-power, s/he can earn a wage for the whole of his/ her working life. In this sense the labourer's body, embodying as it does the labourer's specific manual and intellectual labouring capacities, is an enduring source of wages.

- a) The labourers are treated on this level as character-masks who are employed as exploitable objects by the entrepreneur. /5>
- b) The labour-power put at the entrepreneur's disposal is a specific kind of labour-power. The labourer fills a specific position within the collective labourer (App. §§16f) set up by the entrepreneur, although of course this position can be altered at the entrepreneur's behest. The wage-relation is therefore to be distinguished from a system of indentured labour in which the labourer's entire existence stands at the master's disposal, as was the case in some pre-bourgeois societies.
- c) The analysis of surplus-value production under the domination of capital is presupposed on this level. Cf. App. §§13ff.
- d) The case where the labourer's labour-power is not hireable (unemployment) will be considered below, especially in Part III f).

## §3 The Leasing of Land

The natural conditions of labour, referred to for convenience as land, are *LEASED* by the entrepreneur from a landholder, who receives a *RENT* for the use of his/her land for a definite period. The effectivity of the labour process depends upon characteristics of the land used, such as fertility of the soil, grade of mineral deposits and location. For as long as the land can find useful employment by an entrepreneur, the landholder draws a rent by virtue of a loan relation.

- a) Rent as value-form is analysed in the capital-analysis App. §§21f.

b) Although we have spoken only of land, definite pieces of the earth's surface which are covered with water can also come to bear rent for their holders. As Marx remarks, although systematically anticipating the category of 'property-owner':

For the sake of completeness it is to be noted that here under land, water is also to be understood, insofar as it has an owner (holder ME), and presents itself as an accessory of the land. (CIII 615;KIII 628)

It may be objected that land is not an unproduced condition of nature. Marx himself distinguishes between the land as unproduced and produced means of production:

... the earth as unproduced, the other (means of production ME) as produced means of labour./ ... the earth as the original /6> field of occupation of labour, as the realm of natural forces, as the pre-given arsenal of all objects of labour, and ... the produced means of production (instruments, raw materials, etc.) ... / ... the earth, the produced means of production and labour in the simple labour process ... (KIII 833f)

At the same time, it is not to be denied that the land used in production has not already been "filtered by past labour" (KI 193) and is therefore insofar a produced means of production. Marx, indeed, treats the improvements to land in detail in the third volume of *Capital*. This apparent anomaly can be clarified by considering two circumstances: i) Some improvements to the land brought about by a capitalist production process incorporate means of production (e.g. clearing of land, making pasture, boring of shafts, etc.) which become permanent features or fixtures of the land that do not have to be renewed or replaced for as long as the land is employed in production or is not left idle for too long. The improvements thus do not require a further advance of capital and can be regarded, after the turnover of the once-only advance of capital, as a natural condition of the piece of land, as second nature. ii) Other improvements to the land require renewal, which must be brought about by further labour processes and advances of capital for appropriate means of production. These advances can be either for circulating (e.g. fertiliser) or fixed (e.g. buildings) capital and, although incorporated in or fixed to the land, are to be conceptually treated as produced means of production which have been bound to the earth. In this case, the distinction between nature as unproduced and means of production as produced can still be made analytically with these distinctions. When an entrepreneur leases land in which another has already invested fixed capital, it is as if he is leasing land plus means of production. The leasing of means of production is equivalent to borrowing a (fictitious) money-capital and purchasing the appropriate means of production, for which interest is paid and repayments are made. The landholder who leases improved land incorporating a fixed capital, which gradually turns over, therefore receives not only rent but also a component of

interest plus a component of repayment for the consumed portion of the fixed capital. Marx formulates it thus: /7>

The interest for capital incorporated in the earth and the improvements which the earth so receives as instrument of production can constitute a part of the rent paid by a tenant to the landowner, but it does not constitute ground-rent proper, which is paid for the use of the land as such, be it in a natural state or cultivated. (CIII 619;KIII 632)

Note that in this passage, rent proper is paid for land “in a natural or cultivated state”. The cultivation is to be understood not as a result of a fixed capital investment, which is gradually turned over and consumed, but in the above-mentioned sense, as a permanent improvement to the land. The line of demarcation between the cases i) and ii) is of course extremely fluid; fixed capital with a long turnover period approaches asymptotically the status of a permanent feature of the land.

Conceptually speaking, where there is capital investment in the land, the landholder doubles as landholder and money-capitalist, a doubling which does not affect the underlying form of loan relations considered here. A further possibility arises if the landholder carries out the improvements to the land himself, i.e. he functions as an entrepreneur in organising a labour process to improve the land, borrowing capital (§4), hiring labourers (§2) and setting them in motion. When the landholder then leases the improved land, the rent he receives includes a component for profit of enterprise (§6) as well as for wages (§2), interest (§4) and ground-rent proper. The landholder in reality cannot wait to pay the wages out of the proceeds of the rent, and so must borrow extra capital to cover wage payments. This increases his interest costs, which have to be recouped by an addition to the rent. Other possible arrangements for improvements to the land can be imagined. All of them, however, can be captured under the four basic categories: rent, wages, interest and profit of enterprise (cf. §§36ff on dividends and directors’ fees).

#### **§4 Money-Capital and Means of Labour**

The necessary *MEANS OF LABOUR* for a labour process (raw materials, auxiliary materials, produced conditions of labour such as buildings, machinery) are bought by the entrepreneur with an advance of *MONEY-CAPITAL*. The money-capital in turn stands at his /8> disposal by virtue of a loan relation with a money-capitalist, in general a bank (cf. App. §51). The bank is determined by the double function of firstly performing necessary tasks of the receipt, storage and payment of



depositors' money, and secondly, of concentrating the money-capital of depositors, which is then loaned to entrepreneurs. For the use of money-capital, the entrepreneur pays *INTEREST* at regular intervals for the period of the loan. As long as it can find an entrepreneur-borrower, money-capital bears interest (at least nominally) perennially for the money-capitalist. As with labourers and land, we assume that interest is paid in arrears, after the money-capital has been converted into a functioning component of the labour process.

Although we have discussed interest-bearing capital in the first place in relation to its necessary function to purchase means of labour, it can also be employed to make payments of wages and rent to labourers and landholders respectively. The analysis of circulation in the capital-analysis (cf. App. §§35ff) shows that the simplest circuit of capital, in which wages, rent and interest payments are made after the result of the labour process has been sold, becomes the complicated intertwining of circuits of original and additional capital, in which loaned interest-bearing capital can be used by the entrepreneur to make wage, rent or interest payments before the return of advanced money-capital would enable him to do this out of the proceeds of sales (of commodities or money-dealing services). This complication does not alter the basic nature of the money-capital loan relation.

In his investigation of interest-bearing capital in Chapter 21 of Volume 3 of *Capital*, Marx too simplifies the presentation and considers only the advance of money-capital for means of labour:

But the *sine qua non* of this function as capital is that they (the hundred pounds ME) are advanced as capital, i.e. the money is expended in the purchase of means of production (in the case of industrial capital) or of commodities (in the case of mercantile capital). (CIII 340;KIII 352. Marx here leaves bank capital out of consideration.)

A further complication arises with the systematic development of credit relations between functioning capitalists, whereby the /9> entrepreneur gains the possession and use of means of labour without the immediate-payment of money-capital. In this case, however, the entrepreneur has merely avoided the step of converting borrowed money-capital into means of labour and instead pays interest for the commodities he has received without an advance. The commodities obtained on credit are to be conceived as the commodity form of an equivalent value in money form, and to the extent that credit relations exist between entrepreneurs, they double themselves conceptually into entrepreneurs and money-capitalists. Interest-bearing capital is to be thought first and foremost "in its immediate form as *interest-bearing* money-

capital (the other forms of interest-bearing capital ... are in turn derived from this form and presuppose it)" (TSV3 466;TM3 458).

## **§5 The Entrepreneur's Temporary Possession of Revenue-Sources**

The three character-masks: labourer, landholder and money-capitalist, who enter into loan relations (§1) with the entrepreneur, can be drawn together under one heading as *REVENUE RECIPIENTS* who receive *REVENUE* through the loan of their respective *REVENUE-SOURCES*: labourer, land and money-capital. The entrepreneur is not a revenue-source loaner, but rather the *TEMPORARY POSSESSOR* of the revenue-sources and the *PAYER* of revenue, which he deducts from the proceeds of the operation of the labour process. Not only loan relations but also sales and purchases of industrial commodities and/or banking services (a higher-order commodity) are undertaken by the entrepreneur. The revenue-source loaners, by contrast, on this level enter solely into loan relations (as character-masks).

The loan relation of revenue-sources is to be distinguished from the relations of sale and purchase of commodities. Sale is characterised by a complete alienation of the thing sold to the buyer. Loan involves only the temporary alienation of revenue-sources, which are utilised in the labour process. In the case of money-capital, it must first be converted into means of labour to actually function productively. The three revenue-sources are the bearers of potentialities which the entrepreneur realises in a labour process. Labourers possess the potential to labour, money-capital the potential to buy means of labour which serve as indispensable component of the labour process, and land the potential to serve as natural condition of labour. It is only the manifestation of these potentialities which is alienated once and for all to the entrepreneur and which takes shape ultimately as produced commodity or performed function. The bearers of the potentialities are returned to their respective revenue-source loaners at the end of the loan period. The peculiarity of the revenue-source, labourer, which coincides with its loaner, will give rise below (§§53ff, 61) to special problems in the relation between entrepreneur and labourer, when both are developed into subjects of competition.

Marx does not sharply differentiate between relations of sale and of loan. Although in relation to money-capital in places he emphasises the loan relation – "He (the money-capitalist ME) *lends* the money instead of spending it." (TSV3 457;TM3 449) "...it is lent *instead of being sold, and therefore it is alienated only*

temporarily.” (TSV3 458;TM3 450) “The form of lending, which is characteristic of this commodity, capital as commodity, and which also occurs in other transactions, instead of the form of selling...” (CIII 341;KIII 354) – there are other places where the distinction between the two forms of relation is conflated as in: “The peculiar manner in which it (interest-bearing capital ME) is sold as commodity, namely loaned instead of relinquished once and for all.” CIII 340;KIII 352) In the case of land the distinction between loan and sale is clear, since loaned land draws rent from a lessee, whereas sale draws a price from a buyer. But in the case of the labourer, the loan relation is suppressed in formulations such as “the sale of labour-power”, which are used by Marx right from the beginning of *Capital*. (Volume 1 Chapter 6 is entitled ‘The Buying and Selling of Labour-power’.) If however the essence of a loan relation is the temporary alienation of a thing to another, then the labourer just as much lends him/herself to the entrepreneur as money-capital and land are loaned to him. The use of the terminology ‘sale’ can only serve to confuse the nature of the relation between labourer and capitalist. The labourer lends him/herself for a definite period during which his/her working capacities /11> are set into motion by the entrepreneur. It can be noted in passing that the clarification of the wage-labour relation as a loan relation is one of the points of approach for a critique of the category ‘value of labour-power’ (Cf. RVfA p. 44; App. §11).

## **§6 Profit of Enterprise**

Standing over against the revenues is a fourth category, *PROFIT OF ENTERPRISE*, which is residual money falling to the entrepreneur after all revenue payments have been made and the loaned money-capital paid back to the money-capitalist. The entrepreneur, as seller of commodities and services, is also the distributor of the money proceeds from the sale of products of the labour process. He is thus already the immediate possessor of the profit of enterprise which results from the capitalist labour process.

Profit of enterprise cannot be understood as revenue, since the entrepreneur only borrows (and must pay out money for this); he does not lend but sells (the result of the labour process). The activity of the entrepreneur cannot be identified with wage-labour, since the labourers work on account of another for wages; the entrepreneur produces on his own account. The wage-labourers are not “small commodity producers”. The commodity (and banking service) producers in the capitalist epoch are the entrepreneurs. (Cf. §11)

## §7 Incomes and the Troika Formula

The three revenues and profit of enterprise are *INCOMES* which flow to their respective income recipients. Whereas with the revenues there is an asymmetry insofar as the entrepreneur does not receive any revenue, with the category of income all four character-masks are subsumed. The quadruple of incomes is however not completely symmetrical because the entrepreneur has a special role in the generation of income; rather, a *TROIKA FORMULA* is appropriate, in which the entrepreneur moves with three horses, which he has harnessed and steers forward towards money-incomes.

a) The four types of income result from the basic value-form structure constituting capitalist relations of production. The basic structure is modified by various hybrid forms which arise in the course of the circulation and competition analyses. Of note in /12> the circulation analysis is the doubling of the money-capitalist into bank and depositor, whereby interest falls to economic figures in two characteristically different ways (cf. App. §51). Further hybrid forms arise in the competition-analysis, when the assumption that the entrepreneur is an individual and that he operates exclusively with loan-capital is relaxed. The joint entrepreneur is associated with the share company, which has its own characteristic inner structure, consisting of directors, shareholders, managers in a hierarchy. The company gives rise to the form of share property, which combines elements of firm ownership (§14) and interest-bearing capital. The company may operate, at least partially, with its own share capital, and may also own the land on which it operates. These anticipations will be filled out below in Part III.

The troika formula diverges from Marx's Trinity Formula in Chapter 48 of Volume 3 of *Capital*. The ground for this is that Marx does not pay sufficient attention to the four figures who appear on this level. The doubling of the capitalist into functioning capitalist (entrepreneur) and money-capitalist developed by him in Chapter 21 of Volume 3, is not taken into account in the attempts at formulation of a trinity formula. Marx is of course more or less aware of the four figures and the four categories of income, and therefore gives vacillating formulations, where here interest, there profit, is given preference. We turn to a closer consideration of Chapter 48, 'The Trinity Formula'.<sup>2</sup> Marx began the final part of *Capital* 'Revenues and their Sources' in the principal manuscript (Manuscript A80 in the Amsterdam Archives pp. 528-531, gap, 534-539) according to the rule which Engels succinctly formulates in the Preface to the third volume:

As a rule the beginnings of each part were fairly carefully worked out, even stylistically rounded. The further one came however, the sketchier and more fragmentary the draft became ... (CIII 2;KIII 8)

Since here too the beginning is worked out, it is surprising that Engels places 5 pages comprising “three fragments” at the beginning. Fragment I is taken from A80 470f, fragment II follows on from A80,471 and fragment III stands at an earlier place in the main /13> manuscript, A80 445. Under the title (from Marx) ‘The Trinity Formula’, Engels makes only the following remark: “The following three fragments were found at different places in the Ms. for Part VI.” The original place for fragments I and II is, as far as we can see, the draft of the immediately preceding Chapter 47 ‘Genesis of Capitalist Ground-Rent’ (cf. CIII 782ff;KIII 816ff). Fragment III, it appears to us, stems from the draft for the 46<sup>th</sup> Chapter, to which Engels gave the composite title ‘Building Site Rent, Rent in Mining, Price of Land’ (A80 437-447). Stylistically and in substance the passage printed on CIII 779 (KIII 787) “The relation of a part of the surplus-value ... the rational, and its rational element is irrationality itself”, belongs to this fragment.

The text of Chapter 48 ‘The Trinity Formula’, beginning on A80 528 (CIII 818;KIII 826) starts with a sketch of the course of argumentation of the capital-analysis. A second recapitulation comes a few pages later on A80 535-539 (CIII 826-831;KIII 835-839), with which the text edited by Engels likewise breaks off. (It is possible that here pages have been lost. The beginning of Chap. 49 is from A80 542.) The first sketch of the whole course of argumentation emphasises at first the splitting of profit into profit of enterprise and interest (CIII 820;KIII 828) and explains that “under these two categories surplus-value can fall to different sorts of capitalists” (here there is already a hint of vacillation).<sup>3</sup> The sketch concludes with a first version of the trinity formula:

Capital throws off year in, year out, profit for the capitalist, land ground-rent for the landowner and labour-power – under normal conditions, and so long as it remains a usable labour-power – wages for the labourer. These three value components of the annually produced total value and the corresponding components of the annually produced total product can be consumed by their respective possessors without the source of their reproduction drying up. These appear as annually consumable fruits of a perennial tree, or rather of three trees. They form the annual income of three classes, of the capitalist, of the landowner and of the labourer, revenues which the functioning capitalist as the immediate appropriator of surplus-labour and employer of labour distributes. (CIII 821f;KIII 829f) /14>

Capitalist, landowner and labourer are designated as revenue recipients. (Here it should be noted that it is a systematic anticipation to talk of “property”.) Reduced to

its key words, this passage can be written as the formula ‘Capital-Profit, Land-Rent, Labour-power-Wage’. Obviously, the initial distinction between two sorts of capitalists is no longer made; the three revenues here constitute the new-value; there is no value component left for profit of enterprise. Nonetheless, the entrepreneur crops up again at the end of the quotation with the special role of “employer of labour” and distributor of the revenues. And this is indeed unquestionable. In this, however, lies the admission that it is a matter of four personifications and not three.

Further below Marx argues:

Distribution presupposes (the distributed value substance ME) namely the total value of the annual product, which is nothing other than objectified social labour. It is however not in this form that the matter presents itself to the agents of production, to the bearers of the various functions of production, but rather in inverted form. (CIII 822;KIII 830)

We surmise that the explanation of this inversion which occurs to Marx keeps him from taking account of the already developed doubling of the figure of the capitalist and from clearly articulating the four value components of new-value: the three revenues and profit of enterprise. The critique of vulgar economy surely plays an incidental role, which could have moved Engels to insert fragment III; but the systematic argumentation must be able to stand on its own feet.

The second version of the trinity formula can be put together from A80 534 (CIII 823f;KIII 831f), the text after the gap:

‘Land-Ground-rent, Labour-Wages, Capital-Profit’

(in which in the treatment of the first pair, land-ground rent, some pages may have been lost). CIII 821(KIII 829) reads: “No matter how disparate these relations may appear in other respects, they all have one thing in common.” Then follows the above-cited first version of the trinity formula. On CIII 823f (KIII 832) one finds a corresponding formulation, followed by an argument – and here reference is made to the second version of the trinity formula – which hints at how Marx explains the “inverted form” in which “the matter presents itself to the agents of production”:

If we first viewed what is disparate in the three sources, then secondly in contrast their products, their offspring, the revenues all belong to the same sphere, that of value. This however is compensated for by the fact that ... in fact capital, like earth and labour, is taken simply in its material substance. (CIII 823;KIII 832)

We have substantially shortened the second sentence, in order to distil the new thought: Profit, rent and wages spring from capital, earth and labour, “taken in their

material substance”. The conjecture already expressed is that the attempt to fill out this thought moved Marx to reduce the four value components of new-value and their personifications to three. This idea of the coincidence of revenue-source and material element of production is formulated in successive variations in the following pages (CIII 834-826; KIII 832-834) and ends, before the second sketch of the capital-analysis, with a reference to the exoteric Smith and the vulgar economist Storch:

Wages, profit and land-rent are the three original sources of all income as well as of all exchange-value. – Thus the causes of material production are at the same time the sources of the original revenues which exist. (Storch)

And here according to its content, belongs fragment III and likewise the short one-page passage CIII 830 (KIII 838), which closes the second above-mentioned sketch of the capital-analysis and which describes “the immediate melting together of the material relations of production with their historical-social determinacy” as “the religion of everyday life”, whereby classical economy comes forward as critique of religion, vulgar economy as theology.

The three-tree metaphor is unsuccessful because the revenue-source capital has to be considered as interest-bearing capital, which prevents its identification with the material means of production. The latter are said by Marx to throw off profit – but profit is not a revenue, as Marx himself writes:

*Interest, not profit, thus appears as the value creation of capital flowing from capital as such and therefore as out of /16> the mere property in capital; therefore the revenue characteristically created by capital. (TSV3 462; TM3 453)*

Rather, the above-mentioned troika formula (17) has to be introduced to summarise the four incomes in a convenient metaphor, while at the same time keeping the revenues pictorially distinct from the fourth income, profit of enterprise.

## **§8 Mystifying Facticity of the Revenue-Form**

In the facticity of revenue-form relations, all connection of incomes with deeper-lying value categories is lost. The various incomes are taken simply as arising immediately out of the loan relations which enable the combination of the elements of labour, leaving a residue of profit of enterprise for the entrepreneur. Since wage-labour appears to give rise only to wages, the commodity-products of the production process appear not as representations of social labour, as value, but rather as the

composite product of the combination of three disparate elements of production under the direction of the entrepreneur.

The most fetish-like appearance of the revenue-sources occurs when the remaining two revenue-sources are compared with interest-bearing capital. Marx treats this fetishism not only in the chapter 'The Trinity Formula' but also at length in the addendum 'Revenue and its Sources' to the third part of *Theories of Surplus-Value*, edited by the Marx-Engels Institute in Moscow from the 1861-63 Manuscripts. Just as interest springs from an amount of loaned money capital, rent can be regarded as an interest springing from a fictitious capital invested in land. This capitalisation of land is not merely a fanciful idea but is practically undertaken in the determination of the price of land. In practical capitalisation, the purchase of land is simply regarded as an alternative to the loaning of money-capital. Rent is thus practically set equal to interest. To treat the labourer as a capital, which is in fact performed in places by vulgar economy and modern sociology ('human capital') is however a "purely illusory conception" (CIII 464;KIII 482):

The craziness of the capitalist way of thinking here reaches its peak in that instead of explaining the valorization of /17> capital out of the exploitation of labour-power, on the contrary the productivity of labour-power is explained by saying that labour-power itself is this mystical thing, interest-bearing capital. (CIII 465;KIII 483)

The revenue-forms serve to mystify the source of surplus-value and thus the exploitation of wage-labour by capital.

In that wages here appear as the specific product of labour, the only product of it (and it is indeed the only product of labour for the wage-labourer), the other parts of value *rent, profit (interest)* – equally necessarily appear as flowing out of other specific sources ... as offspring of the earth and of capital respectively. (TSV3 481;TM3 472)

The conceptlessness of interest-bearing capital, "the mother of all crazy forms" (CIII 465;KIII 483) lies in the fact that "any regularly repeating income" (KIII 484) can be *capitalised*, and thus form a "fictitious capital" (ibid.) "by reckoning it, according to the average rate of interest as the yield which a capital would throw off if lent at this interest-rate". (ibid.) Through capitalisation, "all connection with the real valorization process of capital is lost without a trace, and the conception of capital as an automaton which valorizes itself through itself is reinforced." (ibid.) For the capitalisation of wages, however, there stand two irritating facts in the way: "firstly, that the labourer has to labour in order to obtain this interest, and secondly, the capital value of his labour-power cannot be cashed in through transfer". (ibid.) This pure illusoriness of the capitalisation of wages does not hinder it from being



employed in reckoning, e.g. where the state (Part IV) plans an education system, or where an incapacitated labourer is compensated for the loss of her/his labour-power (cf. §61). The practical calculations in everyday life pay no heed to the concept of capital as a process of valorization.

## §9 The Four Classes

The level of presentation of the analysis of the revenue-form is characterised by a summary of forms of appearance of value: the value-forms of wages, ground-rent and interest are counterposed to that of profit of enterprise. These four value-forms, the incomes, are the economic basis of *FOUR CLASSES* in the bourgeois form of /18> society: the working class, the landholding class, the finance capitalists and the entrepreneurial class, respectively. The four incomes signify not only sums of money but also the relation to specific objects within the capitalist mode of production, i.e. the incomes as *RELATIONS OF DISTRIBUTION* coincide with definite *RELATIONS OF PRODUCTION* allocating their bearers definite roles in the capitalist labour process. Thus, for example, the wage-relation implies not only the payment of wages to the labourer but also the latter's subjection to the entrepreneur in the labour process. The finance capitalists are characterised by their function of concentrating money-capital and administering credit relations with entrepreneurs. Although remaining outside the immediate process of production, they provide (indirectly) one of the essential elements of labour, as do the landholders. The entrepreneur is characterised not only by receiving profit of enterprise, but by his role as active subject and organiser of the labour process. On the basis of these four classes, the struggle of competition will be waged, but only after the classes of personified economic categories are individuated into the multitude of striving subjects of competition.

a) The rough draft of 1864-65 which Marx had written for the third volume ends with a one page beginning to a chapter, 'Classes'. Marx speaks unambiguously *with regard to the trinity formula* of "three classes" in modern society. This contrasts with the usual opposition of working class and capitalist class which is founded on the "class antagonism" between "exploiters of surplus-value" and the "raw material of exploitation" presented in the first Volume of *Capital*. The point is that, on this more developed level of analysis, both the value-forms (incomes) and

the role in the capitalist labour process have to be taken into account. Marx poses the question: what constitutes a class?" (KIII 893), and, in the last sentences before the manuscript breaks off, apparently rejects the answer: the "sameness of the revenues and the revenue-sources" (ibid.). One surmises that Marx had in mind the relations of production corresponding to the revenue-source loan relations. On this basis, the 'classes' of "doctors, public servants" would be excluded from consideration as social classes, as Marx suggests. /19> In contrast to Marx, however, if one lets the profit of enterprise coalesce with wages of enterprise (cf. CIII 382ff-IKIII 396ff;TSV 490ff; TM3 481ff) then the entrepreneur becomes paradoxically a member of the working class. On the basis of the presentation given here, which includes a critique of the trinity formula, the conclusion must be drawn that there are four classes and not three.

b) In his main theoretical work *Political Power and Social Classes*, Poulantzas argues for a further reduction of Marx's delineation of three classes to two classes:

In the theoretical examination of a 'pure' mode of production, of the 'pure' CMP for example as it is presented in *Capital* (Is there any other such "examination"? ME), we see that its effects on the supports is reflected in a distinction between two classes, that of the capitalists and that of the wage-earning labourers. (Poulantzas 1975 p. 71)

In this schema all the character-masks who are not labourers are lumped under the one heading of the capitalist class, whereby they then constitute *fractions* of the capitalist class:

... for those fractions which can already be located at the level of relations of production, for example, the commercial, industrial and financial fractions of the bourgeoisie... (ibid. p. 84)

But what is the criterion on which character-masks are to constitute social classes? The above development differentiates classes on the basis of income-source relations, which is the same criterion as Marx gives in his fragment of the final chapter 'Classes' of Volume 3:

The owners of mere labour-power, the owners of capital and the landowners, whose respective *income-sources* (*Einkommensquellen*) are wage-labour, profit (sic) and ground-rent ... form the three great classes of modern society *based on the capitalist mode of production*. (CIII 885;KIII 892 my emphases)

The criticism of Marx developed above is based on there being four roles in the capitalist labour process and thus four income-sources and not three. With Poulantzas the criterion for the determination of classes is unclear. Apart from his insistence that classes are determined at economic, political and ideological "levels", the /20> economic class determination is merely asserted to be effected by

the distribution of the bearers of “relations of production” into social classes. The “relations of production” are in turn defined in terms of “the relations of the agents of production and the means of labour” (Poulantzas 1975 p. 65), an undifferentiated definition which is suggested only by the level of analysis in *Capital* Volume 1, but which leaves character-masks which are developed on later levels, such as money-capitalists and landholders, without a class determination. We do not claim that the conceptual determination of classes given in §9 can be carried over to the analysis of concrete political struggles, as Poulantzas and other left-wing sociologists claim to be able to do. Rather, class determinations have the purely intra-theoretical function of laying bare the structure of capitalist relations of production for those who are interested in finding out. Class determinations are the basis on which the struggle of competition is unfolded phenomenologically on later levels of the presentation. Marx writes in the fragment on classes: “however, this class structure does not come forward even here (in England, at that time the most developed capitalist country ME) in pure form” (KIII 892). Here he has in mind the separation of the labourers from the means of production and the “independent separation of landed property from capital and labour” (ibid.), which is said to result in three distinct classes. In empirical reality, the economic relations are not borne strictly by separate individuals, since economic roles can be mixed, as for example with bank capital, where the determinations of functioning capital (money-dealing capital producing profit of enterprise) coalesce with interest-bearing capital. The point is that the character of the income-source, by allotting a place in the competitive economy, will be seen to affect the possibilities of action of the subjects of competition in the competitive struggle with and against one another (cf. Part III).

We turn to “the all important problem of the *great landed proprietors of ground-rent* (sic), whom Marx himself *wrongly* perceived as a class belonging to the ‘pure’ CMP”. (Poulantzas 1975 p. 73, Poulantzas’ emphases) Whereas Marx treats ground-rent bearing land as a separate category based on the “transformation of all /21> landed property into the form of landed property corresponding to the capitalist mode of production” (CIII 885;KIII 892), Poulantzas asserts just the opposite, namely, that “the class of big ground-rent landowners” is “a separate class in the transition from feudalism to capitalism and belongs to the feudal mode of production as transformed by the establishment of the dominance of the CMP”. (Poulantzas 1975 pp. 231, 232) Landed property is thus, according to Poulantzas, a remnant of feudal society and not the appropriate capitalist form of land. His argument for this assertion is that this class of landowners is “absorbed into the bourgeoisie” through “the capitalisation of ground-rent” (ibid. p. 232). Bourgeoisie is already an inexact generic term for the ‘possessing classes’ and does not allow the landholders to be proclaimed capitalists. Moreover, capitalisation is merely the way in which land comes to have a price by an analogy with interest-bearing capital. It is

simply a transfer of the capital fetish of interest-bearing capital to land, thereby transforming it into a fictitious capital. Poulantzas fails to note that ground-rent is already “the specific economic expression of landed property” (CIII 622;KIII 635) which may not be set identical with interest, as he attempts to do in the “capitalisation” of ground-rent. In this attempt, not only is the “opposition between landowners and capitalists dissolved” (CIII 622;KIII 635), but a whole class disappears. Marx’s vitriolic remark that “the confusion of ground-rent itself with the interest form, which it takes on for the buyer of land – a confusion resting on a complete ignorance of the nature of ground-rent – must lead to the most startling false conclusions.” (CIII 624;KIII 637) ironically rebuffs also the ‘creative developments’ of this latter-day Althusserian Marxist. /22>

# Part II

## The Forms of Competition

### §10 The Analysis of the Circulation Process of Capital (Summary)

The analysis of the circulation process of capital has as its finale the investigation of the total reproduction process of capital. This process is constituted by the intertwining of a multitude of circuits of individual functioning capitals which together execute as unwilled result the material reproduction of *CAPITALIST SOCIETY*. As reproduction process, total capital produces the concrete material conditions of its further production. These concrete conditions of its further production – the production of industrial commodities – have a qualitative and quantitative determinacy which make themselves effective only abstractly, quantitatively and indirectly, through the money-form of value, i.e. through the markets. The individual capital gains a specificity depending on the kind of branch in which it operates; it has a definite place within the total reproduction process, which is of course subject to continual change. Along with this individualisation of capital goes an individualisation of the revenue-source loaners. They too have a definite, ever-changing place in the reproduction process and must attempt to accommodate themselves to the intertwined circuits of functioning capital which are the value-form determinate bearers of total material reproduction. The individualisation of the four classes (§9) is thus a result of the concreteness of the total reproduction process. The dissociation of the economic agents was already introduced with the analysis of the commodity-form (App. §§1ff). Although the labour producing commodities was analysed there as concrete labour, this was a general determination. A difference between capitals and labours first arises with the investigation of relative surplus-value production, where methods of production vary from each other. This is still a general differentiation of capitals producing the same kind of commodity. A

further step is taken with the transition from ground-form capital to the three types of functioning capital: industrial capital, mercantile capital and banking capital (App. §§49ff). Here a genuine particularisation of capital takes place, since the three types of capital gain their own specific determinations. This particularisation proceeds further with the analysis of the reproduction process. The various branches of production, mercantile and banking activity are treated in their difference from and interdependence on one another. The specific differences in produced commodities as use-values now plays a substantial role in the analysis. The various products must find their way into appropriate consumption processes via the mediation of mercantile capital. Along with this particularisation of capitals arising from the concreteness of the reproduction process, there occurs a corresponding particularisation of the elements of labour required in the various capitalist labour processes. With the three types of functioning capital, the distinction between means of production, of circulation and of banking, as well as the distinction between industrial, circulation and banking labourers are developed. Similarly, land has also to be distinguished according to the type of labour process carried out upon it. These distinctions are refined in the analysis of reproduction insofar as the multitude of particular use-values and their interrelation are admitted into the presentation. The result is that the analysis of the universal value-form process of capital in the Appendix, §§1-49 is aufgehoben with a particularisation of the individual character-masks corresponding to the concrete differentiation of the total reproduction process.

The circulation process analysis has not been performed in the presentation given here (cf. App. §§35-64). Rather, we take its result, the individualisation of the various character-masks within the total reproduction process, as the starting-point for the development of the essential socially objective forms of competition.

### **§11 The Entrepreneur as Individual Subject. The Realisation of the Entrepreneurial Will in the Firm. The Four Income-Sources**

The intertwining of capitals is a concrete process requiring that the individual capitalist labour process have a determinate shape consonant with its position within the totality of social capital. The personification

of the concrete-determinate labour process is the entrepreneur, who thereby acts as mediator in the intertwining of capitals. The relations between capitals as well as the relations to the revenue-source loaners centre on the entrepreneur. /24> The concrete-determinacy of the individual labour process vis-à-vis the totality induces a concrete-determinacy in the entrepreneur, who must be correspondingly individualised and differentiated. The differentiation of the labour process to its concrete shape and the determinate relations with other capitals falls to the entrepreneur, who now appears explicitly as a being endowed with a *WILL* adequate to this special role, as *INDIVIDUAL SUBJECT*. As personification of functioning capital, the entrepreneur is abstract-universal and is thus endowed with an abstract-universal will appropriate to his role; the *AIM* of the entrepreneur's will is to *EARN PROFIT OF ENTERPRISE*. This is an *ABSTRACT-UNIVERSAL AIM*. The entrepreneurial will has the systematically fixed aim of earning profit of enterprise. The means to realising this aim is the labour process, now conceived in its concreteness as resulting from the entrepreneur's will, which must *DECIDE* how best to strive for the aim. Insofar, the labour process is the *REALISATION OF THE ENTREPRENEUR'S WILL*; the productive combination of the elements of labour is subject to his decisions. As means to earn income, *THE ENTREPRENEUR'S WILL*; the productive combination of the elements of labour is subject to his decisions. As means to earning income, the active labour process organised and directed by the entrepreneur is his *INCOME-SOURCE*. Corresponding to the revenue-source loaners' revenue-sources (§5), the entrepreneur has an income-source in this labour process organised by him, the *FIRM*. The four income-sources are the firm and the three revenue-sources, labourer, land and money-capital, from which flow the four incomes; profit of enterprise, wages, rent and interest.

Whereas the three income-sources which are also revenue-sources have an objective existence in palpable things, in the labourer's body, earth and money, the firm has objective existence only as process which is simultaneously the manifestation of the entrepreneur's will. The labour process is objective, and indeed brings forth commodities and services, but it cannot be identified with any of its necessary single object-ive components. The labour process has a social objectivity

arising from the value-objectivity of the commodities produced (in the case of a commodity-producing process) and from the objectivity of the revenue-source relations which are given recognition in the revenue-incomes. As *firm* however the labour process gains a new determination as manifestation, /25> objectification, of the entrepreneurial *will*. The entrepreneur has possession of the various elements of labour and can through his volition bring forth labouring activity with them.

It is through the concept of *firm* that the entrepreneur distinguishes himself from the labourer, in being *subject* of the labour process. Marx discusses at some length in the addendum to Part 3 of *Theories of Surplus-Value* the question of whether the entrepreneur can be regarded as a labourer. For him, it is a mystifying form of appearance of the capitalist mode of production, which is induced by the splitting of capitalist into entrepreneur and money-capitalist with the result that only the latter appears as capitalist, the former appearing as worker:

In that ... the moment of the specifically social determinacy of capital and of capitalist production ... becomes *fixed* and *interest* thus appears as the *part of surplus-value* which capital produces in this determinacy ... the other part of surplus-value, the surplus of profit over and above interest, the *industrial profit* (at that time Marx's term for profit of enterprise ME) must present itself as value, which does not stem from capital as capital but from the production process separated from its social determinacy, which indeed has already obtained its particular mode of existence in the expression capital – interest. The industrial capitalist as distinguished from himself as capitalist ... is only simple functionary in the labour process, not functioning capital, but functionary independently of capital, that is ... *labourer*. With this, industrial profit is happily transformed into wages and is equated with ordinary wages. (TSV3 492;TM3 483)

The kernel of this mystifying form of appearance is that activity is set equal to labour, so that the specificity of wage-labour as being labour under the command of the entrepreneur is blended out (*ausgeblendet*), or bracketed off (*ausgeklammert*). The functioning capitalist is indeed active, functions, labours, but as entrepreneur, not as labourer. The firm as functioning labour process is the product of his will, which cannot be said of the labourers, who must subject their own will to his command (cf. §§53ff). The distinction between the entrepreneur and the wage-labourer is already grounded in the determination of the /26> production process as the performance of wage-labour under the command of the capitalist (cf. App. §13Ab). There the *contradiction* between labour and capital is also discussed. This contradiction rests on the mutually exclusive claims of labour and capital to be subject of the production process. On the level of competition, the claim of labour is suppressed under the domination of the entrepreneurial will. Everyday



consciousness, in fixating on a common element, making a connection and blending out, i.e. abstracting from, all features which determine the *differentia specifica* of two categories, wage-labourer and entrepreneur, arrives at a false result. The entrepreneur thereby seems to be just as much or just as little exploited by capital – now appearing in the form of money-capital – as the labourers. The mystification becomes complete when the entrepreneur is equated with the firm's managers (cf. §53).

## **§12 Entrepreneurial Freedom**

Although the aim of the entrepreneur is systematically pre-given, he has a realm of *FREEDOM* for the realisation of his aim: he has to choose and organise the appropriate means. Herein lie decisions as to the branch of activity, the scale of operations, the type of technology employed, the choice of site, the hiring of suitable labourers, the arranging of finance, etc. As active agents of the capitalist labour process,<sup>1</sup> the entrepreneurs enter directly and indirectly into relations with one another in the buying and selling of commodities and commercial and banking services. The direct relations arise when the entrepreneurs meet one another in the market-place as buyer and seller. The aim of earning profit of enterprise is not only qualitative but has a quantitative determinacy given by the money-form. Each strives to maximise his profit of enterprise. The buyer wants to pay as little as possible, in accordance with his aim of earning profit of enterprise; the seller wants to receive as much as possible for the same reason. They therefore have *OPPOSED* aims in their relations with one another; the aim of the one is furthered at the expense of the other. The indirect relations arise in various forms. Before buyer and seller in their particularity have anything to do with one another, the market already mediates their relations. On the market there is already a market price, with a given degree of variation, which regulates the final direct contact between buyer /27> and seller. The market-price is simply given as a fact, which determines the buyers' and sellers' behaviour, namely, it affects what they are willing to offer/accept for a given commodity. The direct personal contact between buyer and seller is thus mediated by the impersonality of the market. The universality of buyers and that of sellers are also indirectly in relation with one another, via the

market. The sellers of commodities must take into account what other firms in the same branch are asking for their wares; they are against one another without coming into direct contact. Similarly, the buyers, who may be entrepreneurs from various branches, are in a relation with one another in vying for the same type of commodity on the same market. Their opposition too is indirect. A final mediated relation between entrepreneurs, again indirect and one of opposition, originates in the freedom of the entrepreneur to choose which branch in which he wants to be active (cf. §30). The choice of branch follows according to the entrepreneur's assessment of where he can best realise his aim of making profit of enterprise. In the realisation of the aim to earn profit of enterprise, the entrepreneur can follow various strategies according to the external value-form objective economic circumstances. In particular, the time period which the entrepreneur takes into view in his calculations plays an important role. In setting up a firm, the entrepreneur may have to reckon with losses in the first years. He may nevertheless prefer this prospect, rather than an activity where profit of enterprise could be made immediately because of uncertainty he perceives in the branch offering quick returns. In any case, the choice of branch is restricted by the entrepreneur's expertise. For established firms, the diversion of a part of the firm's activities into more speculative branches with the aim of making short-term speculative gains, may be attractive so long as the long-term survival chances of the firm are maintained in a more stable branch of activity.

The firm (and on a later systematic level (§38) the share company) is an organ for the realisation of the entrepreneurial aim of earning profit of enterprise.<sup>2</sup> This determination has been contested by neo-classical economics, and in particular, by the theory of the firm (*Betriebswirtschaftslehre*) which treats the enterprise (the share company) as an organisation for the realisation of a plurality of aims pursued by all those involved in it. This is true insofar as the subjects who collaborate in the firm each pursue their aim of earning income, and these aims stand in conflict with one another (cf. §24). But since the firm (and the share company) is the property of the entrepreneur (resp. the shareholders), it has to be conceived as in the last instance an organ of will of the owners, to which, in the functioning firm (share company), all other conflicting aims are subjugated. In the pages of the German journal *Mehrwert*, a critique of the modern theory of the firm has been initiated (cf.

Ortmann 1975, 1977; Arndt/Famulla 1975) with the aim of showing its theoretical bankruptcy and apologetic function for the conflict-ridden capitalist economy. A discussion of these articles cannot be undertaken here. This addition concerns itself merely with their critique of the apologetic notion of “adequate profit” (*angemessener Gewinn*). This notion implies that the earning of profit is only one aim among many and that it does not dominate the enterprise’s activities. This implies the rather harmonious conclusion that the aims of other individuals involved in the enterprise are also given weight. The epithet “adequate” takes the sting out of the aim of profit maximisation. Ortmann (1977) asks, what is the measure for the adequate quantity of profit:

The question of an immanent measure is posed, of whether the striving for profit contains its own measure, and is not constrained by external barriers which hinder it. The theory of the firm seeks such a measure ... in the psyche of the individual. ... With regard to the aim-problematic, this (psychological ME) theory says, in brief: the fixation (and variation) of the extent of the profit aim occurs not independently of present or expected difficulties, of realised profit (e.g. in the preceding year) or profit which is seen as possible, of the evaluation of one’s own leadership capacity, of the successes of others, etc. All these factors have the effect that one sets a limited profit target which can be *adjusted* in the case of success (upwards) or failure (downwards). (Ortmann 1977 p. 18f) /29>

The aim of this critique is to show that the individual entrepreneurs (and shareholders) indeed adjust their profit targets to existing conditions, but that the measure of profit lies only in external constraints or favourable circumstances, and not within itself or in individuals. Profit of enterprise is simply a sum of money flowing from economic activity as functioning capitalist and as such, just as the valorization of capital, knows no immanent moderation. Below we will see how the aim of maximisation of profit of enterprise is enforced by the competition between firms. At this point, we simply underline the concept of the firm as a machine for producing profit of enterprise.

### **§13 The Subjects of Competition**

The opposition discussed in the preceding paragraph among entrepreneurs extends further. The entrepreneurs, as already mentioned, must also enter into revenue-source loan relations if their labour process is to function and throw off profit of enterprise. The entrepreneur views the revenue-source holders as means to his end. Mediated through the various markets for the various particular revenue-sources that he

requires, the entrepreneur finally enters into direct relation with particular revenue-source holders. The loan-price of the revenue-source represents a cost for the entrepreneur, represents a reduction of profit of enterprise. The revenue-source holders are exposed to this one-sided entrepreneurial will and are thus drawn into the entrepreneur's struggle to earn profit of enterprise as *RESISTANCES*, *HINDRANCES*, to that will. This resistance comes to realisation in a *WILL*, which, in opposing the entrepreneur's will, sets itself its *OWN* aim of earning income with its income-source (§11). This will transforms the revenue-source holder-character-masks likewise into subjects with a fixed aim of earning income, who confront one another directly and indirectly via the various markets. These subjects are qualitatively similar and receive therefore the common determination of *SUBJECTS OF COMPETITION*. They are the subjects adequate to competitive capitalist economic life. The competition subjects have a systematically restricted realm of existence – namely, economic action – and their subjectivity is directed towards one fixed aim – that of earning income. Just as with relations between entrepreneurs, the relations between entrepreneur and /30> revenue-source loaner are based, firstly, on an *OPPOSITION* as to the loan-price of the revenue-source, and secondly, on a *MUTUAL DEPENDENCE*; no one of the income-source holders can earn an income without relations with the others resulting in a functioning labour process. The loan-prices for revenue-sources are *COSTS* for the entrepreneur which must be deducted from the proceeds of sale of products of the labour process, leaving his profit of enterprise as residue. The loan-prices are *FIXED* when the entrepreneur and revenue-source holder enter into a loan relation, whereas the residual category of profit of enterprise fluctuates according to the success of the firm's operations.

The subject of competition is a concept resulting from additional determination to the first crude concept of subjectivity, the character-mask. The difference between the two is that the subject of competition pursues an individual aim to earn money with particular means and corresponding activity, whereas the character-mask is formulated purely as personification of value-form categories. The capitalist in the beginning stages of the capital-analysis, for example, is the conscious representative of the valorization of capital as surplus-value production. As subject of competition, by contrast, the entrepreneur does not personify surplus-value production, but

merely the reflexive aim of earning profit of enterprise, a sum of money. The deeper-lying connection of this conceptless surface category to the categories of valorization remains hidden to entrepreneurial consciousness. Similar remarks apply to the other types of competition-subject.

It is to be further noted that the subject of competition is still an extremely restricted concept of subjectivity, which, in the following presentation of competition and state and in the analysis of the private sphere will be further elaborated. In particular, the systematically fixed aim of earning income will be relaxed and other subjective intentions (love, hate, need fulfilment of various kinds, gregariousness, political motivations, etc.) incorporated into the analysis.

#### **§14 The Income-Sources as Property. Competitive Freedom and Abstract Will**

In explicitly introducing the determination of the *RELATION OF WILL* /31> existing between the income-source holder and income-source as means, the latter becomes conceptualised as the *PROPERTY* of its respective income-source *PROPERTY-OWNER*. The entrepreneur is *OWNER* of his firm, the labourer of him/herself, the landowner of his land, and the money-capitalist of his money-capital. The ownership relation is an *EXCLUSIVE* relation in that the disposal of the property depends on the will of its respective owner. To this point we have only considered the disposal of revenue-source property in loan-relation with the entrepreneur. Further below (§20) it will be seen that the entrepreneur can also dispose of his firm through sale. The exclusivity of property is the basis on which the opposition between the aims of property-owners entering into relations with one another is mediated by the *AGREEMENT* between two opposed wills. The entrepreneur cannot gain possession of the elements of labour which he requires for the operation of his firm without the agreement of the revenue-source owner. Through the moment of will *ALL FOUR TYPES* of competition subject are conceptually transformed into property-owners with free disposal of their property. In the loan-relations between entrepreneur and revenue-source loaner, the latter gives up possession of her/his property to the former, but not his/her relation of ownership to the revenue-source. The entrepreneur is, with the agreement of the revenue-source

owner, free to use the revenue-source in his firm and has temporary *POSSESSION* of it, but not ownership. *POSSESSION* and *OWNERSHIP* thus fall apart in the revenue-source loan-relation. The income-sources are a mere means to achieving the end of earning income. The particularities of the income-sources are subjected to the one abstract-universal aim and come to expression only in their effectiveness in income-earning. The *WILL* for property sees in the income-source owned only its potential to earn income and is insofar *ABSTRACT WILL* corresponding to the abstract-universality of value-form relations. At the same time, the will for property in income-sources is the first realisation of *COMPETITIVE FREEDOM*, the realisation in subjects of the process of capital. Competitive freedom is the form of appearance of the process of capital in the realm of subjective economic activity. The property-owner is the abstract /32> subject adequate to the abstract-universality of capital; the process of capital as abstract-universality particularises itself in the equally abstract subject, the property-owner.

a) The concept of income-source is given as a developed value-form category, as a concept of a form-determinate economic objectivity. Within the context of this pre-given economic objectivity, the will then constitutes systematically the income-source as property. The income-source, as it were, constitutes its adequate will, the will to income, and not conversely. This will to income grasps its adequate object, the income-source, as property. The mediating steps in this movement of reflection are extinguished to leave only the result, property, as constituted by abstract will. With Hegel, one finds only the constitution of property through will. Hegel therefore cannot grasp the form-determinacy of bourgeois property. For him, property is a determination of the abstract free will per se. This abstractness however is the expression of definite social relations. In developing the concept of property out of the concept of the free will existing in and for itself (Rph §§41ff), Hegel inverts the true conceptual connection. The concept of competitive freedom is not identical with freedom as pure, unqualified concept. The will which is the realisation of competitive freedom is already a definite, form-determinate will and not free will *sans phrase*. Hegel (Rph §4 Add.) claims that freedom is one of the essential determinations of will: “Will without freedom is an empty word ...” (Rph §4A) and this is true insofar as the will can resist every external compulsion through its own willing. The free will, for Hegel, is predicated upon the grasping of its object through thinking:

... the will is a particular way of thinking: thinking as translating itself into existence, as drive to give itself existence. ... first in thinking am I by myself, only conceptualising is the boring-through of the object... (ibid.)

The freedom of will depends on the appropriation in thought of the object confronting the will. How free is the will in the present case? Income-source is a universal category belonging to the universality of the bourgeois form of production. The /33> will which sets itself in income-source property is only the particular will of an individual who does not grasp the universality of the subjectless process of bourgeois production; it sees in property merely the means to achieving the end of earning income. The aim of earning income cannot be developed out of a concept of free will but arises only in a society where the social relations of production make income, as individual aim, possible and necessary. The necessity lies in the fact that in order to be members of the competitive society (§71) at all, the subject must be an income-source owner who pursues the aim of earning income. The capital-analysis, which is the theoretical precondition for the present analysis, is the investigation of the form of a process of material production which cannot be thought as a product of free will but which is nevertheless maintained and reproduced through the realisation of competitive freedom by individuals pursuing their particular, opposed aims. These subjects of competition have not grasped in thought the process which they maintain through their subjective action. Only on the basis of having conceived the essence of capital and its process can consciousness win the freedom intellectually of at least understanding its subjugation. Grasping the essence could be part of the process of practically rejecting the universal reified process in favour of freely posited universal aims. In that Hegel develops private property out of free will as a necessary realisation of it, he sees only the particular subject who wills its property and not the universal process of social material reproduction. Insofar, the anatomy of bourgeois society remains for Hegel a book with seven seals. Correspondingly, the subject of competition who sees its freedom realised in its property remains captive to the appearances of the surface of bourgeois economic life.

b) The category of property-owner is a category of the *inversion* of subject and object. Social objectivity (the income-source relations) posits the property-owner as its adequate bearer. Consciousness (including the entire bourgeois philosophical tradition) inverts the relation and proclaims the property-owner as subject to be the originator of private property. This inversion is made possible by the double character of commodity-producing /34> labour as private (concrete dissociated) on the one hand and social (abstract associated) on the other (cf. App. §§3ff). This double character allows the illusion that the subjects are subjects *of* their own production (at least for the capitalists). The social character of their labour however

lies in the value-form *objectivity* and overrides the (private) intentions of the subjects of competition. The development of the categories ‘subject of competition’ and ‘property-owner’ can be viewed as the systematic realisation of remarks made by Marx in the *Grundrisse* on the subsumption of the individual under social relations. We read e.g.:

The point lies rather in the fact that private interest itself is already a socially determined interest and can only be achieved within conditions set by society and with means given by society; that is, private interest is bound to the reproduction of these conditions and means. It is the interest of the private subject; but its content, as well as its form and means of realisation, is given by social conditions independent of all. (G74, cf. also G76, 111)

c) *Pashukanis* is perhaps the best-known and the earliest theorist to attempt to derive superstructural relations of property and right on the basis of Marx’s capital-analysis. His attempt is flawed by a severe unclarity of argumentation. In the chapter on ‘Commodity and Subject’ in his *Law and Marxism: A General Theory*, Pashukanis argues that “the analysis of the form of subject follows directly from the analysis of the commodity-form.” (Pashukanis 1978 p. 111). By ‘subject’ Pashukanis means “the most general expression of this freedom” (ibid. p. 110), namely, the freedom to dispose of property on the market. The category ‘subject’ is thus equivalent to the free property-owner, or at least has its kernel therein. Pashukanis draws on some oft-quoted remarks by Marx at the beginning of the second chapter of the first volume of *Capital* (already in the first edition) to support his claim that the subject of right has its kernel in the exchange relation in which “the products of labour are related to each other as value” (ibid. p. 111). Several considerations arise.

*Firstly*, it has to be asked whether Marx’s discussion of relations of “will”, “property-owners”, “contract” and “persons” is in fact able to be conceptually grounded immediately after the analysis /35> of commodities and money in the first chapter. Rather than attempting a development which is argued from the value categories, Marx simply begins to talk unproblematically of “will”, etc.:

The commodities cannot of themselves go to market and exchange themselves. We must therefore consider their guardians, the commodity possessors. (CI 88;KI 99)

Here the category of “commodity possessor” is simply picked up from everyday language without being conceptualised. The content of the will considered is that of the *premonetary exchange* of products of labour for the satisfaction of need (CI 89f;KI 100f). Direct exchange is thus presupposed even though the previous development has already determined the commodities as *price-determinate*



commodities, which are sold rather than directly exchanged. Furthermore, the category of 'need' is taken as self-evident, not requiring a stricter conceptual determination.

As the development given above shows, the will of the subjects is fixed on the earning of income and not on the satisfaction of need, which latter category still has to be conceptually specified. The category of income-source, however, is not available to Marx directly after the analysis of commodities and money. Marx suggests that the "representatives of ... commodities" (CI 89;KI 100) can, without mediation, be regarded as "persons", even though the latter category is a much richer one than the former:

The persons exist here for one another only as the representatives of commodities and therefore (?) as commodity possessors (*Warenbesitzer*). (CI 89;KI 100)<sup>3</sup>

This claim does not amount to very much. In the present case, in the second chapter, it means that persons are "representatives of commodities". But this is only to give the "economic character-mask" of the person, not to determine the content of the category person itself, which, as we have seen, Marx merely assumes as an obviousness. Rather than being taken as a passage from which the category of person can be directly developed out of the category of commodity possessor (*Warenbesitzer*, *Warenhüter*), the converse interpretation offers itself: the familiar, not-yet-conceptualised category of person, attributed with will, needs, etc. is reduced, by a procedure of systematically blending out these qualities, to a "character-mask", a "personification of /36> economic relations". In other words, on this early level of Marx's presentation, only the reduced category of "commodity possessor" as economic character-mask is grounded. The further course of the presentation has to then enrich the character-mask with further determinations until it steps forth as property-owner endowed with individual will. Pashukanis himself, in immediately inverting the reduction procedure produces not a concept of property-owner but rather an *identification* of property-owner with commodity guardian (*Warenhüter*).

*Secondly*, a further shortcoming of Pashukanis' short-circuited development comes to light. Pashukanis' argument starts immediately from possessors of commodities which are the products of labour:

At the same time, therefore, that the product of labour becomes a commodity and a bearer of value, man acquires the capacity to be a legal subject and bearer of rights. (Pashukanis op. cit. p. 112)

The phrase "at the same time" indicates that Pashukanis is slipping into a "logical-historical" mode of argumentation with the implication that where commodity

exchange arises historically simultaneously the legal subject arises. But even if this were so historically (which it isn't), it would not allow a concept of legal subject to be thought which is not identical with "commodity guardian". The "legal subject" is a category not confined to exchangers of commodity-products of labour. Pashukanis too does not want to confine his concept of legal subject to these premonetary commodity exchangers. On the one hand he wants to include landowners:

The category of the subject serves precisely as the most general expression of this freedom (of disposal of property on the market ME). What, for example, is the significance of the legal ownership of land and soil? (ibid. p. 110)

On the other hand, he wants to include "the wage-labourer (who ME) enters the market as a free vendor of his labour-power." (ibid.) Landowners and labourers, however, are precisely *not* exchangers of commodity-products of labour. The concept of subject of right developed by Pashukanis thus excludes all characters other than industrial commodity possessors, when considered strictly in the categorial sense. /37>

*Thirdly*, Pashukanis does not clearly distinguish between 'legal subject' and 'proprietor' and in fact conflates them: "...in his capacity as possessor and proprietor, he is simply the personification of the abstract, impersonal, legal subject..." (ibid. p. 13) This statement occurs in a discussion of *Capital* Vol. I Chap. 2, the level of 'simple commodity circulation'. The claim is that when the "product of labour becomes a commodity ... man acquires the capacity to be a legal subject" (ibid. p. 112). Labour-power is then falsely introduced to *this level* in order to render the labourer proprietor of "his own body" (ibid. p. 114). In another place, however, he emphasises "the existence of propertyless individuals, in other words, of proletarians." (ibid. p. 127) Pashukanis attempts to make good this exclusion of the labourers as legal subjects by referring to the "legal subject" as "purely formal", which "qualifies all people as being equally 'eligible for property', but in no way makes property-owners of them." (ibid.) With this, property-ownership in one's own body is denied and the equality of competition subjects is converted into a mere *potentiality* for equality.

*Fourthly*, Pashukanis makes no distinction between exchange and loan relations. Whereas exchange relations take place immediately in the market-place where commodity owners and money owners confront each other, loan constitutes a relation which endures even within the sphere of production (and circulation labour). That the kernel of property lies in income-sources and not simply in commodity circulation shows itself in the fact that the status of subjects of competition as income-source owners is an enduring one which has validity in both circulation and production.

*Fifthly*, the author gives no treatment whatever of the category of entrepreneur, and does not take into account the conceptual doubling of the capitalist into functioning capitalist and money-capitalist. Paradoxically, with the functioning capitalist we see the commodity possessor who, flying in the face of Pashukanis' argument, is *not* a commodity owner (cf. §17); rather he is owner of the firm, a category which likewise receives no attention from Pashukanis.

*Finally*, the category of income-source, neglected entirely by Pashukanis, contains within it the aim to be attributed to the will of the competition subjects, namely, that of earning income /38> (and not the satisfaction of need). This universal aim of the subjects of competition derives from the economic category considered in the present analysis, in contrast to the vagueness of the category 'will' in Pashukanis' hands. Furthermore, income-source is a category encompassing *all* the subjects of competition, not just capitalist commodity purchasers and sellers. Pashukanis' concern with historical-homological correspondence between commodity exchange and legal forms (which, interestingly enough, does not lead him to undertake any serious historical investigations; cf. the work of Polanyi) diverts attention away from a plethora of theoretical inconsistencies.

d) The determination of income-source as property is broader than the strict income-source relation whereby income actually flows to a property-owner. Income-source property remains the property of its owner even when no income actually flows. Property thus only gives the possibility, and not the guarantee, of earning money. The contingency of the value-form, whereby performed concrete dissociated labour has to be acknowledged, validated socially in money, has the following relation with the status of property as mere possible source of income: a produced commodity has to be sold to gain its definite being as value. The entrepreneur, as organiser of the labour process, has to pay (ultimately) out of the proceeds of sale, the various revenues owed, which should leave a residue of profit of enterprise. The four types of income are thus dependent on the value-form recognition of performed labour. Consequently, the status of income-sources as income-producing is contingent, dependent on the value-form recognition and estimation of performed labour. The category of property submerges the contingency of the income-source relations. The freedom of property is the freedom to submit oneself to the caprice of the value-form relations. As will be shown in Part III, the freedom of property consists in the freedom to *compete* for income, and thus for a portion of the abstract-social commodity-embodied labour of society. It is no contradiction for the concept of property when some property-owners come home empty-handed. /39>

## §15 Income as Property

The relation of will is not restricted to the means for earning income but extends to the aim of the will, income itself. Income is the aim for which the subjects of competition are active; they enter into relations with one another only with this aim in view. As the fruit of property, income flowing to the income-source owner is also his/her property. The entrepreneur is bound to pay loan-prices to the various revenue-source owners on the agreed day and with this payment the latter come into possession of their money-income property. The residue of profit of enterprise falling to the entrepreneur is likewise his property.

The income-source relations are the form-determinate mode in which the capitalist labour process is brought about as subjective (and intersubjective) action. The category of property, however, is in two respects more general than income-source property. Firstly, property in an income-source may not actually throw off any income (cf. §14Ad). Income-source property is the means for earning income, but there is no absolute guarantee that this means will be effective in drawing income. The income-source nevertheless remains the property of its owner, although as income-source it is suspended in a state of potentiality. This aspect of property will be elaborated below in considering the unsuccessful (cf. §§70, 79ff). Secondly, property, even in (potential) income-sources, may be employed to draw an income which does not flow from a labour process. Whereas the concept of income-source is bound to the form-determinate mode of the capitalist labour process, be it as labourer, land, money-capital or firm, as property, the objective alienable income-sources, i.e. with the exception of the labourer, can be *speculated* with in a way whereby no labour process comes about. Land can be bought and sold with the aim of drawing a speculative gain. Money-capital can be speculated in on a futures market in interest-rates. The speculator thereby attempts to make a gain from the fluctuation in interest rates. Similarly, commodity prices are subject to speculation on futures markets. Finally firms can be bought and sold (§20) with the aim of reaping 'capital gains' due e.g. to price movements in the commodity produced by the firm, or some other factor, /40> and not in order to earn profit of enterprise from the running of the firm. All these possibilities for speculation, and others besides, are given by the quantitative contingency and reified nature of the value-forms. Not only the money-recognition of performed commodity producing labour, but also the distribution value-forms of wages, interest, rent and profit of enterprise, are subject to fluctuation which allows room for the speculator to shove his gambling hand into the shifting sands of price movements. Speculation can only thrive on the basis of a

functioning totality of capitalist labour processes, where the value-form relations actually result in produced commodities and their necessary (non-speculative) circulation. Speculation grows weed-like in the crevices of the dissociated competitive economy. It corresponds to the relations of property (of making contracts with the aim of monetary gain), but diverges from the relations of income-sources in the strict sense. For natural consciousness, this difference between speculation and the capitalist labour process is reflected in conceptions about the *justness* of how income is made. Intuitively, speculation is regarded as a parasitic activity which its protagonists attempt to justify with arguments as to the useful function of speculators in absorbing disturbances caused by price fluctuations of all kinds. In spite of this intuitive differentiation by everyday consciousness, speculation conforms and belongs necessarily to the relations of property and the freedom of subjects of competition to earn money through making contracts. Direct appropriation (cf. §18A), by contrast, infringes the concept of private property. Direct appropriation, in contrast to speculation, stands in crass contradiction with the value-form relations of income-sources which enable a functioning labour process to be set up.

Marx writes in connection with the question of the apparent justice of interest-bearing capital:

The justness of the transactions which take place between the agents of production is based on the fact that they arise from the relations of production as a natural consequence. The juridical forms in which these economic transactions appear as acts of will of the participants, as manifestations of their common will and as contracts enforceable by the /41> state vis-à-vis the individual party cannot, as mere form, determine this content itself, (CIII 339f;KIII 351f)

This statement is formulated in general terms and concerns the form of appearance of the relations of production to the subjects of competition, or to the individual in his/her relation to the state. It must, however, be regarded as a programmatic statement since, at the point at which Marx writes this in the rough draft to the third volume, there is as yet no concept of justice, contract or state developed. On the level of the presentation on which we now stand, the question of the form of appearance of the rightful acquisition of property can be raised. Income flowing from income-sources is the principal rightful form of augmentation of property. It is however only a slight anticipation to talk of the rightfulness of contracts (cf. §22) and of the rights of property (§21). The forms of right and contract are the appropriate expressions of freedom of subjects of competition acting in accordance with capitalist relations of production. This can be summarised as action which conforms to the value-form relations. On a later level of the analysis (Part IV) it will

be seen that the expression of right in the form of law by the state also corresponds to the essential relations of the process of capital; or at least there is a form of bourgeois consciousness which adjudges a law to be unjust when this correspondence via relations of private property is not respected by the state. Marx gives two examples of contents of the form of contract which do not correspond to the relations of the mode of production:

Slavery on the basis of the capitalist mode of production is unjust; likewise fraud with regard to the quality of the commodity. (CIII 340;KIII 352)

Slavery infringes the property rights of income-sources and implies a surrender of the fundamental freedom of the subject of competition as property-owner (cf. §19). Fraud falls under wrong committed within the form of contract and requires first an exact determination of wrong for its understanding. We will return to a consideration of wrong in Part IV §73. /42>

### **§16 Property in Commodities. Transfer of Ownership**

Income itself has now been determined as property. But income is simply a sum of money which can fall under two different determinations. Firstly, it can be converted into money-capital by being loaned. In this determination it transforms its owner to that extent into a money-capitalist. The money-capitalist has two forms of existence (cf. App. §51). On the one hand he/it exists as concentration of money-capital who lends to functioning entrepreneurs. This is one of the functions of the bank, the collective money-capitalist, which mediates the collection and summing together of sums of money from depositors for the active employment of money-capital in capitalist labour processes. On the other hand, the money-capitalist exists as depositor with a bank. In this form of existence it/he does not enter into direct relation with the final user of the money, but with a bank which acts as mediator. In this latter way even ordinary labourers can receive interest from their savings. Secondly, money is universal equivalent, means of purchase, which can be transformed into commodities through exchange. Through this act of exchange, property in the money is voluntarily surrendered by the money-owner for a commodity, which thereby becomes his/her property. Property in commodities is thus conceived as a transformed form of property in money; the transformation of value

from money form into commodity form becomes, on this level of the analysis, *A TRANSFER OF OWNERSHIP*.

The value-form, interest, is systematically personified initially as the figure of the money-capitalist. In the course of the circulation-analysis this character-mask is developed further, with the concept of the bank. On the one hand, there arises the bank as centralised, collective money-capitalist which however, only operates on the basis of money deposited with it. The figure of the depositor, on the other hand, can be conceptualised as an additional determination of the other figures, the entrepreneurs, labourers and landholders. The basic figure is attributed the determination 'money-capitalist'. The term 'depositor' is employed as a general term which should not imply that the interest earned at the bank is the sole source of income. That this /43> systematic route is followed in order to come to the twin concepts, bank/depositor is due to the fundamental significance of interest as a single value-form which has initially to be conceptualised independently of the division of interest between the bank and the depositor.

### **§17 Ownership of the Firm's Assets**

The entrepreneur has possession of the elements of labour while they are being employed in his firm, but not ownership of them. The labourers and land stand at his disposal, but their ownership is still vested in the labourers and the landowner, respectively. What of the means of labour? These are bought by the entrepreneur with money-capital loaned from the money-capitalist. The latter remains owner of the money-capital he has temporarily surrendered, but the complication arises that the money does not stay at rest in the entrepreneur's hands. He advances it, among other things (cf. §4A), to buy commodity means of labour, thereby transforming capital from money-form into commodity-form. In the purchase of means of labour he surrenders the loaned money-capital once and for all to a commodity producer – he cannot get it back from the seller. The property of the money-capitalist in this way changes its shape in the hands of the entrepreneur from money into commodities, which are then employed in the firm's labour process. The purchased means of labour are thus to be regarded as the property of the money-capitalist, although in the entrepreneur's possession.<sup>4</sup> The economic expression of this is that the means of labour serve as *SECURITY* for the money-capitalist, in case their

retransformation into money misfires. The means of labour are, furthermore, *CONSUMED* in the labour process in either producing a commodity or in performing a commercial or banking transaction. Insofar as the latter services, on being performed, also gain a monetary realisation, such as in the commercial transaction of sale or in the deduction from a bank account for a banking service performed, the money advanced for commercial or banking means of labour (office furniture, paraphernalia, stationery, telephones, etc.) can be regarded as having been transformed back into money-form. (With advances for fixed capital this takes /44> place only gradually.) In commodity production, on the other hand, the product of the labour process usually has an objectified existence before it goes to market to be sold. The proceeds of sales of commodities and banking services are used to pay the various revenues owing and to repay borrowed money-capital, according to the terms under which it was borrowed. The money-capitalist's claim on the loaned money-capital exists throughout the period of the loan, i.e. he remains its owner, even though the entrepreneur has possession of it and uses it to make payments and buy industrial commodities. The revenues, by contrast, are only due after a certain agreed date. Only after this date do the revenue recipients have a property claim on the entrepreneur to be paid their revenue-property. The labourers receive their wage-property, the landowner his/her rent-property and the money-capitalist his/her interest and money-capital property. The entrepreneur has possession and disposal of the elements of labour borrowed from the revenue-source owners. This possession and disposal occurs with the agreement of the owners. Only if the entrepreneur does not hold to the conditions of the loan agreement by paying revenues and principal owed on the due date does the entrepreneur's possession become invalid and superseded by the revenue-source owners' property rights. If the entrepreneur does not pay on the agreed day, the various revenue-source owners have to present their various property claims and try to realise moneys owing through the sale of means of labour and finished and half-finished products still in the entrepreneur's possession. The ownership relations within the firm *IN THE CASE OF DEFAULT*, i.e. after the revenue payments fall due,



are thus intertwined, with all the revenue-source owners having property claims on both revenue-source and unpaid revenues. It is only in the case of the liquidation (cf. §68) of a firm that the disentanglement of property relations becomes a practical issue. In the course of this disentangling, the property claims of the various revenue-source owners may become confused. Thus, for example, although the means of labour had been bought with money-capital owned by the loaning money-capitalist, the sale of means of labour in the case of liquidation may be turned in favour also of revenue recipients. /45> To prevent this, the money-capitalist's claim may be secured by a *CHARGE* over specific means of labour (assets) of the firm which ranks before any other claims (by revenue recipients). (The ranking of claims is an aspect of company law which, systematically speaking, belongs on the level of state. Cf. §§73ff.)

a) Marx explicitly assumes, like us, that the entrepreneur is not the owner of capital. In the chapter 'Interest and Profit of Enterprise' in *Capital* Vol. 3 he writes:

The functioning capitalist is here assumed to be non-owner of capital. Property in capital is represented opposed to him as the lender, the money-capitalist. The interest which he pays to the latter thus appears as the part of the gross profit which falls to property in capital as such. In contrast to this, the part of the profit which falls to the active capitalist appears now as profit of enterprise, arising exclusively from the operations or functions which he executes in the reproduction process with the capital ... (CIII 374;KIII 387)

The category 'profit of enterprise' has nothing to do with the entrepreneur's status as property-owner of capital (whether in money- or commodity-form). The entrepreneur's property is in the firm, the active labour process under his control, quite independently of any considerations as to whether the entrepreneur employs his own capital in the firm's operations. Only to the extent that he does the latter is the entrepreneur also owner of means of labour. The categorial distinction must in any case be maintained.

b) On this level of the development of the concept of property, it will be observed that the characterisation of capitalism as the exploitation of free labourers through private ownership of the means of production by the capitalists represents a drastic simplification of the property relations actually existing on the surface of economic life. Behind this simplification is hidden a strategy for and a vision of socialism which amounts simply to the expropriation of the owners of the means of

production by a state which has been seized by the organised revolutionary proletariat. In this vein Lenin writes; /46>

The socialisation of labour, which is advancing ever more rapidly ... and has manifested itself ... in the growth of large-scale production, capitalist cartels, syndicates and trusts, ... the dimensions and power of finance capital, provide the principal material foundations for the inevitable advent of socialism. ... The proletariat's struggle directed towards the conquest of political power by the proletariat... The socialisation of production cannot but lead to the means of production becoming the property of society, to the 'expropriation of the expropriators'. (SWI 51)

From this appropriation of the means of production is supposed to flow a series of profound changes in society such as "a tremendous rise in labour productivity", a "union between industry and agriculture", "a new form of family, new conditions in the status of women" (ibid.). The formula "appropriation of the means of production" does not yet say anything about the dissolution of the income-source relations of wage-labour and ground-rent, nor about whether commodity production itself is to be eliminated. These questions around the abolition of the various forms of bourgeois property, and with it the competition subject as form of social subjectivity, place a different emphasis in the critique of bourgeois production, namely, the domination of material production by the compulsion of value-form relations, than the critique solely of ownership in the means of production. When the kernel of the critique of capitalism is seen to lie in capitalist ownership of the means of production, the political consequence is that nationalisation of the means of production by the state is regarded as a step towards socialism, even when the structure of value-forms remains otherwise unaffected, i.e. money continues to mediate social production and be the reified medium of social synthesis of labour.

In their historical materialist reading of capital, *Althusser and Balibar* are at pains to give general formulations suitable for all modes of production, and thereby lend weight to the idea that capitalism as mode of production can be concisely encapsulated by a formula of ownership and non-ownership of the means of production. Notwithstanding short formulations by Marx, where he characterises capitalism as generalised commodity production by wage-labour, /47> the attempt to give short definitions of the capitalist mode of production, let alone to provide general definitions of modes of production, bypasses and thus vulgarises the systematic logic of *Capital* in which Marx – with the aim of providing conceptual knowledge and not merely text book definitions for socialist cadre – painstakingly builds up the various economic categories on the basis of the value concept. After a four-page discussion of bourgeois property and contract law and commodity categories, Balibar *extracts* a definition of "the economic relation of production ...

as a relation between three functionally defined terms: owner class/means of production/class of exploited producers” (Althusser & Balibar, 1970 p. 233). It is striking that in this formulation a category of ownership is employed. Indeed, Balibar starts with the bourgeois legal system “the basic elements of which are the *law of property* and the *law of contract*” (ibid. p. 230), from which he proceeds to the “*abstract universalistic(!)* character” (ibid.) of this legal system and to the observation that “this universality of the legal system reflects, in the strict sense (?), another universality which is part of the economic structure: the *universality of commodity exchange*” (ibid.). The above-quoted formula for the relations of production is deduced with the remark that, whereas the property categories are universalistic, the structure of production requires that distinctions be made, to wit, that the means of production and labour-power be singled out as special commodities. It is noteworthy that in this formula of the capitalist “economic relation of production” and the “proof” (ibid.) which preceded it *no role whatsoever is played by value categories*, even in connection with the mention of the abstract-universalistic character of the relations of production. A critical intention of the Marxian value-form analysis is thereby suppressed. By means of the concept of value, capitalist social labour is determinable as an abstract-universality which is counterposed to the dissociated commodity-producing labour of particular producers. The “abstract-universalistic character” referred to by Balibar is nothing but an empty phrase when employed independently of the value concept. The matter is not brought one step further by referring to the “universality of commodity exchange” in the sense of its ubiquity. Formulations in terms of relations of ownership and non-ownership of the means of production entirely fail to capture the value-form analytic critique of the abstract-universality of capitalist social labour. The present work, by contrast, develops a *concept* of property as a surface category of the capitalist economy on the basis of the value-form analytic categories of the capital-analysis. This concept of property cannot be equated with self-evident everyday notions of property. In a weak moment Althusser actually suggests that superstructural categories systematically precede capital-analytic categories:

The relations of production cannot therefore be thought(!) in their concept while abstracting from their specific superstructural conditions of existence. (ibid. p. 177)

He gives the example of the “analysis of the buying and selling of labour-power” which “*directly presupposes*, for an understanding of its object, a consideration of the *formal legal relations* which establish the buyer (the capitalist) as much as the seller (the wage-labourer) as legal subjects” (ibid. p. 178 first emphasis mine).

The question about the ordering in thought, in order to arrive at a concept of relations of production, is confused with the question of causal effectivity of the ‘superstructure’ which has a role in reality in ‘maintaining’ these relations:

The whole superstructure of the society considered is thus implicit and present in a specific way in the relations of production. (ibid.)

This ‘implicit presence’ of the superstructure, Althusser implies, has consequences for the ordering in thought, namely, that the conceptualisation of the superstructure has to be undertaken as a prerequisite of the capital-analysis. The good materialist mixes up a determination of reflection (*Reflexionsbestimmung*) with causality. But Althusser nowhere seriously argues that *Capital* has to be rewritten. His example of the wage-labour relation shows rather that, when the analysis comes to a specific level, the everyday phenomenon which may present itself in legal, moral, aesthetic, or other categories – has to be reduced, in the sense that legal features – which have not yet been /49> conceptualised are bracketed off in order to focus on the economic aspect of wage-labour in relation to the already developed categories of value commodity and money. In this way the concept of capitalist production is constituted without concepts of property. The differing procedures in theory lead to different results concerning the concept of relation of production. For Althusser and Balibar, it can be encapsulated in terms of relations of ownership and non-ownership of the means of production. For value-form analysis, the concept of relation of production cannot be reduced to a simple formula, since the entire analysis is an explication of what the relation of production, capital, *is*. So much however can be said: for this analysis a concept of property plays no role. The systematic procedure of value-form analysis, to ascend from an analysis of the mode of production, through to the superstructure, thereby constructing a presentation of the bourgeois totality, is inverted in the never-realised Althusserian program:

... a definition of the concept of the relations of production in a determinate mode of production is necessarily reached via the definition of the concept of the totality of the distinct levels of society and their peculiar type of articulation (i.e. effectivity). (ibid.)

One asks oneself perplexedly how a concept of the totality can be given before the analysis of that totality is given through the articulation of concepts in a system, which first allow the totality to be conceptualised.

## §18 The Sale of Land as Change of Ownership

It has already been shown (§8A; cf. also App. §28) that land comes to have a price through the capitalisation of ground-rent. Through sale, the

land is surrendered by the landowner in exchange for money, which thereby becomes his property, just as in the case of the surrender of industrial commodity property for money. The sale of land, however, is simultaneously the change in status of the property-owner from landowner to money-owner. The new owner of the land assumes the status of landowner. In this way, through the mediation of exchange relations, property status /50> passes from one subject of competition to another, without however in the slightest way calling the apparent eternity of the property exchanged as property into question. The bearers of the property relation are merely swapped around. The new owner of the land can just as well enter into a loan relation with an entrepreneur as the old. What interests the entrepreneur is not *WHO* owns the land but rather what its characteristics and suitability for his firm's labour process are, and how much the rent is.

Hegel's treatment of the constitution of property through taking of possession (*Besitznahme*) in the *Philosophy of Right* is an extremely general determination which scarcely has any meaning in a social world in which all things and nature have already been taken into possession. Hegel maintains first of all that, for a person to be a realisation of the concept of free will, s/he must take possession of something external as his/her property:

The person must give himself an external *sphere of freedom* in order to exist as idea. (Rph §41, the idea for Hegel being the unity of concept and reality, ME)

Marx dismisses this statement as "peculiar" (*komisch*) and interprets it only with respect to private landed property (*Privatgrundeigentum*):

Nothing could be more peculiar than Hegel's development of private landed property. The human as person must give actuality to his/her will as the soul of external nature, and thus take this nature into possession as his/her private property. If this is the determination of the person, of the human as person, then it would follow that every human must be a landowner in order to realise him/herself as person. (CIII 615f;KIII 628f)

Hegel however does not speak specifically of nature, but of things (*Sachen*) as being subject to appropriation by persons. Under things he understands not only external nature but also "knowledge, sciences, talents" (Rph §43A) as well as the body (Rph §48). Marx's line of argument that, according to Hegel, all persons would have to be landowners is thus misdirected. Persons gain an "external sphere of freedom" not

only through the possession of land, but also through property in other things, and even in taking possession of their body: /51>

In order to be an organ of will and soul-endowed means (of the spirit, the body ME) must first be *taken into possession* by it. (Rph §48)

Industrial commodities are also things which can be owned by persons. What is “peculiar” with Hegel is that taking of possession is attributed such a central place, even though in bourgeois society property is acquired and augmented in general through relations with other property-owners.<sup>5</sup> The concept of property in income and income-sources (§§14f) reveals how property is augmented through entering into loan relations with an entrepreneur. The earning of income-property can be regarded as the acquisition of property *par excellence*, since with money all other types of property – excepting labourers – can be bought. Industrial commodities and land are normally acquired through purchase, and even less well-paid labourers “externalise their freedom” in certain industrial commodities which form their means of individual consumption. Marx continues his critique of Hegel in the above-cited passage in pointing out that Hegel turns a “definite social relation” into an eternal category:

Free property in land – a very modern product – is, according to Hegel, not a definite social relation, but a relation of the human as person to ‘Nature’. (CIII 616;KIII 629 Note that the English edition consistently mistranslates *Person* as ‘individual’.)

The appropriate critique of Hegel on this point is not of his concept of landed property, but of bourgeois private property in general. We have seen in the development given here that private property is only to be conceived adequately on the basis of the interactions of subjects of competition in pursuing their aim of earning income with their respective income-sources. Income-source, in turn, is a category developed on the basis of the value-form relations of the capitalist mode of production. It is an abstract category deriving from the abstract universality of the value-form. Similarly, the category of property-owner, is abstract in that concrete particularity of the property-owner is not contained in its determination. The subjects of competition are active in pursuing their one particular abstract aim of earning /52> income for themselves, but they do so within forms of property, which do not guarantee even this one particular aim. The guarantee of property is merely that of exclusivity of ownership, not that property in income-sources actually produces income. The realisation of income-source as actual source of income depends on the particular strivings of the subject of competition. It is further clear that, since the category of subject of competition does not contain any determination of need, bourgeois property is also abstracted from need. There can be no talk, on this level of the presentation, of “subjective aims, needs, caprice, talents, external

circumstances, etc.” (Rph §49). Hegel too emphasises that particularity plays no role in the determination of the concept of property:

That I have something in my own external power constitutes possession, just as the particular aspect, that I make something mine out of natural need, drive and caprice, is the particular interest of possession. The aspect, however, that I, as free will, am objectified in possession and thus for the first time also actual will, constitutes the true and rightful in possession, the determination of property.” (ibid. §45)

The ground given for the abstraction from particularity in the concept of person, and consequently in the concept of property, is dubious. Although the real abstractness of the bourgeois person and of bourgeois property cannot be questioned, the argumentation which Hegel gives for this diremption of concrete particularity from universality can be. It is a matter of the correct conceptualisation of the necessity of this diremption in the bourgeois world. In the *Philosophy of Right* the abstraction from particularity is articulated at the very beginning of the presentation proper in the paragraphs immediately following the introduction (Rph §§34f). The free will existing in and for itself is at first in its immediacy, in which it exists as the “individual will in itself of a subject” (Rph §34). This immediately existing will has all the moments of the concept contained within it, namely, those of universality, particularity and singularity. These categories in turn stem from the Doctrine of the Concept (*Begriffslogik*) in the second book of the *Logic*. /53> The transition from subject, in which all moments of the concept are contained, to person is accomplished simply by separating the moment of universality from the other moments:

The universality of this free will existing for itself is the formal, self-conscious, otherwise contentless simple relation to itself in its singularity – the subject is insofar *person*. (ibid. §35)

The transition is thus entirely formal, and gives no grounding of the necessity of this abstraction in bourgeois reality. Why Hegel starts with the person as individual is likewise ungrounded. From this posited individualness of the subject and person it is only a small step to the derivation of private property, in which only the will of an individual is effective:

Since in property my will becomes objective as personal will, it obtains the character of *private property*, and common property, which according to its nature can be individually possessed, has the determination of an in-itself dissoluble community in which whether I leave my portion therein is a matter of caprice. (ibid. §46)

According to this derivation then, private property is a necessary consequence of free will, and common property is necessarily an arbitrary, contingent matter. For Hegel, socialised property contradicts the concept of person. According to him, the abstraction of the person necessarily exists as a realisation of the concept of free will. And Hegel is right, so long as the free will is content to accept its diremption into abstract will and particular will. This diremption is necessary so long as the abstract-universality of value maintains its domination over the particular, dissociated labours. In the context of bourgeois relations, common property can be nothing other than a capricious agglomeration of private property. The abstract universality which Hegel takes as the fundament of the section on abstract right has its ground in the abstract value-form of bourgeois labour, and the process of capital based upon it. In this process particularity only gains social acknowledgement through the abstract-universal value-forms. As bearers of these underlying and determining value-forms, the subjects of competition are constituted as equally abstract, /54> namely as property-owners. Marx's criticism of Hegel in the above-quoted passage thus does not go to the heart of the matter. It is not sufficient to criticise Hegel for representing a specifically bourgeois social relation as historically indeterminate. This is a beloved procedure of Marxists who rest content with criticising theories as 'ahistorical'. With this vulgar mode of critique, these Marxists save themselves the trouble of working out why it is that Hegel can correctly conceive of the person as an *abstract* category. The demonstration of the historical specificity of bourgeois property relations is a trivial subsidiary result of a development which conceptualises property on the basis of an analysis of capitalist relations of production. That capitalism did not always exist is admitted even by fanatics of ideologies of 'human nature', who ground private property in an unquenchable human greed.

### **§19 Non-Alienability of the Labourer**

Property in the revenue-source, the labourer, is distinguished by the fact that here property and property-owner coincide. When the labourer enters into a wage-relation with an entrepreneur, s/he only places the use of his/her labour-power at the entrepreneur's disposal, and this for a definite period of time. Whether and for how long s/he enters into this relation depends formally on the labourer's free will as property-owner. The entrepreneur can only direct the labourer insofar as s/he is labourer; his/her other aspects, as multifaceted human being, are not placed under his command. The labourer as owner maintains a relation of ownership to his/her body as bearer of the capacity to labour during the time in



which his/her labour-power is expended in the entrepreneur's labour process. The entrepreneur cannot overstep the bounds of the wage-relation by one-sidedly extending its duration or by directing non-labouring aspects of the labourer's being. S/he is labourer, and that only during the specified hours of the working day. The wage-relation also stipulates that only a particular type or types of labour power is/are to be expended for the entrepreneur. For the labourer to alienate him/herself as labourer once and for all would be to simultaneously dissolve /55> his/her own status as property-owner. From subject of competition the labourer would become an object to be manipulated without restriction by its owner. In fact, since the sale of the labourer would be at the same time dissolution of the labourer as property-owner, this cannot be conceived as a relation between free subjects of competition. In so contradicting the concept of competitive freedom, the 'sale of the labourer' is an irrational category on the basis of capitalist relations of production.

a) In considering here strictly only the pure rightful wage-relation, we thereby abstract from the sexual favours and other niceties which the employer of labour can extract from his employees. Sexual enjoyment is a category which does not yet exist for us on the present level of development. (Which doesn't mean to say that we are here considering exclusively neonates before the mirror-phase.)

b) When it is said that the labourer is the "free property-owner of his/her labouring capacity, of his/her person" (CI 165;KI 182), it must be borne in mind that this freedom is restricted to entering into loan relations and not relations of sale. This Marxian formulation contradicts all those formulations which speak of the labourer as propertyless – s/he is only non-owner of specific types of property. The argument for non-alienability given here does not differ essentially from Marx's and Hegel's arguments. For Marx, the labourer may not transform him/herself "from a free person into a slave, from a commodity possessor into a commodity" (CI 165;KI 182). It is the *freedom* of the labourer as person which may not be alienated, since the form of relation is one between free persons and presupposes them. It should be noted however, that it is not the limitation of *time* of alienation of labour-power, – this can be unlimited and agreed to in a wage-labour relation – but that only labour-power, and usually of a specified type, may be alienated. The other aspects of the labourers' existence are not negotiable. Marx's discussion of this problem in the chapter on the buying and selling of labour-power in the sixth chapter of *Capital* Volume 1 is systematically too early. The categories of property and property-

owner, as we /56> have seen, are first unfolded on the level of competition. It is telling in this regard that Marx cites a paragraph from Hegel's *Philosophy of Right* which confirms his discussion of the non-alienability of the labourer. Hegel, at this point of the *Philosophy of Right*, has already developed his concepts of person and property and thus can assume them in his argument that one may not "make one's personhood into the property of another" (Rph §67). For Marx, by contrast, this discussion is a systematic anticipation. Hegel makes the same mistake as Marx in specifying that the use of labour-power has to be "restricted in time" (ibid.):

Through the alienation of my whole time made concrete through labour and of the totality of my production I would make that which is substantial in it, my general activity and actuality, my personhood, into the property of another. (Rph §67)

Hegel does not explicitly refer here to wage-labour, which is the interesting case. The alienation of the labourer's entire working-life – leaving labour in free time and in periods of joblessness aside – is precisely what takes place in the series of wage-labour relations which the labourer enters into over his/her working life without, however, the labourer surrendering his/her status as person. On the contrary, in the wage-labour relation personhood is maintained even if the labourer spends his/her whole working life labouring for entrepreneurs. It is only if the labourer would submit him/herself to the entrepreneur in non-labouring aspects of his/her being that personhood would be surrendered.

## **§20 The Firm as Fictitious Capital. Goodwill**

We have already seen that the entrepreneur is not the owner – but nevertheless possessor – of the objective elements of his firm's labour process (§17). Ownership relations remain vested in the revenue-source owners with whom he has entered into loan relations. The firm nevertheless has a processual existence which goes beyond the existence of any of its elements. As functioning labour process it produces commodities or performs transactions which, in being acknowledged through the value-form, result in proceeds which, after deduction of payments due, leave a residue of profit of enterprise. The firm as this active process is an /57> income-source for the entrepreneur, which is at the same time the constant expression of his entrepreneurial will. Whether or not the firm remains an income-source for its owner depends on the favourableness or unfavourableness of the market relations for buying of means of labour, for selling products and on the agreed loan

prices for revenue-sources. The various individual firms within a branch compete with one another for survival (cf. §§26ff). For this they require a certain minimum share of the market and must produce under conditions not markedly more unfavourable than their competitors. The achievement of a firm as a *GOING CONCERN* within the branch is thus no mean feat of an entrepreneurial will. Conversely, the entry of an entrepreneur into the branch is no easy matter, based as it is on competition with the other firms in the branch. The status of a firm as a going concern, i.e. as a successful source of profit of enterprise, therefore commands a price, called *GOODWILL*. The firm, although the expression of the entrepreneurial will, is not necessarily dependent upon the *PARTICULARITY* of this will for its successful running. Other subjects of competition, provided they have the necessary entrepreneurial skills and nous – and these are in principle general, learnable abilities, even if individual differences do make themselves felt – can take over the firm's reins from the existing entrepreneur. The new owner is through this sale transaction acquiring an income-source, whilst the outgoing entrepreneur becomes a money-owner. The new owner's will becomes effective in the firm and he is free to shape its running in modified ways. The profit of enterprise flowing from a firm, like any other income, can be regarded by virtue of the capital fetish, as an interest thrown off by a fictitious capital. Just as rent is capitalised to arrive at a price of land, so the firm can be regarded as a fictitious capital producing an interest-like profit of enterprise, and this fictitious capital can gain practical expression in calculating the firm's selling price, or goodwill. The only flaw in regarding the firm as a fictitious capital concerns how the entrepreneur's activity in the firm is to be conceptualised. The sweat of his brow does not fit into the picture of the corpulent money-bags (cf. §11A on wages of enterprise). /58>

## **§21 The Right of Property as Freedom**

The freedom of the property-owners with their property is the *RIGHT OF PROPERTY*. The property-owners have invested their will in the things which they own and this property may not be subjected to the will

of another property-owner without the owner's consent. They are free to use their property how they will and to dispose of it temporarily or permanently in loan or exchange relations. Property right constitutes above all the form of freedom within which the subjects of competition can pursue their aim of earning income. Since the individual consumption of commodities and property in general is a theme which belongs to the private sphere analysis, it will not be investigated at this point. It is however to be noted that the right of property which provides the fundamental form of competition is also effective in the private sphere in proclaiming the exclusivity of property and thus protecting the use of private property by the private subject. In the sphere of competition, the right of property is principally expressed to alienate it (temporarily or permanently) to another. Property right remains empty for the subject of competition if it consists solely in exclusive possession. It can only bear fruit and thus realise the single aim of the subject of competition if different kinds of property-owners band together and co-operate in an economic venture, the firm. The effectivity of revenue-source property in particular is first realised when its possession is surrendered to an entrepreneur. The freedom with property formulated here is negative and expresses simply the exclusivity of property. That the property-owner is free to pursue the aim of earning income with his/her property does not guarantee that the aim pursued will be achieved, nor that other property-owners must co-operate to achieve this aim. Success in competition depends on the concurring wills of other property-owners; property right can prove to be an empty solace for the individual property-owner. Private property and property right are perennial categories in bourgeois society, for the relations out of which they arise are perennial in a society dominated by the capitalist mode of production. The necessity of the four basic income-source types of property is given by the structure of the value-form relations within which the reproduction process takes place. The freedom of the subjects of competition is the form in which they bring forth a result which is beyond their conscious intentions, namely the confirmation of the forms of value and the reproduction of the total social capital. The forms of value do not *CAUSE* private property relations in any normally

understood sense of the word. Rather the former constitutes the *ESSENCE* which is hidden for everyday consciousness behind the *SURFACE CATEGORY (FORM OF APPEARANCE)* of private property relations.

## §22 Contract

The substantial freedom of property consists in the right to enter into relations with other property-owners (§21). The subjects of competition exercise their will in such relations. Because of the exclusivity of property, a relation between property-owners can only come about as the *COMMON WILL* of both parties. Both property-owners must agree to enter into the relation and on its terms and conditions. This form of intersubjective freedom with property, the mutual exercise of property rights, is *CONTRACT*. Corresponding to the two types of relations indispensable to the capitalist economic process, there are two types of contract: *SALE* and *LOAN CONTRACT*. In the first type of contract there is a mutual surrender of property in exchange for another's property. One property-owner gives up his/her money, the other surrenders his/her commodity, land or firm, as the case may be. In the loan contract, on the other hand, there is only the one-sided temporary alienation of an income-source, followed eventually by the total surrender of money as means of payment in the opposite direction. The entrepreneur thereby comes into rightful possession of another's property for a time; rightful because the will of the revenue-source owner concurs with such possession.

a) Once in possession of the revenue-source, the entrepreneur has the right to use it in his firm's labour process. Land and labourers are thereby rightfully set into motion under his control. In order to be useful to the entrepreneur, the money-capital must be alienated in the purchase of means of labour, and perhaps also /60> in the payment of revenue. The entrepreneur thereby, in the first case, enters into a sale contract with property which is not his own. The loan contract with the money-capitalist must therefore include the right of the entrepreneur to alienate the money-capitalist's property. This is a higher-order type of sale contract performed with another's property. A loan contract thus confers not only the temporary right of possession on an entrepreneur, but, in the case of money-capital, necessarily also the right of alienation to a third property-owner.

b) The form of social intercourse constituted by *gift-giving* is not considered as part of the competition-analysis. The gift, where no remuneration is given in return, is nevertheless overshadowed by the contract, where money is paid as equivalent, in bourgeois society. Gift-giving can scarcely free itself from the notion that something must be given in return, however intangible. The theme belongs to the private-sphere analysis, although the phenomenon also arises in economic life, where, in an indirect way, soft forms of contract are utilised, e.g. where favours are granted, which have no contractual anchoring, but which induce an obligation. As in the contract, gift-giving rests on mutual consent, i.e. the giver voluntarily gives the gift, and the receiver must accept it, if the relation is to be completed. Adorno provides insights into the phenomenon of gift-giving under bourgeois relations which overshoot the conceptual level already reached in the presentation. His work of aphorisms, *Minima Moralia*, contains raw material above all for the analysis of the private sphere. Here it is worth citing an aphorism to hint at how phenomena which on this level are handled from the viewpoint of economic calculation reveal new aspects in relation to a richer concept of subjectivity:

Genuine gift-giving had its happiness in imagining the happiness of the recipient. It means choosing, spending time, going out of one's way, thinking of the other as a subject: the opposite of distractedness. Hardly anyone is still capable of this. At best they give what they wish for themselves, only a couple of nuances worse. (Aphorism 21) /61>

### **§23 Free Subjective Action and Compulsion of Competition**

The contract is the form of free intercourse between property-owners. The relations into which they enter depend on their will, even if in order to earn income, they must make contracts with some subject or other. On this level, the capitalist economic process appears to *DERIVE FROM THE SUBJECTIVE ACTIONS* of the subjects of competition. Everyday consciousness which begins with this subjective action does not see that through it, the subjects bring about a process which none of them has intended. Through their own free actions within the form of contract they inaugurate through their interaction their subjection to a process under no conscious social control. The recognition, validation and estimation of privately performed labour within a firm as part of the social labour is only achieved, if at all, *A POSTERIORI* on the market. The value-form of commodities cannot be 'produced' in a production process. Consequently there can be no certainty that the decision of

income-source owners to collaborate in earning income will actually bear fruit. The loan-prices agreed to in the revenue-source loan contract may not be forthcoming, since the gross income generated by the firm may not suffice to cover them. Moreover, the subjects of competition must direct themselves towards possibilities for income-earning which are pre-given by market conditions. Thus, even though economic activity appears to result from free activity, this freedom is complemented by the *COMPULSION* of market-place conditions which no one has freely decided. Competitive freedom is the freedom to submit oneself to this compulsion of reified relations.

On this level, a purely capitalist economy with the paradigm of the capitalist enterprise, is presupposed. The special case of sole traders (including peasants) where no wage-labourers are employed, is excluded as marginal. The professions and civil service are also excluded on this level., since both can only be properly conceptualised in connection with the state.

## **§24 Abstract Equality and Conflict of Property-Owners**

The freedom of the property-owners with their respective property is based upon their (*ABSTRACT*) *EQUALITY* as property-owners. The form of contract is symmetrical with respect to the wills of the /62> contracting partners; neither is formally forced to make a contract with the other, and a contract only comes about through the agreement of both parties. Unfavourable market conditions may, it is true, compel a property-owner to accept an unfavourable contract, but this is forced not by the will of another subject, but rather by 'external circumstances'. Formal equality thus reigns among property-owners, although substantive inequalities may arise; e.g. on the basis of this formal equality and freedom, substantial differences in the amount of income earned occur. The obverse side to the equality of property-owners within the form of contract is the *ABSTRACT CONFLICT OVER MONEY QUANTITIES* which this form of social intercourse inevitably carries within itself. The amount of money agreed upon in a contract contains no necessary determination. Whether it be a loan or sale contract, the one party wants to receive a high price and the other wants to pay a low price. Where the price actually falls depends on the forces of supply and

demand. The amassed striving of subjects of competition to obtain good prices in contracts with their own property, or to gain others' property at low prices is the social process hidden behind the phraseology of supply and demand. There is no rational, grounding moment in the factual level of prices arrived at as the resultant of the opposed interests of property-owners (cf. however §31). To everyday consciousness, this irrationality can appear as rationality itself, as the benevolent working of the impersonal forces of the market-place.<sup>6</sup>

a) The equality of subjects of competition as property-owners can be first articulated on this level of the presentation where i) all the basic figures of capitalist economy: entrepreneur, labourer, money-capitalist and landowner, have been developed ii) their respective income-sources elucidated iii) the character-masks of value-form categories have been endowed with an individual will which transforms them conceptually into subjects of competition and iv) this will has constituted the economic objects with which they act as property. The freedom of these subjects is form-determinate: they only act within forms already constituted by the value-form categories. In so acting they constitute and reproduce these value-forms (commodity, money, capital, surplus-value, the four incomes, etc.). In contrast to this, *Günter Ortman* (1977), in following remarks of Marx, seeks to introduce the categories of freedom and equality already at the level of simple commodity circulation:

With this (through the act of exchange ME), the relation of the subjects of exchange itself becomes a relation of equality because they are only determined as exchangers. They are this however because they enter into social connection with one another as commodity possessors (*Warenbesitzer*) only by means of a connection between things (commodities, equivalents). The basis of this social equality is the natural variability of the individuals (their needs) and their commodities, insofar as these give occasion to exchange. ... Precisely insofar, however, the individuals gain the determination ... of freedom: namely insofar as this natural variability forms their motive voluntarily in exchange to set themselves equal as commodity possessors and their products as commodities. (Ortman 1977 p. 22)

These determinations of freedom and equality are immediately qualified as holding only “under conditions of simple commodity production” (ibid.). (The latter category is not to be found in Marx and its status is altogether dubious.<sup>7</sup>) The qualification of equality is said to follow from the capital – wage-labour relation, which is the relation under which the wage-labourer is exploited by capital, thereby constituting alleged inequality and unfreedom (ibid. p. 23). Ortman's interpretation



of Marx rests on the labour theory of value. The wage contract entered into by labourer and entrepreneur is based on the freedom and equality of property-owners, even though this relation allows the appropriation of surplus-value. This exploitation under forms of formal equality is however not to be simply compared with a simple circulation of commodities, which is based 'genuinely' on equality and freedom. That the products of labour assume the form of commodities is already the constitution of that abstract value-universality under which the dissociated labours are subsumed. The subjection of the labourer to the capitalist in the labour process is a further determination of the subjection of living labour to reified labour. This subjection proceeds through the form of equality of property-owners. The critique of these forms lies in the development of the formal equality of property-owners out of the concepts of the contradiction between capital and labour, and not in the comparison of unequal exchange (surplus-labour extraction) with equal exchange (fictitious simple commodity exchange).

Ortmann's systematically premature thematization of commodity owners as free and equal leads to a questionable determination of the concept of character-mask as similarly being endowed with freedom and equality, and being identified with the bourgeois individual:

The existence of the individual under the form of the character-mask, as it arises out of social relations, is, for Marx, not an arbitrary, ... external existence of the person; but with it (the character-mask ME), the real conditions for the unfolding of individuality are designated. ... The individuals are ... free and equal as character-masks. (ibid. p. 41)

No conceptual distinction is made between the individuals who struggle with one another in the competition and the character which bears the essential relations of the process of capital. This follows from the fact that Ortmann (following Marx) already attributes loosely characteristics of will, competitive subjectivity, freedom and equality to the character-masks. Ortmann emphasises that only formally, as character-masks, are the individuals free, because they delude themselves as to the compulsion and exploitation of the social relations:

... this content is compulsion and inequality: compulsion of valorization to sell labour-power (?), inequality of capitalist and wage-labourer (and the money-capitalist and the landowner? ME). This incongruence of form and content must remain hidden to the individuals so long as, to inverted consciousness, the form of character-mask is made into natural form. (ibid. p. 42)

What does this passage mean? The freedom and equality of subjects of competition with their property *implies* conflict with one another and the subjugation to given market conditions, the compulsion to strive for income, to hire labour-power to the

entrepreneur, etc. To the subjects of competition these compulsions /65> and inequality in income and power (in the firm cf. §53) are conscious. Ortmann argues that to conceive such an individual as free “is, at the same time to present him/her as infinitely comprising” (ibid.). Bourgeois competitive freedom however *includes* the bending before externally given necessities and the necessity of making compromises, every time a contract is sealed. It is not the character-masks, the personifications of the capital-relation that are free and equal. These categories have no meaning for them since they simply bear the objective movement of social labour. The capital-analysis uncovers the capital – wage-labour relation as a contradictory relation based on the mutually exclusive claims of capital and labour to be subject of the social labour process (cf. App. §13Ab). The capitalist production process only comes about because one moment of this contradiction, labour, is subjugated to the other moment, capital, as wage-labour. On the surface of society, in the competition, this subjugation takes the form of domination in the firm’s hierarchy of the labourers by an entrepreneur (cf. §§53f). This domination has the appearance of freedom and formal equality, for it is based on the wage-contract where labourer and entrepreneur recognise one another as formally equal property-owners. The subjection to the command of the entrepreneur is categorially different from the contradiction between capital and labour formulated in value categories. The subjective experience of exploitation, of having to obey commands, or of too much work for too little pay cannot be equated with surplus-value production. This latter exploitation can – and sometimes does – proceed even when the labourers are satisfied with their boss, pay and general working conditions. The harmonious picture of theory of the firm contains the one-sided truth that the firm results from the free agreement of formal equals to contribute a factor to a labour process with the aim of drawing income. The other side of the truth is that the free agreement is only the outcome of competitive struggle and that the labourers, in spite of apologetic phrases about workers’ co-operation, are subordinated to the capitalist’s will. Ortmann’s treatment of the individual as character-mask carries the implication that if the individuals were really subjects, they would not tolerate /66> capitalist relations:

Without the difference between individual and character-mask, the necessity of valorization of capital would be unthinkable as historically relative, since false consciousness would be absolute. (ibid. p. 51)

Even *with* this difference “false consciousness” does not lose sway. The individual subject, who overshoots the determinations of mere character-mask, lives in forms of consciousness which do not question the valorization of capital. The subjects themselves make do and eke out their pleasure from the available forms of reconciliation with the totality.

b) Hegel stresses that abstract right, the right of property, implies inequality in property-ownership:

What and how much I possess is thus a rightful contingency. (Rph §49)

For humans are of course equal, but only as persons, that is, with regard to the source of their possession. Accordingly, every human should have property. If one wants to speak of equality, then this is the equality to be considered. Besides this equality however comes the determination of particularity, the question, how much I possess. Here the assertion is false that justice demands that the property of each person should be equal. (Rph §49A cf. also §200)

Hegel recognises nevertheless that inequality in property, when extreme, has to be ameliorated by the state:

Equally well, however, on the other side, the want and distress are immeasurable and the tumult of this circumstance can only be harmonised by the state, which overpowers it. (Rph §185A)

## **§25 The Property-Form as Social Framework of Competition**

With the development of forms of property, of the property-owner and their rights and form of intercourse in the contract, the social framework for the pursuit of income by the subjects of competition has been laid. As we have seen (§24), these forms of social intercourse are ineluctably beset with the conflict over the determination of loan and sale prices, which has to be decided by the exercise of means available in the economic /67> competitive struggle. How this struggle is carried out, its forms and its relation to the underlying process of capital, have now to be investigated in the following Part.

That which in the following Part is investigated as the struggle of competition is presented in a far more positive light by Hegel in his ‘System of Needs’ in the *Philosophy of Right*. This system, which forms the foundation of civil society (*bürgerliche Gesellschaft*) is nothing other than the surface of capitalist economy. This sphere of society is characterised as “the system of ethical life lost in its extremes” (Rph §184), these extremes being the principles of particularity (*Besonderheit*) and universality (*Allgemeinheit*) (§182). The principle of particularity is “the right to develop oneself and to go in all directions” (§184), with the result that “in civil society everyone is their own aim, everything else is nothing to them.” (§182A) But the principle of particularity cannot be fulfilled without coming into contact with universality:

In that particularity is bound to the condition of universality, the whole is the ground of mediation where all singularities, all talents, all accidents of birth and of fortune are given free rein... (§182A)

“The whole” is the capitalist economy, together with its regulation and protection of property by the “outer state” (§183). Hegel, however, says little on what the principle of universality is in its substance, as opposed to its form, but rather paints an harmonious picture in which “the satisfaction of the *individual* through their labour” achieves the “satisfaction of the needs of all the rest” (§188). The universal is treated principally as *form*, as the right of the freedom of property:

The principle of this system of needs has ... the universality of freedom only *abstractly*, as the *right of property* within itself... (§208)

The content of this universality, the social material reproduction, gets very short shrift at Hegel’s hands; as “this shining of rationality into the sphere of finitude” (§189). In the Anmerkung to this, paragraph comes a reference to political economy (*Staatsökonomie*) represented by “Smith, Say, Ricardo”, which ostensibly /68> can find out “the simple principles of the thing” from the “infinite set of details”. Hegel thus accepts the self-portrayal of political economy as the science of an – even if implicit – realm of reason, whilst at the same time criticising the excesses of the principle of particularity:

Just as, on the one hand, it is reassuring to recognise in the sphere of needs this self-actuating shine of rationality which is contained in the thing, on the other, this is the field where the understanding, in its subjective aims and moral opinions, vents its dissatisfaction and moral irritability. (§189A)

The criticism is directed not at the “shine of rationality”, the universal connection, but rather at the principle of particularity and thus at the excesses of the individuals acting within this system of needs. The latter finally overcome their mere particularity and moral turpitude by recognising the state as the concrete existence of reason which limits the excesses of bourgeois society. Marx criticised in the system of needs not the principle of particularity (“I do not by any means draw the figures of the capitalist and the landowner in a rosy light. But here it is a matter of persons only insofar as they are personifications of economic categories...” CI 20f;KI 16) but the universal itself which constitutes the basis of bourgeois society. Hegel had no worked out concept for this universal. Marx’s critique of Hegel led him precisely to the study of political economy, in accordance with the conviction “that the anatomy of bourgeois society was to be sought in political economy.” (Crit. 20;MEW13 8) Even without this detailed study, Hegel offers insights into essential features of bourgeois society, in particular, that it is a universal connection which is brought about non-consciously as the result of individual strivings:

... believing I am sticking to the particular, the universal and the necessity of the connection nevertheless remains the first and essential thing. (Rph §181A)

He does not see that the non-conscious result of the particular pursuit of needs can be a process which asserts itself independently of the needs of its bearers. The universal is explicitly related by Hegel to the needs of all: /69>

subjective self-seeking turns into ... the mediation of the particular through the universal as dialectical movement, so that, in that each earns, produces and enjoys something for themselves, they earn and produce precisely through this for the enjoyment of the rest. (Rph §199)

The concept missing from Hegel's presentation is that of capital, which as universal process, *prozessierender Wert*, transcends any considerations of human need. As value valorizing through the exploitation of living labour, capital is abstract process pure and simple. The "system of needs" referred to by Hegel is a misnomer, since as universal connection the system is the reproduction process of total social capital. The critique of the system of needs should be levelled at this abstract, universal process and not simply at the excesses of particularity. It should have become clear from the structure of the present work that the striving of individual subjects of competition is a necessity deriving from the participation of the members of civil society in a process without any conscious social subject. The subjects of competition correspond to Hegel's "private persons" (§187), although there is a difference in the determination of aim of these subjects. For Hegel, the aim is the satisfaction of need which can be manifold and highly differentiated; in this presentation, the aim of the subjects of competition is systematically fixed to income-earning, and only with the transition to the analysis of the private sphere, which is the site of the satisfaction of need, will it become possible to talk of need. There, income will be thematized as a universal means for need satisfaction.

The strivings of the subjects of competition are indeed conditioned by the total reproduction process, which deserves the name of the universal left unexplicated by Hegel. The subjects have to strive "to make themselves a link in the chain of this connection". (§187) Although this universal connection "appears to them as means" (*ibid.*), their aim can only be reached "insofar as they determine their knowing, will and action in a universal way". (*ibid.*) This process of *Bildung*, which occurs in the life of civil society, is seen to be its positive value and necessity (§187A). Despite all the /70> negative features of civil society, in particular, its creation of poverty and wealth "which can only be harmonised by the state, which overpowers it" (§185A), it is regarded as a necessity in the realisation of the concept of free will as idea. Particularity must be given its way if freedom is not to be hemmed in, and although this venting of particularity leads to a diremption of universality from particularity (Rph§184), this is to be finally healed in the state, as universal subject

of society. Hegel criticises Plato's conception of the republic, because it denies the principle of particularity which is grounded in the freedom of private property:

Plato was able to contrive no other way of handling the principle of particularity, which in his time had broken into Greek ethical life, than to oppose to it his merely substantial state and to completely exclude it right to its core, which it has in *private property* and the *family* and its further elaboration as individual caprice and choice of class (*Stand*) (Rph §185A)

The freedom of particularity, for Hegel, is rooted in the freedom of private property, which, despite its excesses, cannot be abolished without injury to "the real and the rational" (§200A). Hegel thus correctly emphasises that the principle of particularity in bourgeois society is the freedom of the individual with private property, and that this principle is only mediated with universality in an indirect, formal way. The character of this universality as essentially capitalist economy he does not articulate. He can therefore only treat universality formally as the "whole" which results from free exercise of all of the rights of property. The "whole" cannot be understood by starting from the individuals pursuing their aims. Rather, at the beginning of the capital-analysis, the 'whole' is referred to as the commodity totality, the abstract universality of bourgeois labour. The value-forms and the process of capital are objects beyond subjectivity, constituted by relations between economic things. The subjects with their individual strivings are the non-conscious bearers of the forms and the content of the total process of capital. The path of thinking which is to grasp the whole must start from the /71> process of objectivity in order to come to the individualisation of subjects exercising their freedom with private property. This is expressed by the systematic ordering of the capital-analysis before the competition-analysis. The inadequacy of Hegel's attempt to conceptualise the separation of universality and particularity with the categories of person and property derived from the concept of free will in the section on abstract right has already been discussed above (§18A). To this is to be added that universality as capitalist economy also cannot be conceptualised from this starting-point. /72>

# Part III

## The Competitive Struggle

### a) Competition between Firms

#### §26 The Entrepreneur as Organiser of the Firm

The firm has been determined as an organ for the entrepreneur to earn profit of enterprise (§11). As aim, profit of enterprise is abstract, and has to be concretised in a particular form performing a particular labour process within the total reproduction process. The entrepreneur's freedom with property manifests itself in the operations of his firm. He has chosen a particular branch of activity and has to *KNOW* how to organise the labour process. The running of the firm's labour process breaks up into particular entrepreneurial decisions all within the general framework of the aim of earning profit of enterprise for the entrepreneur. The aim, profit of enterprise, thus becomes concretised as a series of subsidiary aims. Those subsidiary aims change over time according to the firm's strategy in the competition. Furthermore, at any particular time, the firm's policy of operation has to be executed by the firm's hierarchy (cf. §53). The changes in the firm's overall policy over time may suggest that the entrepreneur has several aims with his firm and not one. This is a misconception brought about by the necessity of having to concretise the abstract aim of earning profit of enterprise (cf. §12A).

#### §27 Wages of Enterprise. Maximisation of Gross Valorization

The success of the firm's operations is measured by the amount of profit of enterprise it produces in a given period, say, per annum. Since the entrepreneur is active in the firm and sees himself as a kind of labourer, he also relates the amount of profit of enterprise to the duration of activity, thereby treating the profit as wages of enterprise (*Unternehmerlohn*). It is thus the *MASS* of profit of enterprise related to the *DURATION* of entrepreneurial activity taken to earn it which

measures the firm's success from the entrepreneur's standpoint. The mass of profit of enterprise earned by the entrepreneur depends on the magnitude of the firm itself, as measured, say, by the size of the functioning /73> capital to the number of labourers or the size of the firm's plant. All these factors however merely represent costs for the entrepreneur, who relates only the mass of profit of enterprise to the activity he has to perform to achieve it. The success of entrepreneurial activity may vary enormously depending on the size of the firm which the entrepreneur has under his control. Unwieldiness in the firm's operations may lead the entrepreneur to install managers (§53), who then cost the entrepreneur extra wages and thereby diminish his profit of enterprise. The entrepreneur's success with his firm is thus not a reliable guide as to the firm's size, or vice versa. For the other participants in the firm's operations (the labourers, landowner and money-capitalist), the measure of the firm's success is the income they derive in a given period from their revenue-source. Since these incomes are fixed by loan contracts, whether the variable residue of profit of enterprise is large or small does not directly concern them although – it may influence the loan prices they want and can get in future contracts with the same entrepreneur. For the entrepreneur, the revenue payments are fixed costs which his firm's activities have to cover. The aim to maximise profit of enterprise over the period, once the revenue-prices are set, thus coincides with the *MAXIMISATION OF THE FIRM'S GROSS VALORIZATION* of the money-capital advanced; the aim is to make the borrowed functioning money-capital of the firm expand as fast as possible. Thus, although the entrepreneur's conscious aim is to earn as much profit of enterprise for himself as possible, he is at the same time the adequate bearer of the movement of valorization of capital. The process of capitalist commodity production has been investigated in the capital-analysis (App. §§14ff) as the process of surplus-value generation through the exploitation of living labour-power. To the entrepreneur such a category of exploitation does not arise, since his profit of enterprise seems to spring from his activity in organising and controlling the combination of the elements of production. For his entrepreneurial activity he receives profit of enterprise; for their labouring activity in the



firm the labourers receive wages, and the deal seems to be more or less fair. The quantitative differences in income derived /74> are not so easily justifiable, but entrepreneurial skill and responsibility are put forward as a ground for the generally larger entrepreneurial income. If exploitation comes to consciousness in the labourers, it is not as extraction of surplus-value but as poor wages for too much or mind-deadening, exhausting work, and the comparison is made with the entrepreneur's share of the gross proceeds of the firm's operations.

Marx treats the capitalist in *Capital* Volume 1 as "personified capital endowed with will and consciousness" (CI 151;KI 168). As we have seen in our reconstruction, will and consciousness of an individual subject do not come to be explicitly handled until the level of competition, where the subjects of competition are endowed with a will set on earning income through activity with their respective income-sources. The conscious content of the entrepreneur's will is the earning of profit of enterprise, which is measured by the amount earned in a given period. He operates with borrowed money-capital and pays interest for its use. Insofar, the entrepreneur is not the direct conscious representative of the movement of valorization of capital, but only indirectly, in that the maximising of his profit of enterprise coincides with the maximising of the rate of valorization of capital. When the entrepreneur and money-capitalist coalesce, as in the collective entrepreneur of a share company (cf. §§36ff) (leaving aside loan-capital taken up by the company), the valorization of functioning capital becomes an aim attributable to a (collective) subject. In any case, the conscious aim is not the valorization of value; this latter category is first articulated by critical philosophy. The following formulation of Marx is therefore to be criticised:

The self-valorization of capital – the creation of surplus-value – is thus the determining, dominating and overriding purpose of the capitalist, the absolute drive and content of his action. (CI(P) 990;Marx 1969 18)

The form of consciousness of the entrepreneur – the aim to earn profit of enterprise – is nevertheless adequate to the valorization of capital through surplus-value production. No matter how large or small the capital is with which the entrepreneur functions, his /75> profit of enterprise will be the greater, the greater the valorization of this capital.

## **§28 Lowering Unit Cost by Increasing Effectivity**

The firm's labour process works at a certain level of effectivity, as measured by cost per unit output. The costs are the advanced capital

(including that advanced for fixed capital) plus the wages, rent and interest payments which have to be made. The output is either an industrial commodity (in industrial firms) or circulation work completed, e.g. stock turned over (commercial firms) or money-dealing services performed, measured in some appropriate unit such as the number of transactions (banks). The unit cost is one of the determinants of the entrepreneur's profit of enterprise. The others are the selling price, the mass of commodities or services sold and the speed of turnover. *Unit cost however is the (value-form) measure of the technological effectivity of the firm's labour process; it is the social measure of the level of effectivity of the productive forces set into motion in the labour process.* The entrepreneur has an interest, derived from his income aim, in lowering the unit cost as much as possible. This can be done on the one hand by entering into favourable loan contracts with the revenue-source loaners and in purchasing the means of labour at a good price. These prices are, however, external limitations of the unit cost; they are the determinants of unit cost given by market-place conditions. Once these prices are set, there remains the factor of the *EFFECTIVITY* with which the productive factors are employed. Effectivity itself depends firstly on the state of technology employed, i.e. on the efficacy of the means of labour, secondly on the suitability (e.g. fruitfulness) of the land employed and finally on the organisation of the labourers in the labour process. The natural and industrial human sciences constitute the background upon which the technology for particular kinds of labour processes can be developed and improved. A component of the entrepreneur's skill is to be on the ready to take advantage of the newest advances in technology and labour-force techniques in order to reduce his unit cost. The relative health of a firm in a branch /76> in comparison to other firms operating in the same branch is determined by the comparative labour effectivity (among other things). A firm which does not keep abreast of the latest applications of (natural and management) science to the labour process soon falls behind its competitors, who operate with lower unit cost. Technological and organisational knowledge is thus incorporated in the firm, not only by the entrepreneur, who in the last instance has to decide the form of the

labour process, but also by the labourers, and especially the managers (§53), who have to be trained in the new technological and managerial techniques. Some labourers can be given the task of researching scientific advances in the industry, so that the firm always stays on the latest level of development of production technique. This is the firm's *RESEARCH DIVISION*, whose activities, while not directly involved in the firm's labour process, contribute to raising its effectivity. At the same time, the research division requires an additional outlay and gives rise to extra costs, so that only the larger firms can successfully operate a research division, since its costs are small in comparison to the overall costs of the firm's labour process.

In considering the firm's effectivity, it is to be emphasised that money, and *not* an absolute measure in time, functions as the measure. Time has a mediated relation to the measure of effectivity insofar as, given a method of production (in the broad sense), its effectiveness can be measured by the speed at which the labour is performed. Comparison between two methods of production must be mediated by the costs of the technologies employed, since absolute efficacy as measured in the amount of labour-time taken to produce a unit output can diverge from the cost efficiency measured in money. Moreover, two differing methods of production may result in commodities of differing qualities, which can be sold for different prices. All that can be said is that, given a method of production, it is the entrepreneur's aim to enforce the highest possible duration and intensity of labour. In the capital-analysis (App. §§15ff), the concept of relative surplus-value production was treated by comparing methods of production with differing productivities. Other things being equal (a strong assumption, given value-form contingency), the > more productive production process produces the greater amount of surplus-value. On the level of competition, a tendency towards maximising surplus-value production by the application of technology is asserted by way of the entrepreneur's striving to increase his profit of enterprise. This increasing of productivity is a necessity forced upon him by the external exigencies of the market; he cannot afford to be left behind by his competitors in the race to improve productivity. Relative surplus-value production is in this way executed by virtue of the ineluctable logic of competition. The entrepreneur who, for one reason or another, ignores this logic, will find his firm in difficulties. The only adequate subject of competition in this case is the subject who strives to maximise profit of enterprise.

## §29 Decreasing Turnover Time. Advertising and Market Share

In the capitalist epoch, it is not enough that products are efficiently produced. In addition they have to transform their commodity-form into money-form. The individual firm must be able to find on the market the elements of labour it requires for its labour process, and it must sell the products of its labour process, be they industrial commodities or banking services. The time in which money in the hands of the entrepreneur awaits the commodities required for the labour process, and the time in which the produced commodities remain unsold in his warehouse contribute nothing to the firm's profit-making activities. The time taken to produce commodities (in addition to their cost of production) further limits the *TURNOVER* of the capital advanced and thus also the profit of enterprise. For industrial firms, the two circulation phases – the buying of means of production and the selling of produced commodities – as well as the production process are all present, in the form analysed in the circulation process of capital (App. §§35ff), even if the circulation phases are abbreviated by being taken over in part by commercial and banking firms. Although in their form-determinacy, commercial firms and banks are concerned purely with circulation functions of capital, they both have to set up their own labour processes in order to perform these circulation functions. These labour processes themselves require means of labour, labourers and land, which must be purchased or hired, so that a labour of circulation of second order arises; namely, that special circulation labour performed in order to make possible the (first order) circulation process, e.g. circulation means of labour have to be bought. For the commercial firm, the selling of industrial commodities is the only circulation labour of the type C – M performed; the circulation labour process has no independent product to be sold separately. The bank too has little or no circulation labour in realising produced commodities on the market since the money-dealing transactions it performs are paid for in general immediately on performance of the banking service, either by a direct fee or by a deduction from the customer's account. Whatever the kind of firm considered, the turnover time of the capital advanced represents a restriction of the firm's

potentiality for producing profit of enterprise. The value-forms present themselves here as direct hindrances to the entrepreneur's aim, as external market conditions into which his own private labour process must mesh if he is to be successful. The adequate means for ameliorating this restriction is increasing the effectivity of the circulation labour processes. The externally given market conditions can only be manipulated to a limited extent, through improvements in the labour process; there remains always a residue of intransigent social objectivity against which the private labour process is powerless. *ADVERTISING* is the phenomenon *par excellence* deriving from the striving to reduce turnover time. The entrepreneur is the conscious subject who attempts to implement the tendency to reduce turnover time. The more rapidly he can turn over borrowed capital, the more profit of enterprise it throws off, other conditions being equal. A vital factor in turnover time is the market share won by the firm. The turnover will be faster, the greater the *MARKET SHARE*, up to a certain point where the firm's labour process is at full capacity, where the market share absorbs the full capacity of the firm's labour process without delay. The firms within a branch are thus in competition over market shares, which they have to fight for by means of advertising campaigns, price wars and the like. Any lapse in the entrepreneur's vigilance in problems of turnover, be it in the purchase and hire of elements of labour or in the selling of produced commodities, can lead to a relative set-back in turnover, thereby endangering the firm's existence. The raising of the effectivity of the firm's labour process is usually accompanied by an increase in the *SCALE OF PRODUCTION* (as measured by output) which in turn increases the amount of circulation labour necessary and the difficulties of buying and selling. In particular, the greater mass of commodities produced and handled, if turnover time is not to be extended, has to be realised on the market in greater quantities, i.e. the firm's market share has to increase to accommodate the increase in production. This holds for both industrial and commercial firms. Something analogous holds for banks, which can only increase the scale of their banking services when the market demand for them can be increased. The question of increasing effectivity in the firm is thus closely bound to that of

increasing the firm's market share vis-à-vis other firms. If the firm can offer its commodities or services on the market at a lower price than its competitors, this is often the most effective way of outdoing its competitors for a market share. Another strategy is to try to convince potential buyers of the commodity's superior quality.

The factors limiting the valorization of ground-form capital analysed in the circulation process analysis obtain on this level in the more concrete form of limitations to the individual firm's capacity for generating profit of enterprise. The process of ground-form capital has in the meantime been differentiated into the three kinds of functioning capital and these categories of functioning capital have been further concretised through individualisation. The form-process of valorizing value thereby assumes the form of appearance of the subjective action and decision-making of the entrepreneur seeking to improve the efficiency of his firm's labour process and the speed of turnover of functioning capital. /80>

### **§30 Entrepreneurial Choice of Branch**

The opportunities for making profit of enterprise vary from branch to branch. The entrepreneur's freedom expresses itself in the choice of branch of activity. In which branch he starts up his firm or whether he continues its operations in the same branch depends on a decision of his free will, albeit subject to the externally given conditions of the total process of capital. To be active in a given branch demands a minimum of knowledge from the entrepreneur as to how the labour process in that branch is organised. This knowledge can be supplemented or complemented by hiring suitable managers (§53) who have experience in the branch under consideration. More generally, the possibility of becoming or remaining active in a given branch depends on the availability of labourers with the necessary skills. For firms requiring a highly specialised, highly skilled labour-power, the opportunities for entry to that industry could be limited. As long as their skills remain scarce, labourers can achieve better wages and conditions than labourers whose labour-power is in relative abundance. A limitation of this restriction of choice of branch lies in the fact that all skills, be they entrepreneurial, managerial or normal labouring skills, can be *LEARNT*, so that entrepreneurial knowledge and availability of specific labour-

powers is only a *RELATIVE* restriction to choice of branch. A limitation to choice of branch whose solution is far more intractable is the availability of suitable land. The fertility, arability and situation of land is given by nature. Although land can be improved through labour, as in cultivation, fertilization, etc., it may be uneconomic to do so, i.e. the costs of land improvement would be too high compared with other firms in the branch. Situation of land is something which cannot be changed at all, although its situation *WITH RESPECT TO THE TOTAL ECONOMIC PROCESS* may change over time. Areas which were previously unpopulated, for instance, may become populated through the investment of capital in the region, which creates jobs and provides opportunities for other firms catering to individual consumption requirements. The relative size of the firm may therefore be decisive in determining whether a given location can be suitable /81> for a firm. In agriculture and mining, land is an absolute restriction to the decision to enter or continue in a given branch. Land which is or becomes unarable or exhausted in minerals cannot be remedied by labour. Money-capital in itself cannot be a restriction in the choice of branch because money as universal equivalent can be particularised in any commodity through purchase. The total reproduction process in its material concreteness, as the result of the myriad productive activities of firms, can pose a limitation. The means of labour may not be available in sufficient quantities, which may make a venture uneconomic through high costs, or the transportation costs of the means of labour from their production-site may be too high. For this reason firms often locate their activities near to the suppliers of means of labour. The non-availability or restricted availability of means of labour is nevertheless not an absolute limitation to choice of branch but only relative, since production of means of labour may be stimulated through increased demand for them. The private decisions of individual entrepreneurs in this way come to have a tenuous, contingent, delayed effect on the material concreteness of the total reproduction process. What and how much in any future time will actually be produced in an economy based on private production is a question passed on to crystal-ball gazers. Only the results can become known and tabulated, and extrapolations, corrected by a multitude of

indexes, be made, with a greater or lesser degree of probability and wishful thinking.

### **§31 Fixed Capital as Resistance to Change of Branch. Tendency towards Equalisation of the Profit-Rate**

In the preceding paragraph we have already discussed some resistances to change of branch lying in the availability of labourers, land and means of labour and the entrepreneur's knowledge. The most insurmountable friction in this set is land, which is in the first place given by nature, no matter how much the capitalist reproduction process may change its economic usability. A further fundamental friction lies in the materiality of the machinery employed in the labour process. Certain means of labour are not consumed during one turnover of capital and have therefore an enduring stay in the firm's labour process until they are finally completely consumed or replaced by newer technology. The entrepreneur cannot simply leave unused portions of this *FIXED CAPITAL* to waste whilst starting a new labour process in another branch, *unless* the new opportunities offered are so great as to compensate for writing off unused (i.e. undepreciated) fixed capital. In modern industry, with its enormous investment in fixed capital – heavy industry is the paradigm – transfer of capital to another branch is severely limited. Even if conditions for making profit of enterprise in another branch are temporarily more favourable, the possibility of taking advantage of them is limited not only by the fixedness of fixed capital, but also by the availability of the elements of labour. The movement of the entrepreneur from one branch of activity to another in search of profit of enterprise together with the competition between firms within a branch to maximise profit of enterprise, leads to a tendency towards the *EQUALISATION OF THE RATES OF VALORIZATION* (profit-rate) of capital employed in all branches, *insofar as* the frictions to change of branch are left out of account, as well as the factors which hinder the formation of a uniform profit-rate within a branch (see the addition to this paragraph). Change of branch need not take the total form of shifting a firm's activities entirely from one branch to another. The



individual firm may not change branch at all, but despite this a movement of capital from one branch to another can take place. Where conditions for producing profit of enterprise are particularly favourable, entrepreneurs will seek extra loan capital to enlarge the capacities of their firms. They may even offer higher interest to get the additional capital necessary. Conversely, firms in branches where conditions of earning profit of enterprise are not so favourable may cut back (gradually) the extent of their labour processes, so making capital, land and labourers available to other branches. This cut-back in the size of the firm is conditioned by the mass of fixed capital, because the entrepreneur wants to avoid laying unused fixed capital idle.

Marx treats average profit and the formation of the same in the second part of Volume 3 of *Capital*. Here is not the place to investigate the Marxian argument that the production prices of commodities achieve a distribution of produced surplus-value among individual capitals according to the “mass of capital employed”, i.e. the so-called transformation problem. This is a problem for the reconstruction of the capital-analysis, which does not immediately concern us here (cf. App. §35Ab). The question here is the appraisal of Marx’s arguments for the formation of an average rate of profit. That for Marx the competition achieves this average profit-rate, follows from the heading of the tenth chapter:

“Equalisation of the General Rate of Profit through Competition ...” and the statement in Chapter IX:

The various profit-rates are equalised through the competition to a general rate of profit... (CIII 158;KIII 167)

From this statement the conclusion can be drawn that such an equalisation, according to Marx’s intentions at least, if it is to be developed at all, belongs to the competition-analysis and not the general capital-analysis. Marx refers at several places in the rough draft for the third volume to a “special investigation of competition” (CIII 196;KIII 207). With regard to the equalisation of the rate of profit, the “special investigation” was to have treated the particular conditions allowing the movement of capital from one branch to another – such as development of the credit system – and the accompanying movement of labourers from one branch of production to another (cf. CIII 196;KIII 206). The essential competition for the equalisation, however, is already given in the Marxian capital-analysis:

What the competition, initially in one sphere, achieves is the creation of an equal market-value and market-prices out of the various individual values (?) of the commodities. The competition of capitals in the different spheres however

first brings about the production price, which equalises the profit-rate between the different spheres. (CIII 180;KIII 190)

This argument is now to be investigated more closely in the light of the presentation of the competition given here. The equalisation of profit-rates, if it is to be derived at all, must now be executed by the subjective actions of the subjects of competition, /84> in particular by the entrepreneurs, who are the active functionaries of functioning capital. Difficulty arises immediately with regard to the entrepreneur's subjective aim: the earning of profit of enterprise. The entrepreneur wants to maximise the mass of profit, and from his (her?) standpoint it is treated as a ratio only in relation to the amount of entrepreneurial activity necessary to earn a given mass (cf. §27). The capital with which he operates comes from a money-capitalist, who receives interest. The money-capitalist is interested in maximising the interest-rate for capital loaned, but this rate has a tendency to equalise in the market-place, with only regular divergences according to term of loan, repayment conditions, the risk of the enterprise, etc. The interest to be gained does not change appreciably from branch to branch, and there can be no talk of the money-capitalist striving to maximise the rate of profit in this case, where the money-capitalist has assumed an independent form.

The problem does not arise for Marx, because he enunciates his competition argument before he has developed the split of profit into profit of enterprise and interest. When he performs this conceptual splitting he assumes that the rate of profit has already been equalised through the competition within and between branches. The problem for us turns upon what connection exists between the subjective aim of making profit of enterprise and the maximisation of the rate of valorization of functioning capital. The entrepreneur seeks to earn profit of enterprise from the active combination of the elements of labour in some branch of capitalist investment. The elements of production are not only money-capital in its transformed form as means of labour, but also labourers and land. In order to be real entrepreneur, his decision as to choice of branch and kind of labour process, i.e. how the firm is to actually operate, must pass from the ideal conception in the entrepreneur's head into a particular real labour process. All the elements of labour cost the entrepreneur something: interest for the loaned money-capital, rent for land and wages for labourers. These costs represent a deduction from our functioning capitalist's profit of enterprise. The aim is to get as much as possible out of the revenue-sources he has hired, /85> and, conversely, to hire revenue-sources which he can get the most out of. The labourers and land just as much as the money-capital are to be employed in the most productive way – productive of profit of enterprise – possible; and the labourers, land and means of labour are chosen according to the rationality of the maximisation of profit of enterprise. Even if the entrepreneur must

work hard to achieve a successful combination of elements of labour, it is an entrepreneurial labour forced on him by the conditions of competition in which each subject must outdo him/herself in order to prevent being outdone by the others. The amount of capital to be employed is determined by the technical conditions of the labour process – the relation of means of labour to land and labourers and the necessary profitable minimum scale of production – and the turnover conditions in the branch considered. When production time or circulation time is long, the more capital must be available to function as additional capital (*Zusatzkapital*). Advances may be required not only for means of labour (machinery, raw materials, means of circulation, etc.) but also for wages, rent or even interest payments. When however the borrowed money-capital is singled out as one of the necessary factors for earning profit of enterprise, it can be seen that the entrepreneur will attempt to get as much gross and net profit out of each aliquot part of it as he possibly can. Indeed, the competition amongst firms will tend to force him to this striving. If, for example, the entrepreneur could employ additional capital in his firm's labour process to earn an additional mass of profit of enterprise, but only at a marginal rate of valorization of functioning capital (gross profit-rate) lower than if it were employed elsewhere, then the competition amongst entrepreneurs for money-capital would lead to a rise in interest rates until only those entrepreneurs who could employ it at the best available rate of valorization would be able to earn a profit of enterprise with it. The entrepreneur is in this way forced by the mechanism of competition to valorize all borrowed capital at least as well as the social average. Otherwise, it will be snatched out of his hands by another entrepreneur, who, in doing a better job with it, can afford to pay a higher interest. /86>

There is no room in the competition for the lazy entrepreneur who simply by amassing loan capital can throw off extra masses of profit of enterprise, although at a lower rate of valorization. The rate of valorization of functioning capital is therefore directly linked to the profit of enterprise, with the result that the entrepreneur's striving to maximise the mass of profit of enterprise falling to himself as particular subject, realises also the maximisation of the valorization of property which does not belong to him, and whose valorization is not his direct, immediate aim. Maximisation of valorization of capital is thus striven for by a subject who has something else in mind – his own self-interest; it is a by-product of his direct interest, just as the attempt to use the hired labourers and land to the fullest degree also flows from the thirst for profit of enterprise. The money-capitalist, on the other hand, is not the direct bearer of the valorization of his own money-capital. He is interested in obtaining the highest interest rate for his property; the interest rate, however, is only part of the gross profit, and is arrived at by a division of the gross profit between entrepreneur and money-capitalist. The interest rates arrived at on the market can only be a proportion of the profit-rate, since

otherwise the functioning capital would cease to function; there has to be something in it for the entrepreneur. It is not the case that the interest rate determines a minimum level of the rate of gross profit, but rather that the rate of profit achieved sets a maximum to the possible rate of interest:

Since interest is merely a part of profit, ... the maximum limit of interest appears as profit itself... (CIII 358; KIII 370)

The interest rate itself, which determines how gross profit is divided into interest and profit of enterprise (net profit), is arrived at by the competition on the money-capital market between borrowers (the class of entrepreneurs) and lenders (the class of money-capitalists) (cf. §§36ff). (Here we do not take into account the role of the state in regulating the supply of paper money and thus affecting interest rate levels. The forms of money dealt with on this level of the analysis are necessarily restricted /87> to gold-money (commodity-money *Warengeld*) and the forms of paper money which arise on the basis of gold money as absolute measure of value and definitive means of payment; cf. App. §9Ab.) The balancing of the supply and demand for money-capital leads to an interest rate lying between nil and the expected rate of (gross) profit. The lower limit is set by the fact that the money-capitalist must get something out of the loan of his money-capital, no matter how small that may be. The upper limit is given by the entrepreneur's interest that he will only act as entrepreneur when he reaps a benefit from it. This benefit must in general be at least as great as the wage he could get by working as (managerial) labourer. Factors affecting the supply of money-capital are the level of development of the credit system and the amount of accumulated money-capital as a whole existing in the economy, conceived on this level as the totality of subjects of competition (cf. CIII 361f;KIII 373f).

Demand for money-capital, on the other hand, is affected by the conjuncture in the economic cycle, whose concept is not yet articulated. Some considerations of cyclical movement of the reproduction process are contained below under the heading of overaccumulation (*Überakkumulation* §§66ff). The division of profit into profit of enterprise and interest, then, does not affect the striving of competition to realise the maximisation of the rate of valorization of capital employed. Whether the entrepreneur operates with his own money-capital (a possibility which, for the sake of simplicity, has been excluded) or with borrowed capital, his striving for maximisation of profit of enterprise is simultaneously a striving to maximise the rate of valorization. Since the entrepreneur is free to choose the branch of his activity, the wandering of capital from one branch to another, together with the competition between firms within a branch and the competition with money-capitalists leads to an equalisation of the rate of valorization of capital *insofar as* resistances to this

movement of entrepreneurs and capital, and to competition within the branch do not exist.

On the basis of the competition between firms, a general tendency towards an average rate of profit can be derived, although the counter-tendencies to this movement have to be theoretically /88> called into account. (Cf. §44 on the restriction in movement of capital and differences in productivity lying in land.) We come to the same result as Marx – although on a different systematic level, and only after having taken into account firstly the specific subjectivity of the entrepreneur and the money-capitalist as subjects of competition and secondly the splitting of the value-form, profit, into its two component parts. Marx’s argument for the equalisation of the rate of profit through the competition rests on a picture of a share company in which each shareholder has a claim on the profit produced by the company proportionately to his/her shareholding in the company. Total social capital is thus treated metaphorically as a share company:

The various capitalists here behave, insofar as profit is a consideration, as mere shareholders of a share company, in which the proportions of profit are distributed according to percentage and therefore differentiate themselves for the various capitalists according to the size of their capitals put into the total enterprise. (CIII 158;KIII 168)

The model here is a society of subjects of competition who operate as entrepreneurs with their own capital. The conceptual splitting of profit and the existence of “two sorts of capitalists” (CIII 353; KIII 366) has not yet been taken into account by Marx. In the presentation here, the firm is in fact further developed into the share company (cf. §§36ff), and the latter can indeed be considered as an organ for producing as much profit as possible out of the total share capital; the category of profit of enterprise is thereby further developed into that of *dividend*, which contains determinations which make it similar to interest. The shareholders want to get a dividend yield at least as great as the ruling rate<sup>1</sup> of interest, for they could consider lending their capital rather than buying shares if the dividends were too scant. On the other hand, the share company can also borrow capital, and is not restricted to operating solely with its own share capital. This implies that dividends as category are to be distinguished from interest. The *sources* of these incomes are conceptually different: interest flows from an amount of money; dividends flow from a property title in a company, which is the realisation of the joint /89> will (no matter how distorted by power struggles within the company) of its shareholders. Money-capital is loaned; a share is bought, and there is no guarantee that the share price will not fall below the actual amount of capital invested in the company by the shareholder.

It is not surprising that Marx’s argument for the tendency towards the equalisation of the rate of profit, based as it is on a picture of total social capital as a

share company, holds unproblematically when the subject of competition viewed is a share company operating solely with its own share capital. The only consideration not taken into account is why it is that capital *borrowed* by the share company must also be valorized to its maximum extent. From the argument developed above concerning the entrepreneur's striving to maximally valorize borrowed capital and the competition among entrepreneurs for money-capital, it can be seen that no difficulty arises for the argument for equalisation even when borrowed capital is employed by a share company.

### §32 Entry to a Branch

Entry can be made into a branch either by starting a new firm or by buying an already operating firm. In the first case the matter is straightforwardly a realisation of entrepreneurial freedom and the entrepreneur takes his chances in seeking to establish a place for himself within the branch. The second way is only apparently a change of sphere of capital, since only the entrepreneur in the firm purchased changes. The money-capital operating in the branch remains unchanged through mere change of ownership of the firm. The price paid for the firm is related to the amount of profit of enterprise thrown off by the firm and the relative difficulty with which a new firm can be set up within the branch. The buyer of a firm is buying a place in the competition. The price of that place depends on the fierceness of the competition within that branch. The first consideration is how difficult it is to obtain a profitable market-share. In branches where the market is already saturated, competition over market shares is fierce and the price of firms is high. On the other hand, where the market is unsaturated, entry into the branch is /90> easier. Whether a new firm is started or a functioning firm purchased makes all the difference for the transfer of capital between branches. For the entrepreneur's subjectivity, whether he starts a new firm, or buys an existing one makes no difference as far as a qualitative change in his entrepreneurial activity goes. Whether he chooses to elbow his way into the branch, or buy his way in are alternatives with pros and cons, which the entrepreneur himself has to weigh up. He has to carry the consequences of the strategy chosen.

### **§33 Monopoly, Oligopoly and Collusion**

The entry of a new firm to a branch is deleterious for the already existing firms in the branch because they must either forego a share of the existing market, or they themselves fail to benefit from an expansion of the market. Where only a single firm exists in the market, or only a small number, the lack of opposition from other firms in the same branch allows a greater degree of freedom from external compulsion by the market, especially in the sale of commodities. These favourable conditions of competition are called a *MONOPOLY* (where only one firm exists) or an *OLIGOPOLY* (where a small number exists). Firms in this situation will try to protect their competitive edge by excluding and out-competing newcomers to the branch. The established firm(s) can drive a newcomer under in a price war. Even where several firms exist in the branch, a *CO-ORDINATION* of their competition against a newcomer may block its entry to the branch. This is a factor hindering the equalisation of the profit-rate to an average profit-rate. *COLLUSION*, which is one of the stratagems of competition and by no means its dissolution, can effectively protect the status quo within the branch, in particular market shares.

a) Monopolies and collusion can overstep the limits of competitive freedom, i.e. the free market-place freedom with property, when firms with a strong position within a branch use their competitive strength to coerce other firms, either within the same branch or in a related branch, to treat a competitor of the powerful firm unfavourably (say, through refusal to supply means of labour). /91> Here, the freedom with property is exercised to restrict the freedom of another firm with its property. This contradicts the concept of competitive freedom, for which only market-place struggles without direct coercion are valid. The occurrences of such excesses of competition have to be rectified, if at all, by the state (cf. §§73ff), which in its laws and courts also has to decide exactly which actions within the competition infringe the concept of competitive freedom. The competition subjects mock the state's attempts to draw a legislative line between fair and unfair competition by finding the loopholes in the legislation. The defence of the realm of competitive freedom can also sometimes be justified in terms of the universal well-being (cf. §84).

b) Baran and Sweezy (*Monopoly Capital*) are model-builders working in "Marxian social science". They believe in the "objective course of history" (ibid.

viii) as the “final test of truth” (ibid.) of a theory. Their contention is that the phase of world history dominated by American capitalism demands a revision of Marx’s *Capital*, which they imply is modelled on the phase of world history dominated by British capitalism. They assert that “the Marxian analysis of capitalism still rests in the final analysis on the assumption of a competitive economy” (ibid. p. 4), so requiring an attempt to “explore the consequences of the predominance of monopoly for the working principles and ‘laws of motion’ of the underlying capitalist economy” (ibid.). With this they open up a field of employment for left-wing social scientists for the next generation. This has already resulted in the accumulation of masses of data on transnational corporations to prove that indeed there are giant capitals at work on the globe and that they wield their economic power in sometimes very dubious ways. As social scientists, Baran and Sweezy aim to construct an “‘ideal type’ – to use Max Weber’s expression” (ibid. p. 15) of the “corporation” (ibid.) so as to build a “model of the monopoly capitalist economy” (ibid.). They settle accounts with Marx’s unfortunately superseded analysis of ‘competitive capitalism’ in *Capital* by renaming surplus-value ‘surplus’. They contend “that under monopoly capitalism this procedure (of regarding surplus as the “sum of profits + interest + rent” ME) is no longer justified.” /92> (ibid. p. 10 n. 6) Although they point out that in *Capital* “surplus value also comprises other items such as the revenues of state and church, the expenses of transforming commodities into money, and the wages of unproductive workers” (ibid.), they nevertheless claim that Marx “treated these as secondary factors and excluded them from his basic theoretical schema” (ibid.). The authors can easily score points in mentioning the missing analysis of “state and church revenues”; this is a rather compelling consequence of the nature of Marx’s theory as a system-fragment. One searches nevertheless in vain for a concept of state or church in their book. For the other part of their assertion, the authors have to treat *Capital* Vol. 2 as something “excluded ... from his basic theoretical schema”. Baran and Sweezy thereby show that the shortest volume of *Capital* is not their favourite. So much for Marx’s main work, an enlightening but superseded classic of the mechanics of capitalism. These critical social scientists turn to their Weberian model building.

A “paradigm” of the corporation is introduced as a definition in three part waltz-time (p. 15f). After discussing some American sociological literature, the authors conclude:

The giant corporation of today is an engine for maximising profits and accumulating capital to at least as great an extent (?) as the individual enterprise of an earlier period. (ibid. p. 47)

It occurs to the authors that they have a problem in concentrating on the paradigm of the giant corporation:



Monopoly capitalism is a system made up of giant corporations. This is not to say that there are no other elements in the system... It is both more realistic and more enlightening to proceed from the outset by including, alongside the corporation-monopoly sector, a more or less extensive smaller business sector... (ibid. p. 52)

Was capitalism in 19<sup>th</sup> century Britain not characterised by the difference between big business and smaller business? At that time was it a case of small business and big business, whereas now we have small business, big business and very big business? If one can leave the question of “laws of motion” aside for a moment, a question which itches every economist mechanic, does 20<sup>th</sup> century capitalism offer any surprises on the level of *forms*? Since Baran and Sweezy haven’t the faintest idea of what a form is, it can only be a matter of luck if they give any implicit answer to this question. The main essential difference noted by the authors for the era of monopoly capitalism is that the “big corporation is a ‘price maker’” (ibid. p. 53f) whereas “the individual enterprise is a ‘price taker’” (ibid. p. 53). This means that “giant corporations can and do choose what prices to charge for their products” (p. 57). According to this criterion, the successful big corporation could put a price tag of a million dollars on each, say, hairpin, to clean up on the market. Any company or firm can set its prices. It may not achieve them. Giant corporations haven’t prevented, e.g. a slump in the world price of steel in the 1970’s. This is apparently explained by the “limits to their freedom of choice” (ibid. p. 57) of price, a rubber band formulation if ever there was one.

Chapter 3 ‘The Tendency of Surplus to Rise’ devotes an inordinate weight to questions of price theory in monopolistic and oligopolistic industries. The discussion is based implicitly on the internal American market (here the authors’ nationalism shines through) and does not take into account that, on the world market, even giant corporations, cannot call the tune. The authors raise the illusory problem of whether “the system of oligopolies generates pressures which force corporate managers to cut costs and improve efficiency” (ibid. p. 68f) and conclude after a short discussion “that with regard to the cost discipline ... the monopoly capitalist economy is no less severe than its competitive predecessor.” (p. 71)

The definition of the corporation as “an engine for maximising profits” (p. 47), after apparently being put into question, is thus confirmed. A characteristic which could have distinguished historical phases of capitalism proves to be of no use for their self-imposed theoretical dilemma. The authors come to “formulate a law of monopoly capitalism that the surplus (as measured by aggregate profits ME) tends to rise both absolutely and relatively as the system develops.” (p. 72) If their statistics are correct, they could be used to support the hypothesis that the American working class is becoming increasingly meeker in its wage struggle. By

formulating a “law” they suggest that this historical result must also be accepted for the future – in the style of ‘objective laws of history’. This “law” disturbs the authors’ orthodox conscience: what about the “classical Marxian law of the falling tendency of the rate of profit” (ibid.)? They are quick to reassure that they are “not rejecting a time-honoured theorem” but are merely, as orthodox revisionists, “taking account of the undoubted fact that the structure of the capitalist economy has undergone a fundamental change.” (ibid.) They find themselves in good company with other historically updating revisionists such as Lenin and Hilferding, who wanted to creatively develop Marxism in a new historical phase. The authors are thus spared the agony of posing a theoretical problem which could result (heaven forbid!) in a *criticism* of Marx’s *Capital* (cf. §39A, App. §35Ab) by positing different historical *phases* of capitalism. With the formulation of this alleged law we come to the purported theoretical kernel of Baran and Sweezy’s book:

What is most essential about the structural change from competitive to monopoly capitalism finds its theoretical expression in this substitution (of the law of the tendency for surplus to rise for the law of the tendential fall of the rate of profit ME) (ibid.)

So little from such a thick book? The “law” of the tendency of the surplus to rise is an historical generalisation based on American statistics on the supposed acquiescence of the working class in the distribution struggle. The authors draw diligently on empirical evidence to support their claim. Facts are poured into the ill-fitting cast of a ‘law’. Is this working class acquiescence an historical necessity? As if the authors could offer any theoretical arguments for their claim. Marx’s law on the other hand, is a theoretical argument based on his theory of surplus-value, which has to be refuted by theoretical means, and not by the methods so loved by Sir Francis Bacon. Imbued with the spirit of Anglo-Saxon empiricism, Baran and Sweezy read Marx with headstrong sociological tunnel-vision. /95>

### **§34 Buying, Selling and Loan Prices**

The existence beside one another of firms in the same branch is a struggle. Although their activities are privately and independently organised by independent entrepreneurs, they come into indirect relation with one another by selling on the same market and hiring and purchasing on the same revenue-source and means of labour markets. The revenue-source owners for their part take advantage of the struggles between the firms by offering their revenue-sources to the highest bidder. The individual entrepreneurs view each of the elements of labour

with an eye to what it can contribute to the firm's profit-making activity. Individual differences in labourers' skill and in suitability of plots of land are thereby rewarded with differentials in loan prices. Through this mechanism there is a ground for the individual differences in labourers and land to be differentially rewarded, with the result that the labourers and landowners themselves reap the benefit of superior labour-power or land (cf. §§44ff). In a similar way, the market conditions for means of labour of the same kind tend to even out to a uniform price, allowing for differences in quality so that advantages gained by an entrepreneur through cheap purchases of means of labour are contingent and result from local differences. At the selling end of the firm's activities, market-place conditions enforce a general tendency towards approximate uniformity of selling prices. Price differences can result from real or imagined (produced by a, mostly costly, advertising campaign) differences in quality. The vigilance of buyers looking for bargains leads to the firms' offering 'competitive' prices. The attempt to increase profit of enterprise thus turns inwards to the organisation of the labour process itself, where management science and technology are employed.

There is a number of factors which work against the constitution of a uniform selling price of commodities (whether considered from the viewpoint of purchases of means of labour or sales of produced commodities): i) Differentials in transportation costs are effectively differences in the production process of a commodity, which are reflected in selling-price differentials. ii) Knowledge of the market-place differs from firm to firm, which may allow /96> one firm to gain (at least temporarily) an advantage in buying or selling price. Advertising is an important means of dispersing information about a commodity on the market. iii) Circulation costs can be reduced through mass sales, which may be made at a lower unit selling-price. iv) There are differences in the quality of commodities as regards their durability and usability (e.g. model differences) which are rewarded with selling-price differentials. v) Advertising can be employed to create artificial, illusory quality differences, which are then rewarded with an increased selling-price, which may more than cover the advertising costs. In spite of all these differences, there is a basic uniform market-price from which prices regularly diverge due to one factor or another. The basic market price may rise or fall independently of each of these factors, which leads to a new basic market-price from which prices regularly diverge, due to one or more of the abovementioned factors. The lucky buy is just that: a matter of luck.

### §35 Merger and Takeover. The Collective Entrepreneur

Increases in effectivity are generally accompanied by an increase of scale of production (as measured by output), with the result that an increased mass of commodities or services is produced, which have to be sold if they are to contribute at all to the firm's profit of enterprise. (In the case of commercial firms, the increase in scale of 'production' has to be understood as an increased capacity of the circulation labour process which has to be utilised by circulating a greater mass of commodities.) Increased supply, however, tends to lower the selling price, with the result that the cost of the new technology or workplace organisation may not be recouped through the sale of an additional mass of commodities or banking services. Nevertheless, the improvement in technology can still be an advantage because *COMPARED WITH OTHER FIRMS IN THE SAME BRANCH* the costs of production or circulation have dropped, so that even if selling prices fall, it adversely affects the competitors more than the firm which introduces the new, more effective labour process. This can signal the demise of firms which have been caught on the hop by technological change. Bad luck, better luck next time. The demise of some firms is favourable for the remaining firms in the branch, for they can compete with one another over new market shares. (This may be indeed the devious strategy lying behind the introduction of a new technology.) If this life and death struggle between firms is to be ameliorated, then enlargement of the scale of operations has to be accompanied by the *MERGER* or *TAKEOVER* of firms within the branch. With merger, the entrepreneurs decide to combine their firms' activities, with the result that the merged firm has a *COLLECTIVE ENTREPRENEUR* consisting of two entrepreneurs. This process of conglomeration need not stop at two entrepreneurs, and firms with several entrepreneurs can arise through this process. The ground for merger is in this case the finiteness of the market as a limitation to the expansion of scale of operations of firms. This has given rise to a new concept of the firm constituted by a *COLLECTIVE ENTREPRENEUR*, called the *JOINT ENTERPRISE*. The joint enterprise is an expression of freedom of the subjects of competition, and the form of property which

thereby arises is an expression of collective freedom to pursue aims in common. The improved technology in the firm has the result that each entrepreneur can earn more profit of enterprise by working in unison with other entrepreneurs than he would be able to earn alone. Moreover, a *COMPULSION* to band together is exerted by the conditions of competition in the branch, in which the entrepreneur is placed before the (free) choice: band together (merge) or go under. The merging of firms may also bring advantages of the *COMBINATION OF ENTREPRENEURIAL SKILLS*, in an analogous way to the collective labourer, in which the combined output of an organic collective labouring body exceeds that of the sum of isolated, individual labour processes. The collective entrepreneur can benefit from the experience in competition of several entrepreneurs who together can display an impressive array of skills and tricks. The obverse side to these advantages is that the direction of the enterprise becomes a joint decision requiring concurrence between several entrepreneurs. Each has the aim of earning profit of enterprise, but each may have different ideas about how to go about getting it. *DISPUTES* /98> may arise between these independent entrepreneurial spirits as to the enterprise's strategy. Since entrepreneurial activity has the form of appearance of labour, and profit of enterprise has the form of appearance of wages of enterprise, the entrepreneurs can also squabble over the relative contribution of each entrepreneur compared with how much he takes out of the enterprise as profit of enterprise.

In the textbooks on the theory of the firm, one finds no doctrine of entrepreneurial bickering but rather a theory of 'rational' decision-making. On this level of the presentation, there is nothing to qualitatively distinguish between the entrepreneurs except the amount of entrepreneurial activity they perform. Since profit of enterprise is related to entrepreneurial activity, the sharing of profit of enterprise can proceed according to the amount of entrepreneurial work put in by each entrepreneur. How the entrepreneurial tasks are to be divided and the firm's policy have still to be decided on the basis of equality of each entrepreneurial will (cf. the situation in a share company §§36ff).

## **b) The Competition between Entrepreneurs and Money-Capitalists**

### **§36 Accumulation and Concentration of Capital. The Share Company and the Shareholder. Dividends, Share, Loan Capital**

The expansion of the scale of operations of the enterprise requires in general the employment of a larger mass of money-capital. The amount of capital under the command of a single entrepreneur or group of entrepreneurs grows to the benefit of the entrepreneurs employing it. An expansion of operations is the basis for an expanded profit of enterprise. The expansion of scale of operations is in turn forced upon the enterprise by the progress of technology and management science in the branch. The advance of a greater mass of capital in general increases if not relatively then absolutely the number of labourers subjected to capital. In this way, the *ACCUMULATION OF CAPITAL*, the subjection of more and more labourers under a more rapidly growing mass of capital, is a tendency realised in the competition between firms, just as the *CONCENTRATION OF CAPITAL* is (cf. §35). Accumulation of capital becomes a necessity of the firm's survival. In order to accumulate money-capital beyond the extent of reinvested profit of enterprise, the (collective) entrepreneur is referred back to the money-capitalist, without whom the expansion of scale cannot be undertaken. The employment of the capital in the enterprise may offer the promise of substantial profits of enterprise, with the result that the entrepreneurs are left with a large profit of enterprise in comparison with the interest payments which have been paid for the great mass of capital employed. There arises a ground for a decisive inequality in income between the owner and the user of money-capital, which the former won't take lying down. On the other hand., the money-capital can be exposed to danger through the entrepreneurs' entrepreneurial efforts. Massive amounts of capital are entrusted to the hands of a relatively small number of entrepreneurs, who not only have the opportunity of making large profits of enterprise with it, but also the chance of making large losses. These two counterposed grounds can influence the money-capitalist to try to

gain more control over the use of his money-capital and to gain a chance to participate in the large profits of enterprise expected to be forthcoming. The entrepreneurs are dependent on him for the supply of money-capital. The money-capitalist can use this as a lever to get more control of the firm. The constitution of the firm becomes no longer simply a matter of the objectification of entrepreneurial will, but also of the ownership of money-capital. The figures of the entrepreneur and the money-capitalist are *UNITED* in the shape of the *SHAREHOLDER* of a *SHARE COMPANY*. The weight of each entrepreneurial will in the venture thus becomes dependent on the amount of money-capital invested. The money-capital is no longer *LENT* but is used to *BUY* a title of joint ownership in a collective enterprise called a *SHARE*. Each shareholder has a share in the profits of enterprise of the company as well as a share in the formation of the company's policy. The claim to interest is thereby lost and in its place the shareholder participates in profits of enterprise (now including interest) which thus become *DIVIDENDS*. Whereas profit of enterprise was related to the amount of entrepreneurial activity, the dividend is related in the first place to the amount of capital invested in the company thus showing a *YIELD*, which is a sum analogous to interest. Like all sums of money flowing from a source, the dividend can be treated as an interest on money-capital, even though, categorially speaking, dividend and interest are distinct concepts. Through the capitalisation of the dividend, the price of the share can be arrived at, based on an interest rate which in general is higher than the market rate, since the risk in buying a share is greater than that of lending money-capital. The share company is of course not excluded from also raising capital from the loan market, so that the capital functioning in the company is composed of both *SHARE* and *LOAN CAPITAL*.

In the reconstructed capital-analysis (App. §63), the treatment of accumulation occurs in the investigation of the expanded reproduction process of capital, whereby accumulated surplus-value is turned back onto living labour to exploit it on a larger scale, whilst at the same time fulfilling the material preconditions for reproduction on an expanded scale through the production of the additional industrial commodities required. Thus, while the value-form process of accumulation is

simply the increase in domination of capital over labour, the side of content is an expanded and more differentiated material reproduction. Here, on the level of competition, we see that accumulation is a movement executed consciously by the entrepreneurial will under the impetus of the aim of making profit of enterprise, and simultaneously under the compulsion of the conditions of competition. The result of this accumulation on the level of /101> subjectivity is the share company (private or public), which can reach a gigantic size corresponding to the massive accumulation undertaken by one collective economic subject. Marx treats accumulation several times in *Capital*. The first treatment is contained in Part VII of Volume 1, ‘The Accumulation Process of Capital’, where not only the growth of domination of capital over living labour is handled but also the creation of an industrial reserve army, the struggle between capital and wage-labour, and the compulsion to accumulation enforced by the competition, amongst other things. In Volume 2 it is considered twice: in Chapter 2, Section 2 and in Chapter 21 ‘Accumulation and Extended Reproduction’. The latter treatment is the most successful investigation of accumulation as such in *Capital*, since the categories developed in the circulation-analysis allow not only the amassing of capital over against labour to be thematized, but also how this amassing must conform to conditions of the total material reproduction of the economy. The final treatment comes in the Engelsian edition of Volume 3, in Section 4 ‘Relative Surplus Population’ of Chapter 14 ‘Counteracting Influences’, where the accumulation of capital in conditions of finite availability of labour-power is discussed. This discussion resembles some of the themes from Part VII of Volume 1. This finiteness of labour-power, the struggle between capital and wage-labour, the creation of a relative surplus population as a background to the struggle between wage-labour and capital are to be treated in the competition-analysis in Part III f) below. The themes of competition in relation to accumulation which are mentioned in Part VII of Volume 1, but also here and there in Volume 3, have been thematized here in §36. The kernel of accumulation has already been treated at the end of the circulation-analysis (cf. App. §63).

### **§37 The Share Company as Collective Will of the Shareholders**

With this development (§36) a new form of property has arisen, the *SHARE COMPANY*, based not only on will but also on money-capital. The property takes the form of the share, which is not only an income title, but also an entitlement to exercise one’s will in /102> the determination of the company’s policy. Since the company has a joint subjectivity and a joint ownership in its shareholders, it assumes an independent status as a subject of competition: the share company is thus



a collective subject of competition composed of its constituent shareholders. The way in which this collective subject decides its will has to be further determined. The weight of each shareholder's will in the company is given by the amount of money-capital invested: the influence of will is proportional to property. If property confers the power to make profit of enterprise, then its amount should also determine the weight of each will in the enterprise. This attribution of will to property corresponds to the latter's essence: abstract will. It is the subjection of things to will which makes them property. When property becomes joint property and the will of property joint will of property, the only standard lying to hand to determine the weighting of each constituent will in the joint will is the *QUANTITY* of property. Property can only be measured in money, in its price. Money thus comes to measure will in the form of property. Although in itself will has as much to do with money as "red beets and music", to bourgeois consciousness nothing could be more rational. For this consciousness, nothing could be more self-evident than that economic activity, whose sum total is the total material reproduction of society, is parcelled up into the innumerable property titles of money- and share-owners. It is just as natural to natural consciousness that a big shareholder should have more say in a company than a small shareholder.

a) The two forms of enterprise in a capitalist economy developed are the firm and the share company. The sequence in which they were developed makes it appear plausible for fans of history that the conceptual argumentation could be filled out with an historical argument concerning the 'actual' historical tendencies of capitalist development from small firm with a single capitalist to ever larger share companies – ending inexorably in the giant multi-nationals. Such an interpretation appeals to all historically thinking Marxists and others besides. This flaccid interpretation does not hold water. Only the systematic understanding of why capital has to concentrate itself to support /103> ever greater scales of production, and the execution of this concentration in the competition, allows a general historical tendency of concentration and the development of new forms of the economic subject, to wit, the share company, to be understood at all. The development of thought is not from a supposedly pre-existing historical stage of 'small' capitalism to 'big' capitalism, but a dialectic which allows the understanding of why it is that subjects of competition, who follow their own particular aim of earning profit of enterprise as individuals, are nonetheless compelled by the conditions of competition amongst

themselves and with money-capitalists, to act collectively to achieve their aims. This understanding stands in contradiction with that self-evident naturalistic ideology that what is small grows larger. We wouldn't have to bother with concepts if things were that simple. Here we have a double movement of thought. On the one hand, there is the necessity of concentration of capital to undertake economic activity on an ever larger scale. On the other, there is the merging of the two subjects of competition, the entrepreneur and the money-capitalist, under the pressure of the struggle between them over the rate of interest and the power to control huge amounts of capital. The tendency to concentration is a dynamic principle of capitalist economy asserted by competition which allows historical tendencies to be understood. Marx, in remaining true to Hegel's philosophy of history, attempted to go further with the development of the share company and to deduce a tendency towards the dissolution of bourgeois property and thereby a transition to socialism. (Marx to Engels 2.4.1858: "*Share capital* as the most complete form (proceeding to communism), at the same time with all its (capital's ME) contradictions.") He does not however provide a *systematic* argument for the development of the share company, even if hints of this argument are given here and there (e.g. "...the small fish are swallowed by the sharks, and the sheep by the stock-exchange wolves." (CIII 440;KIII 456)) The famous phrases of the 1859 Preface, which have spared whole generations of socialists the trouble of reading the text that follows it, come through in Marx's treatment of the share company in Chapter 27 'The Role of Credit in Capitalist Production'. /104>

The share company, according to Marx, is a form of social production which prepares the transition "to a new form of production" (CIII 438;KIII 454) by developing the material forces of production to a bewildering degree and by dissolving "capital as private property within the limits of the capitalist mode of production." (CIII 436;KIII 452) Marx talks of the share company as "the form of social capital (capital of directly associated individuals) as opposed to private capital". In the share company, capital's undertakings "come forward as social undertakings as opposed to private undertakings". (ibid.) One has to ask here what is meant by "social capital" (*Gesellschaftskapital*), "social undertaking" and "dissolution of capital as private property". The arguments for these concepts offered by Marx are firstly, the functioning capitalist becomes a "mere manager" (ibid.), secondly, the owner of capital a "mere money-capitalist" (ibid.), thirdly, "in the share companies ... the labour is fully separated from property in the means of production" (CIII 437;KIII 453).

Re the first point it can be said that the capitalist does not become simply a manager. In the share company there is an elected board of directors who make decisions for the entire company in the name of the shareholders. Although small

shareholders play an appropriately small role in this election, the larger shareholders play a determining role and most often elect themselves or their own representatives to the board. The board plays a determining role in the company's activities and the top executives are answerable to it; it also actively represents the interests of the company's owners, the shareholders (although of course not all shareholders equally). We have already seen that ownership of a functioning capital, i.e. of a firm or a company, consists in its being a labour process subject to the will of the owner or owners (cf. §11). The owners do not have to actually participate in the company's labour process in order to exercise their will over it. They are placed formally at the top of the hierarchy of control, even, and precisely in that, they appoint executives to manage the day to /105> day running of the company. Although in a certain sense all parts of the company hierarchy to a greater or lesser extent perform functions of the functioning capitalist, namely, that of supervision and control of the labour process, the control of the company lies with the board and in the last instance formally with the shareholders. Marx's claim that the functioning capitalist becomes mere manager overlooks the specific determination of the functioning capitalist, namely, to organise a labour process as product of the entrepreneurial will. This control and realisation of will is still embodied in the owners of the company (the shareholders) even if they do not participate actively in the collective labourer. The share company is thus not "private production without the control of private property". From the above, Marx's second point, that the owner of capital becomes a mere money-capitalist, is also incorrect. In addition, the category of dividend cannot be equated with interest, as Marx does. Interest is a loan-price fixed by contract; dividends are variable, according to how much profit of enterprise has been earned. Interest is derived from loaned money-capital; dividends are derived by purchase of a property title. It is only the *analogy* with interest which allows the shareholder to be treated as mere money-capitalist, in the same way that a landowner who receives rent can be thought of as a money-capitalist receiving rent-interest from a fictitious capital invested in land. In some points the analogy between interest-bearing capital and rent-bearing capital is truer than that between interest-bearing capital and share capital, since the former analogy is based on loan contracts being a common element. That "labour is fully separated from property in the means of production", Marx's third point, has been treated under the critique of his first point above. The collective labourer has to be distinguished from the hierarchical control of the collective labourer exercised by the functioning capitalist(s). Control of the collective labourer characterises the ownership of the labour process, and this function is exercised by both a single entrepreneur and the shareholders of a share company. In both cases "labour", i.e. the labourers, are separated from property in the means of production. Even the /106> single entrepreneur can delegate functions of control and decision-making to a manager or

managers, without thereby ceasing to be entrepreneur nor relinquishing control of the firm.

The share company allows a few individual capitalists to control huge masses of alien capital. This is only a quantitative difference, since the firm also allows disposal of alien capital. The share company is just as much based on private property as the firm; it is an association of private property-owners. The property it controls – the share capital – is not social property but an agglomeration of private property. Marx claims that the share company “is the dissolution of the capitalist mode of production within the capitalist mode of production itself and therefore a self-annulling contradiction which *prima facie* presents itself as mere point of transition to a new form of production.” (CIII 438;KIII 454) What is named as contradiction here? Marx puts forward two forms of appearance of the contradiction:

It (the contradiction ME) produces monopolies in certain spheres and thus provokes the intervention of the state (*ibid.*) and,

it produces a new sort of finance aristocracy (Hilferding’s cue ME)...; a whole system of swindle and fraud in relation to founding, share issue and share trading. (*ibid.*)

This contradiction of social reproduction taking the form of private production does not in this instance bring forth any qualitatively new phenomena specific to the share company; state intervention and fraud and swindle are familiar forms of appearance of the designated contradiction not peculiar to the share company; both belong to the daily gossip of bourgeois society and in no way represent its imminent dissolution. The contradiction of social reproduction taking private form produces its own resolutions, although sometimes unpleasant, nevertheless swallowed, *within* the bourgeois totality *ad nauseum*. The latter is a contradictory totality which reproduces itself, as long as the subjects acquiesce, *despite* and *through* its contradictoriness. To return to the specific form, the share company: If one cannot talk of the dissolution of private property within bourgeois limits, /107> there is plausibility in the thought that, in that share companies organise production on an enormous scale, they perform a service for the ‘socialisation’ of production which can be utilised by a socialist organisation of production. At least *within* the share company the products of labour do not assume commodity form, but pass from stage to stage within the organisation until a completed product emerges, as commodity. Insofar, commodity relations are replaced by conscious relations of a plan and hierarchy. If the share company simply organises the production of a commodity on an enormous scale, it does nothing to overcome the dissociation of social production into private enterprises. The single commodity, whether in large or small quantities, becomes social labour only through the market relations, through money. Enormous

scale of production in itself does not form a precondition of socialism. For one thing, the hierarchical organisation of production cannot be adopted, and for another, commodity-form relations are in no way modified, even tendentially, by a large scale of production. In particular, the expropriation of share companies does nothing of itself to alter the characteristic bourgeois separation of consumption and production created by the market. Even the most enormous increases in scale of production do nothing for the solution of the problem of how the products of labour are to become direct social products, without the mediation of the commodity form. For that problem a collective consciousness would be required that did not from the start, with a sigh of resignation, stick it in the too-hard basket, with a reference to the weight of historical evidence to show that to date the problem has not been solved. This is the pessimistic induction principle: what isn't possible in  $n$  cases (although it has never once been tried on a universal level) is also impossible in the  $n+1^{\text{th}}$  case.

Marx's discussion of the co-operative factory points rather to the limitation of large scale production within capitalist relations than to positive features for socialist production:

The labourers as association are their own capitalist; i.e. they employ the means of production for the valorization of their own labour. (CIII 440;KIII 456)

This example demonstrates that the development of productive forces represented by the massive increase in scale of production in share companies or co-operative factories does *nothing* of itself for the dissolution of the capitalist mode of production. Marx maintains quite the contrary:

They (the co-operative factories ME) show how, on a certain level of development of the material forces of production and of the forms of social production corresponding to it, out of one mode of production a new mode of production naturally (!) develops and forms itself. (ibid.)

There is nothing at all natural about the transition from one mode of production to another. The development of productive forces does not provide a motor for the bursting of "forms of production". The fact that the workers are made offers to take over otherwise bankrupt companies in times of cleansing crises is nothing more than a festering symptom of the totality which provides the workers fully enmeshed in the system with the alternative: joblessness or managerial ulcers. Conversely, the contradictions experienced by those living in the system cannot be reduced to the assertion that

the valorization of capital on the basis of the contradictory character of capitalist production only allows real, free development to a certain point, that

is, it forms in fact an immanent fetter and limitation of production... (CIII 441;KIII 457)

The last clause in this sentence has not been quoted, in order to first make the point that, according to formulations of the 1859 Preface, one would expect that the limitation of production through the “contradictory character of capitalist production” should lead to the bursting asunder of capitalist relations of production. In this chapter, Marx has indeed in several places suggested that the share company represents a transitional form of production. This transition cannot be forced by a limitation of the development of the productive forces, for it is precisely the development of the credit system which allows the contradiction room for movement; the last part of the sentence quoted reads:

...which is continually broken by the credit system! (ibid.) /109>

This remarkable passage provides, in the master’s own words, a refutation of a kernel idea of historical materialism, that the restriction of development of the productive forces by capitalist relations will lead to a bursting of those relations. The contradiction of capitalist production which Marx emphasises is that it is social production within the constraints of private property. The share company, however, does not represent an immanent dissolution of this contradiction. It is striking that, in this discussion, Marx does not attempt to make a connection between the form of production represented by the share company and the form in which the contradiction between social labour and private labour is systematically first formulated in the value-form analysis at the beginning of Volume 1. Expropriation of the shareholders of share companies does not in the slightest way represent, even tendentially, the dissolution of the commodity form in a directly social form of production.

b) *Hilferding*, in his main work *Das Finanzkapital*, elaborates on the share company, which is only briefly treated by Marx. With Marx there is already the claim that in the share company, profit takes on the form of interest:

Even when the dividends which they (the owners of capital in a share company ME) receive include interest and profit of enterprise, i.e. the total profit..., this profit is still only received in the form of interest, i.e. as mere return on property in capital... (CIII 436;KIII 452)

Hilferding likewise treats the profit of the share company as interest, but in doing so, comes upon a new category, founders’ profit (*Gründergewinn*), which is seen even by Eastern Bloc writers (cf. the foreword to the 1947 East German edition) as one of Hilferding’s most significant contributions to Marxist theory. In the following, I will seek to show that this ‘new’ category relating specifically to the share company is by no means a new value-form and that a corresponding category

arises already with the concept of the firm. For Hilferding, the share company signifies the transformation of the entrepreneur into a pure money-capitalist who, as property-owner of share property, receives an interest-revenue: /110>

The industrial share company ... signifies above all the change of function of the industrial capitalist. ... This change of function gives the capital which is invested in the share company for the capitalist the function of pure money-capital. (Hilferding 1947 p. 120f)

In this treatment of the share company it is overlooked that the shareholder not only invests his/her money in the share company and thereby obtains dividends which, like interest, regularly flow to him, but also, as part-owner of the share company, has a voice in the decisions concerning its operation. The extent of this influence depends on the proportion of the share capital owned by the shareholder. For many shareholders, who have only invested a small money-capital, their individual votes and therefore their influence in the control of the enterprise is insignificant. For other, bigger shareholders, however, the participation in the business decisions is decisive. These latter do not want to be merely passive pseudo-money-capitalists, but also active entrepreneurs and owners of the share company. Just as the firm is the product of the entrepreneurial will (cf. §11), the share company as functioning concern is the product of the collective shareholder will. Since Hilferding only sees the revenue-source aspect of the share company, he overlooks the determining role of the will in its property-character. Where he presents the transformation of the entrepreneur into pure money-capitalist, a systematic unification of two economic subjects, the entrepreneur and the money-capitalist, should be investigated.

Share property in a share company falls conceptually into two kinds of property: On the one hand the share is real advanced money-capital which represents a portion of the total advance of the share company (here we leave aside loan capital taken up by the company). On the other, it is a property title in the share company as product of a collective entrepreneurial will. Insofar it is like the property of the entrepreneur in his firm. From this double character of the share as property arises the double character of the dividend as interest and profit of enterprise. From its interest-bearing character there arises a connection between the ruling rate of interest and the price of /111> the share on the stock exchange (insofar as we are dealing with public share companies). The other determinant of the share price is the company's profit-making success. A component of the share price is thus for participation in a successful operation in the competition. Insofar, the share price is like goodwill (§20), the firm's selling-price.

Since Hilferding reduces share property to money-capital and the dividend to interest, he gives a false explanation of the total price of the shares of a share company. He uses the concept of fictitious capital and a notion of risk premium to

explain the excess of the total price over the total advanced share-capital. For our critique we require a long quotation:

Let us take an industrial enterprise with one million marks capital. Let the average profit be 15 per cent, the ruling interest rate 5 per cent. The enterprise throws off a profit of 150,000 marks. The sum of 150,000 marks however as annual revenue is capitalised at 5 per cent to obtain a price of 3,000,000 Mk. At 5 per cent however the money-capital would only want to take over paper at fixed interest. But let us impose a high risk premium of say 2 per cent, and further let us take into account the costs of administration, directors' fees, etc. which must be covered by the enterprise's profit and which are spared by the private concern in contrast to the share company, and let the reduction of profit for this be 20,000 Mk. Then 130,000 Mk would be able to be distributed, which should offer the shareholders an interest at 7 per cent. The price of the shares is then 1,857,143, say around 1,900,000 Mk. In order to produce the profit of 150,000 Mk, a capital of only 1 million marks is necessary, 900,000 Mk are free; these 900,000 Mk arise from the transformation (!) of profit-bearing capital into interest-bearing (dividend-bearing) capital. They are, when we neglect the higher costs of administration arising from the form of the share company which reduce the profit, equal to the difference between the amount to be capitalised at 15 per cent and that to be capitalised at 7 per cent, that is, between the capital which throws off the average rate of profit and that which throws off average interest. *This is the difference which appears as founders' profit (Gründergewinn)*, a source of profit which springs from the transformation of profit-bearing capital into the form of interest-bearing capital. ... The founders' profit is however neither a swindle nor a return nor wages (wages of enterprise! ME), but an economic category sui generis. (ibid. p. 126f emphasis in original)

Here Hilferding has performed a sleight of hand. He first blends out (brackets off) the entrepreneur, profit of enterprise and the entrepreneur's property title, in order to execute a magical transformation of profit-bearing into interest-bearing capital. Then, via the detour of fictitious capital, he comes back to capitalised profit of enterprise, which now appears as a "new" category, "an economic category sui generis", as "founders' profit". The transformation can only be performed by virtue of the fact that the necessary entrepreneurial activity of the organisation of the share company, i.e. the subjectivity of the collective functioning capitalist, is left out of consideration. The unification of the entrepreneur and the money-capitalist in the collectivity of the shareholders is presented by Hilferding as "transformation", but is in fact only possible by *omitting* an essential category, the entrepreneurial subjectivity. The "difference between the amounts to be capitalised at 15 per cent



and 7 per cent, *that is*, between the capital which throws off the average rate of profit and that (fictitious capital ME) which throws off average (?) interest” is simply the entire profit of enterprise. One does not need to introduce any new value-form category to conceptualise the share company, but rather one must carefully analyse the figure of the entrepreneur and develop it further to collective functioning capitalist (cf. §§36ff).

If the total price of the shares stands at 1,900,000 Mk, that is, 900,000 Mk higher than the total advanced share capital, then this 900,000 Mk is the company’s goodwill, that is, the price of acquiring a successful operation which has already proven itself in the competition. Hilferding’s calculation with a fictitious interest rate of 7 per cent, which includes a “risk premium” to boot, is arbitrary. Insofar as the enterprise’s success in the /113> competition is measured as the difference between gross profit (after deduction of wages and rent) and the interest on advanced share capital (at the ruling interest rate), the goodwill is a fictitious capital which is calculated on the basis of this difference. Fictitious capital however is no explanation of goodwill but only a fictitious expression for it, which in share speculation on the stock exchange may receive a fetishised meaning.

Hilferding criticises those economists who conceive “dividends simply as interest plus profit of enterprise, that is, as the same as the profit of the individual enterprise” (ibid. p. 127). “That thereby the specific character of the share company is not recognised, is clear. (?)” (ibid.) But what is the ”specific character” of the share company? According to Hilferding, it is the founders’ profit, that is, the excess of the total share price over the advanced share capital. But precisely such an excess crops up with the “individual enterprise”, namely, in the form of goodwill. The entrepreneur’s property title in the firm can be sold for a price higher than the amount of advanced capital. This goodwill can just as easily be expressed as fictitious capital, as “founder’s profit” of the individual enterprise. The specific character is thus not grasped with the founders’ profit. It lies rather in the fact that the single entrepreneur who organises and controls the firm’s operation is replaced by a collective entrepreneur, the general meeting of shareholders and its elected representatives, the board of directors. In addition, the property title of the firm is split into many property titles, the shares.

It is only in his investigation of the share company that Hilferding brings forward the factor of *control* of the company, but only as a phenomenon systematically unrelated to the share price. Thus, for example, the difference between preference shares and ordinary shares is mentioned as a way in which, for the founders of a company, the “securing of the majority” (ibid. p. 136) is facilitated.

The share company is a company of capitalists. It is constituted by the contribution of capital; the degree of influence which each capitalist has on the

constitution is /114> given by the size of the capital contributed by him; his voting right and his power of disposal is therefore naturally determined by the size of his contribution. (ibid. p. 138)

This fact however plays no role for Hilferding in the determination of share prices on the stock exchange. The power of disposal over functioning capital is nevertheless the main characteristic of the share, which distinguishes from normal interest-bearing capital. With interest-bearing capital, the power of disposal of money-capital is surrendered in favour of a functioning entrepreneur. Not so with investment in shares. The larger shareholders all have places for themselves or their agents on the board of directors and thereby participate actively in the decisions concerning the mode of employment of the functioning capital. Since Hilferding attempts to treat the share merely as interest-bearing paper, control of the company figures only insofar as it contributes to influencing the stock exchange:

However, the power of disposal over others' capital and the control of the enterprise, aside from everything else (?), is of great significance for influencing the movement of property in the shares on the stock exchange. (ibid. p. 139f)

The difference between big and small shareholder receives a special significance in relation to *income* in that only the big shareholders have enough votes to gain a place on the board of directors. Although the voting rights of the smaller shareholders can have influence on who is elected to the board of directors, only the directors actually elected can exercise direct influence on the enterprise's activities. In addition, a seat on the board allows its occupant to obtain an additional income. The director receives a *director's fee* over and above his dividends as a kind of wages of enterprise for his labour in working out the company's general strategy in the competitive struggle. The net profit (here equal to profit of enterprise plus interest) is then distributed in favour of the directors, who receive fees, while the small shareholders receive only dividends. Hilferding mentions this moment of additional income for the directors without drawing any consequences for his treatment of the "founders' profit": /115>

Strong possession of shares however gives the power to have oneself represented in the company's direction. As director of the board, the large shareholder obtains in the form of director's fees, firstly a proportion of profit and secondly, the opportunity to exercise influence on the enterprise's administration and to take advantage of knowledge of processes underway in the enterprise, be it for speculation, or for other company transactions. (ibid. p. 141f)

In the last instance, Hilferding implicitly admits that founders' profit has nothing to do with "a new economic category *sui generis*" (ibid. p. 127), in that he treats it simply as capitalised profit of enterprise. Neither profit of enterprise nor capitalisation are new economic categories which hold only for the share company. Profit of enterprise of the firm can just as well be capitalised to obtain a price of the firm, goodwill. And indeed, such a capitalisation practically takes place insofar as firms can be sold. Also with the founding of a firm, an ideal price of the firm arises in that this founding calls a source of profit of enterprise into life. (The other incomes flow from the revenue-sources employed.) This price is attributable to the entrepreneur, since he is the one who has created the source of profit of enterprise. This ideal price first becomes real when the entrepreneur sells his firm. Since in the founding of a public company a bank may play a special role by performing the emission of shares, the ideal price of capitalist profit of enterprise is realised in this *underwriting activity*. The underwriter (the founder, in this case, a bank) and the collective entrepreneur of the company are then distinct, in contrast to the firm of a single entrepreneur. In this way "the profit of enterprise ... flows to the bank; but not as yearly revenue, but capitalised as founders' profit. The profit of enterprise is a recurrent income which, however, in founders' profit is paid out to the bank once and for all." (ibid. p. 158f)

Because the bank through its activity of emission has created a source of profit of enterprise, capitalised profit of enterprise flows to it. If however the founders of the share company had taken up the share capital themselves on the stock exchange, then /116> they would have received the founders' profit, but only because others had paid a premium to become part-owner of a source of profit of enterprise. For their investment, the shareholders receive – if the company is successful – not only interest from their money-capital but also a part of the profit of enterprise. The share premium paid is a punt taken by the shareholder that with the new company s/he is on to a good thing. The founders, who have to 'sell' the viability of the venture on the stock market, pocket the premium for their efforts.

### **§38 Shareholders' Meeting, Directors, Directors' Fees**

As owners of the company, the shareholders have to make important decisions as to how the company is to be run. When the number of shareholders is large, it is impractical to run the company on the basis of continual shareholders' meetings where well-formulated policy motions would be presented. The practical ineptitude of shareholders' meetings is a ground for the *DELEGATION* of the running of the company to elected *REPRESENTATIVES* of the shareholders. The representatives

are chosen according to the assessment of how well they can manage the company in the shareholders' interests. In a small company, the representatives coincide with the shareholders, since policy decision-making does not become unwieldy. Each shareholder represents his interests in the company directly. The larger the company, the more necessary it is to delegate the entrepreneurial decisions to elected representatives who are responsible to the *SHAREHOLDERS' MEETING* which elects them. The representatives are the *COMPANY DIRECTORS* or *MEMBERS OF THE BOARD*, who are responsible for the formation of detailed company policy. As active entrepreneurs, who may or may not be actual shareholders in the company, the directors receive wages of enterprise called *DIRECTORS' FEES*. Part of the company's profit of enterprise or *NET PROFIT* is paid to the active, responsible entrepreneurs, the directors, as fees; the rest is distributed to the shareholders as dividends according to their shareholdings, or reinvested in the company. The head of the company and the executives responsible for the day to day running are appointed either directly by the shareholders, /117> or indirectly by the board of directors. The chief executive is usually also a member of the board, and is called *MANAGING DIRECTOR* (or *CEO*). The executives are responsible in the first instance to the board. They are invested with a certain amount of autonomy to run the company as they think best. The autonomy of the company's executive can lead to *CONFLICTS* over control of the company's operations. Since the executive has direct control over the day to day operation, it can implement its will also in a way that diverges from the shareholders' or board-directors' wishes. The executive's superior knowledge and direct control of operations give it an advantage in conflicts, especially with shareholders, who have little or no direct knowledge of or influence upon day to day affairs. These conflicts may come to a head in the shareholders' attempt to displace the executive. Such a displacement can be deleterious to the company's running, so that the shareholders or board think twice about exercising their property rights and formal rights of delegation. The smaller shareholders have in any case little influence over the company's affairs, and usually restrict themselves to nagging displays of impotence in the shareholders'

meeting. If they have no influence with the board, they can hardly carry out a conflict with the executive. The conflicts with the executive therefore usually arise with the board and are thus fought out behind closed doors in the board-room. The gossip in the higher echelons of the company hierarchy thrives on such conflicts. The power struggles can lead to resignations and dismissals.

### **§39 The Interest-Rate on Loan Capital**

Share companies can borrow money-capital (loan capital) to supplement their invested share capital. (On this level of the analysis, the firm has been superseded by the company, so we speak simply of the company.) To be sure, the amount of capital raised for share capital (either publicly on the stock exchange or privately) is a deduction from the amount of money-capital available on the money market. The interest rate, which determines the ratio in which the gross profit is to be divided into interest and dividends, is regulated by the market relations of supply and demand. Competition between the subjects here takes on the generalised amassed form of a unified money-market. The borrowers want to pay the lowest possible interest rate; the loaners want to get the highest possible. The commodity traded on the money market is the most universal, although categorially of another type than industrial commodities. The single type of commodity is particular, no matter how big the branch of industry is which produces it. Money-capital is not restricted to any particular branch; the money-market is the realisation of the universal connection of the capitalist economy, which links all branches of activity to one another. Money-capital can range freely over them in search of the best interest rate. The interest rate thus tends to be uniform for the whole economy (cf. however §40). There is no immanent measure of the interest rate. It fluctuates according to the relation of supply and demand. Demand varies strongly according to the economic conjuncture, i.e. whether great or small amounts of investment are being undertaken. Supply too varies according to the amount of capital made latent by the turnover conditions of total social capital (in particular: the phase of turnover of fixed capital) and according to the

amount of savings being deposited in the banks by the totality of subjects of competition. The banks act as the mediators of the loan of money-capital by concentrating all the latent money-capital of society into amounts which are usable, and can be readily made available to share companies. They thereby increase the supply of money-capital, which exerts downward pressure on the interest rate. Insofar, the banks perform a valuable function for companies by making money-capital available and by contributing through the concentration of money-capital to lowering interest rates.

Marx emphasises in several places that the rate of interest “is regulated through supply and demand, that is, through competition” (CIII 355;KIII 368) and is “something ... lawless and arbitrary” (CIII 356;KIII 369), although “in each moment it is given as a fixed magnitude” (CIII 366;KIII 378). This “arbitrariness” in the interest rate is contrasted by Marx with the average rate of profit, which, according to Marx, is determined by the ratio of total surplus-value to total social capital: /119>

The general rate of profit is in fact determined 1. by the surplus-value which total capital produced 2. by the relation of this surplus-value to the value of total capital and 3. by competition, but only insofar as it is the movement through which the capitals invested in particular spheres of production seek to draw equal dividends out of this surplus-value, in relation to their relative size. (CIII 367;KIII 380)

Above (§31A) we have already discussed the tendency toward the equalisation of the rate of profit and the frictions to this tendency. The question here is whether the average profit-rate is determined through the ratio of the two quantities mentioned. One cannot conceptually determine a mass of surplus-value independently of the money-form (cf. App. §13). The profits of individual capitals are first realised in money, just as the surplus-value is, so that total surplus-value cannot be regarded as a quantity independent of the profits actually realised. Marx has surplus-value determined by the amount of form-indeterminate surplus-labour performed, independently of the money-form. Similarly, for Marx, the “value of total capital” has also a value-form-independent determination. If these value-form-independent quantities are criticised as a consequence of the critique of the premonetary Ricardian labour theory of value, then the ratio mentioned above cannot be formed independently of the money-form. Thus understood, Marx’s ratio reduces to a tautology: total surplus-value first comes about as a determinate magnitude when profits are realised. The capitals thus cannot “seek to draw dividends out of this surplus-value”, because it does not exist independently of the realisation. (cf. also

App. §35Ab)

### **§40 The Loan Period**

The *LOAN PERIOD* of money-capital is decisive for both borrower and lender. For the borrower, the capital must be loanable for as long as the expected turnover – unless extra ‘bridging’ loans can be arranged. The most important part of the capital for determining the loan period is the fixed capital, since a large amount must be advanced all at once, which may then take several years to turn over. The share company thus seeks loan funds over /120> periods corresponding to the expected turnover of the various component parts of its capital. On the other side, the lenders of money, insofar as they are share companies depositing accumulation funds at a bank, only do so for the period in which their capital is set free from the cycle of their capital. Most significant here is again fixed capital, which returns bit by bit and must be collected together before being advanced once again. The market for money-capital is thus segmented according to loan periods, this segmentation arising principally due to the peculiarities of the turnover of fixed capital. Another source of variation is the speculation in the fluctuation of interest rates. Capital loaned for a long fixed period cannot benefit from rises in interest rates. Conversely, long-term loan capital is protected from short-term falls in interest-rates. Different interest rates prevail for the various loan period lengths, since the supply and demand parameters for each period length in general differ from one another. Within each period however the rate will be uniform.

### **§41 Bankruptcy and the Risk Premium**

The conditions of competition between companies within a branch differ from branch to branch. In most branches, from time to time, a company ceases functioning because it is unable to valorize the capital it has been operating with. It goes *BANKRUPT*. In such a situation, not only the revenue-source owners’ revenue claims may be disappointed, but even the return of the money-capitalist’s loaned property itself may become questionable. In the competition money-capital can melt into

thin air. The money-capitalist (the bank) wants to take precautions against a loss of principal, and distinguishes between branches according to the assessed danger of the conditions of competition in each branch. Where a particular branch has a worse than normal record of bankruptcies, the money-capitalist will be reluctant to lend. This reluctance can however be overcome with the tantalisation of a higher than normal rate of interest. The *RISK PREMIUM* on loans thus brings another source of differentiation into interest rates, where some capital wants to avoid certain cut-throat or crisis-plagued branches of investment. The reduced supply of money-capital to these branches raises interest rates within them.

It is true that the rate of interest itself continually varies according to the classes of securities given by the borrowers and according to the duration of the loan; but for each of these classes it is in a given moment uniform. This difference thus does not impair the fixed and uniform shape of the interest rate. (CIII 365;KIII 378)

#### **§42 The Company's Employment of Loan Capital**

Money-capital is a perennial source of revenue. By virtue of the banking system any amount of money can be converted into interest-bearing capital. As long as it can be successfully valorized, money returns fattened with profit, and can be advanced once more to valorize again. The company is exposed to the contingency of the recognition of the labour performed in its labour process *as* social labour on the market. It cannot evade the uncertainties of the value-form recognition of social labour. There are, however, willed actions of the company which can impair the chances of valorization and against which the money-capitalist would like to be secured. He wants to ensure that, as far as possible, his capital valorizes and returns to him augmented with interest. The loan contract may therefore specify that the loan capital is to be applied to definite uses. The company is thereby contractually prevented from exposing the capital to certain specified dangers. (The money-capitalist may also attempt to secure himself by obtaining a charge over specified company assets.) The external compulsion of the conditions of competition can however serve the same purpose in



enforcing that the money-capital is effectively employed as capital. The company is an organ to generate profit of enterprise for its owners. The owners at least have the interest that their own share capital valorizes. If the company is to continue to gain additional loan capital for its operations, it must strive to valorize loan capital. The company as subject of competition would otherwise be extinguished. (For some individual entrepreneurs the company's extinction is a matter of indifference; the business world is replete with embezzlement /122> scandals. On this level of the analysis, however, we do not consider dirty play in the competition outside the rules of sealed contracts; cf. §73.) The money-capitalist can rest assured that, in normal circumstances, i.e. excluding swindle and the like, his loaned capital will not be misapplied.

### **§43 Interlocking Directorships and Finance Capital**

The share company looks to the banking system to arrange loans as well as to the 'public' (which, in any case, invests in shares by withdrawing from bank accounts). As suppliers of finance, the banks can exercise considerable influence over share companies, especially when the supply of money-capital is tight. The competition amongst the companies for bank funds can in certain conjunctures lead to a lack of capital for some companies. The companies can to an extent avoid recourse to the banks by giving each other *COMMERCIAL CREDIT*. The companies remain nevertheless dependent on the banking system (including finance companies) to a large extent for money-capital . Life insurance is a special area of the finance system which acts as collection points for personal savings and which will not be further considered here. The banks invest in companies not only by lending to them (in the form of debentures) but also by buying shares. Since the financial institutions are heavily involved in the share market, they also gain considerable influence in the companies themselves. The bank can set its own representatives on the boards of various companies, whereby a network of *INTERLOCKING DIRECTORSHIPS* arises. Groups of companies which operate in diverse branches may thus come to be controlled by relatively few large financial shareholders. The boards of

directors of banks profit from knowledge gained from their directorships in other companies. Moreover, given their financial leverage in the companies, the bank can buy shares under preferential conditions. In this way, the dependency of industrial and mercantile capital on the banks grows. The fusion of these different types of capital can be termed *FINANCE CAPITAL*. The bank becomes the guiding will in a group of companies, which may exercise such great economic influence that monopolistic prices can be demanded in some branches (cf. §33). /123>

a) Commercial credit is a theme already investigated in the circulation-analysis (App. §54). For a discussion of the various types of money the reader is referred to App. §§52-56 and §9Aa.

b) The domination of the banks over industrial and mercantile capital is a phenomenon whose examination is associated with Hilferding's *Das Finanzkapital*. His aim was to show a tendency at the beginning of this century toward ever greater concentration of capital resulting in the "narrowing (of ME) ∴ relations between banks and industry ... (in which ME) the disposal over capital invested in industry falls more and more to the banks." (Hilferding 1968 p. 308). The subtitle of Hilferding's book, "A Study of the Most Recent Development of Capitalism", already indicates the historicising approach. Hilferding aims at the "further development of economic theory" (ibid. p. 19) to extend Marx's economic theory of a purported period of "free competition" (ibid. p. 17) to a new phase of "processes of concentration" (ibid.). Hilferding conceives Marxism as a science which has the task of discovering the "developmental tendencies" (ibid. p. 18) in capitalism. This developmental "knowledge of the laws of commodity producing society" (ibid. p. 20) should serve "to lay bare causal connections" (ibid. p. 20). Marxists are thereby to become better informed about developmental trends than anyone else. There is nothing particularly praiseworthy about this attempt of Marxism to compete with social science on its own ground. There is a multitude of ways to contemplate the world and there is no end to turnings which history takes in the bourgeois epoch. Should better informed Marxists be able to better prepare the demise of this epoch? Those who have insider information on the developmental trends should be able to ride the wave and steer it in a more desirable, practically possible direction. Everyone knows that politics is the art of doing what is feasible. And the Social-Democrat Hilferding was no exception.

What about the concept of finance capital in question? In the present form-analysis, the concept of finance capital is not meant to designate a definite sub-epoch of capitalism, but rather to grasp one particular phenomenon which arises in the competition of capitals with one another. Finance capital is a particular form

/124> of concentration of capital, just as the share company is. Both are forms of organisation of capital, and forms of private property which have played a greater or lesser role throughout the capitalist epoch. Share companies were not unheard of even in the 18<sup>th</sup> century, and the banks always enjoyed special respect with companies. So what's new? Things run on a grander scale in the 20<sup>th</sup> century than in the 19<sup>th</sup>, and the super-capitalists speak with an American drawl rather than a British upper-class accent. The sorry state of British capitalism compared to American still occupies the full-time research efforts of many a British Marxist. *Insomma* it is false and misleading to periodise capitalism into a phase of "free competition" followed by a period of "monopoly capitalism" in which the free competition is ostensibly dissolved. The phenomena of so-called free competition exist alongside and are complemented by tendencies to concentration and monopoly in all phases of capitalist development. Concentration and monopoly are merely particular manifestations and stratagems of competitive struggle.

### **c) The Struggle over Privatised Nature between the Companies and the Landowners**

#### **§44 Ground-Rent as 'Extra-Profit'**

If the money market is characterised by a uniformity of price stemming from the uniformity of money as universal equivalent, then the relation between the company and landowners is characterised by variability arising in the first place from the nature-given variability of land. In the following paragraphs, the amount of rent paid will be investigated in connection with the competition between entrepreneurs (collective or single) and landowners owning plots of land with varying degrees of usefulness for the capitalist reproduction process. In the tendency towards the equalisation of the rate of profit investigated in §31A, the rent was already deducted from gross profit as a cost and thus did not enter into the equalisation process. Capital advanced tends to earn at the same rate of profit (= profit of enterprise + interest) regardless of the amount of rent, which must therefore be met out of another component of the money proceeds /125> of the company's operations. Insofar rent is like wages, a cost which is deducted before the rate of profit is formed. Rent already represents an excess of proceeds over the average profit, insofar as this latter is realised through

the movement of competition, or in other words, all rent is *EXTRA-PROFIT*, which however appears in the company's accounts as a cost. The entrepreneur cannot gain access to a plot of land without the payment of a ground-rent to its owner. The owner monopolises a piece of earth (or stretch of water) as private property. It is an exercise of his property rights to exclude anyone from use of it unless they pay a rent, no matter how small that may be (peppercorn rental). In this sense, the gross profit (before deduction of rent) earned by a capital advanced must always exceed the average profit. Land which is not capable of enabling a company operating on it to produce average profit and cover its ground-rent and the labourers' wage costs will not be drawn into production.

Marx develops the average rate of profit in Volume 3 of *Capital* before he treats ground-rent, with the consequence that all rent is conceived by him as being a form of extra-profit. (Part VI of Volume 3 bears the title 'Transformation of Surplus-Profit into Ground-Rent'.) This has the consequence that some land employed by capital does not pay rent at all because it produces no extra-profit, i.e. the land must already be exceptional in some way or be employed in exceptional circumstances (cf. the chapter 'Differential Rent also on the Most Badly Cultivated Land') in order to bear a ground-rent for its owner. This assertion however stands in opposition to the bourgeois nature of land as private property, whereby rent must be paid if land is to be used at all for a capitalist labour process. The reason for the different treatment of ground-rent offered here lies already in a changed systematic position for the thematization of ground-rent as value-form category in the analysis of the capitalist production process (cf. App. §§21f). Rent is thus from the beginning treated as a cost of production and thereby deducted from profit in forming concepts of valorization, rate of profit and production price. In the form-analysis nothing is said about the magnitude of rent, whose investigation is deferred to the present level of analysis. /126>

### **§45 Monopoly Rent and Absolute Rent**

The land available for many branches which is at all suitable for successful operations is limited in its extent. Fertility of land, its location and mineral deposits it contains are all unique characteristics of land which play a determining role in its suitability for use. Agricultural companies are restricted in their operations by the availability of land

which is fertile enough to throw off average profit after the deduction of rent. The nature-given mineral deposits contained in the land are decisive for the economic feasibility of a mining company's operations. Location is of prime consideration in many branches. Closeness to transport networks (railway lines, harbour, airport, etc.) can be an important factor in determining a company's effectivity. For commercial companies, especially retailing companies and banks, location in a suitable population-dense area is of vital importance. The relevance of the naturally given location of a plot of land alters continually with the changing geographical configuration of the total reproduction process. Land in a city, for example, can be more suitable for a company's operations simply because it is in the city, and not because of any naturally given characteristics of the land. The owners of land, by monopolising an essential condition for a company's operations, can demand and obtain rent. In some branches the amount of land which is at all suitable for operations under the ruling conditions in the branch is absolutely limited, which offers a lever to the owner to gain a high rent. The entry of capital into the branch is restricted by the availability of suitable land, with the result that the excess productivity of companies operating in the branch is merely used to pay higher rent than is paid in other branches. This rent is called *MONOPOLY RENT*, and is equal to the difference between the lowest ground-rent paid in the branch and the lowest ground-rent in all other branches. (All rent prices expressed, say, per square metre.) Branches which enable their owners to draw no monopoly rent are those in which the availability of land suitable for that branch is not limited by natural conditions of the land or by its location. Landowners drawing the lowest rent on their land receive /127> *ABSOLUTE RENT*, which is the rent falling to the monopoly of plots of land as private property as such. All landowners receive absolute rent when their land is utilised by some company or other, and they receive monopoly rent in addition to this if their plot of land is one of the limited number available for a specific industry. The level of monopoly rent is determined not only by the competition between companies seeking land for use in a specific branch of industry. Land with restricted availability can be suitable for employment in several branches, so that companies in

a number of branches compete for the available land. That branch which can valorize its capital on the land best of all will determine the monopoly ground-rent, for it is in the best position to pay a higher rent. The other possible employments of the land are then excluded by their inability to pay a higher monopoly rent which would leave an average profit over. When two branches can valorize well, then there is no reason lying in their ability to pay rent which would decide which branch gains use of the available land. Furthermore, the ability of a branch to pay monopoly rent is not given once and for all. A company must ride the troughs and swells of the seas of fortune. A rise in price of the produced commodity or a change in technology may make a branch competitive in the distribution of limited land, and so lead to land being converted from one mode of employment to another. Absolute rent is a 'product' of private property. The owner of land will not allow access to it unless s/he receives a rent for it. The entrepreneur must be able to organise a labour process on the block of land which is effective (productive) enough to valorize the capital advanced by an amount covering not only wages and average profit but also the absolute rent demanded by the landowner. The functioning capitalists seek a branch for their activities which produces at least average profit. Insofar as the tendency towards the equalisation of the profit-rate is realised, the entrepreneur must simply be able to cover the absolute rent and wages as well at producing average profit, which is divided into interest and profit of enterprise according to the ruling rate of interest. For a company, the average profit is split into interest on borrowed debenture capital, dividends /128> on owners' share capital and a portion which is held back for reinvestment. For some branches of investment the effectivity of the labour process depends crucially on the land employed. The obvious branches for which this is the case are the agricultural and mining industries, but for other branches location is also of prime importance. Land for these branches is in limited supply, with the result that suitable land allows an effectivity of the labour process significantly greater than unsuitable land. For the use of suitable land, the entrepreneur pays a rent higher than absolute rent, namely, an (additional) monopoly rent. The labour process, if undertaken on

unsuitable land costing only absolute rent, would have an effectivity allowing only a profit less than average profit to be made. The same labour process (with the same method of labour) undertaken on suitable land could produce average profit, even though a higher rent than absolute rent is paid. In the competition with the companies, the owners of land which is in limited supply for a given branch (or branches) are placed in an advantageous position and gain a rent higher than the minimum, absolute rent. The entrepreneurs are forced to pay, for otherwise they would not earn even average profit on unsuitable land. The monopoly rent is based on the *RESTRICTED ENTRY* of capital into the branch, which prevents the equalisation of the rate of profit *IN THE FOLLOWING SENSE*: The gross profit on suitable land (after deducting only absolute rent) is greater, pro rata, than the gross profit (again after deducting absolute rent) earned on unsuitable land. In the latter case, the gross profit is less than average profit, in the former, it is greater than average. The excess of gross profit over average profit is converted into monopoly rent for the landowner. The unsuitable land is not employed at all in the branch under consideration, because, even in paying absolute rent, it cannot throw off average profit for the type of labour process considered. If the market price of the commodity considered rises sufficiently, this can allow (industrial or commercial) companies to operate even on previously unsuitable land, pay absolute rent and earn average profit. The monopoly rent in this eventuality is transformed into differential rent, a category to be developed in the next paragraph. /129>

a) The concepts developed here do not correspond to Marx's terminology. Absolute rent is the same as Marx's concept only insofar as it arises through the sheer monopolisation of land as private property:

... capital comes up against an alien power which it can only partially overcome or not at all and which restricts its investment ... in particular spheres of production. ... As such an alien power and barrier, landed property confronts capital in its investments in land, or the landowner confronts the capitalist. (CIII 761f;KIII 770)

Marx, in his entire treatment of ground-rent, deals in particular with agricultural production, occasionally with mining, and leaves the theme of ground-rent for industrial capital proper out of consideration. He does claim, however, that ground-rent is a phenomenon not peculiar to agriculture:

Indeed, here it is not an appearance peculiar to agriculture and its products. Rather, the same holds on the basis of commodity production and its absolute form, capitalist production, for all other branches of production and products. (CIII 637;KIII 650)

If the category is general, then it is misleading of Marx to have treated agriculture in such detail to the neglect of other branches and especially to have attributed significance, following Adam Smith, to the determining role of land on which the chief crop is grown (cf. CIII 615;KIII 628). Marx, moreover, does not examine rent in relation to commercial and banking capital nor in relation to the circulation process in general. This is striking, since location is a prime factor affecting the turnover of capital, and hence its profits.

Here, a general determination of ground-rent, valid for all branches, including commercial and banking, is attempted. Our concept of profit already takes into account a deduction for rent, so that what Marx treats as extra-profit transformed into rent is for us already in the form of rent. Furthermore, we do not have a concept of magnitude of value independent of expressions in price (cf. RVfA; App. §8), so that consequently the production-price is simply a more concrete determinate form of the magnitude of value. Commercial companies retailing commodities realise their magnitude of value. Industrial companies wholesaling to commercial companies sell their commodities at less than their (fully socially validated) magnitude of value (cf. App. §50). This discount represents circulation costs which the industrial company saves in leaving labour of circulation to be undertaken by the commercial companies.

Marx treats absolute rent as arising from an excess of the selling price of a commodity over its production price, but less than its magnitude of value. As a corollary of the critique of the labour theory of value, the statements about divergences of price from magnitude of value, and in particular, of production price from magnitude of value, are incoherent. The concept of monopoly rent is here entirely different from Marx's concept with the same name. For Marx, monopoly rent results from a selling price above the production price and above the commodity's magnitude of value. Marx enters into a long discussion of the organic composition of capital in agricultural industry to show why only absolute and not monopoly rent is derived from landed property (cf. CIII 763ff; KIII 772ff). Once again, since a quantitative distinction between magnitude of value and price cannot be made, the Marxian concept of monopoly rent cannot be distinguished from the Marxian absolute rent. In the present analysis, absolute rent falls to all land employed by capital. In addition, a monopoly rent can be gained when the land suitable for a given branch is restricted.



b) A true haven for the rights of private property in land lies in the comparison of ground-rent between branches. Those branches with lower monopoly rent may have difficulty in obtaining land at all for their activities when placed in competition with branches with higher monopoly rent. The paradigmatic example is *living space* (flats, etc.). The provision of living space on land is often not as profitable as running a business on the same piece of land. The living-space market, due to the relative poverty of many would-be tenants, often throws off less monopoly rent and hence cannot compete well with other branches. The demand on the living-space market is certainly met by a corresponding supply at the given market price for rental accommodation. An uncomfortable drawback arises in the fact that, at the given price, the need of would-be tenants to have a reasonable roof over their heads is left unsatisfied (cf. §50A). As every landlord/lady knows, their flats are there to earn rent and not to satisfy the needs of their tenants. (Housing rent is not equivalent to ground-rent.)

#### **§46 Basic Rent and Differential Rents I and II**

*DIFFERENTIAL RENT*, as its name suggests, arises from differences in the effectivity of capitals operating in the *SAME* branch which are attributable to natural differences in the land itself. Each company in the branch as a whole may pay only absolute rent, or it may pay in addition monopoly rent. *WITHIN* the branch, however, there are also differences arising from differing fertilities, location or quality of mineral deposits. The first kind of differential rent, *DIFFERENTIAL RENT I*, springs from the natural advantage of one capital operating on a plot of land of a given area over another capital of the same size operating on another plot of land of the same area. The competition between the landowners and the companies ensures that the advantage in effectivity due to the particular plot of land falls to the landowner, so that both companies, although operating with different levels of effectivity of their labour processes, only make average profit. The rent falling to the owner of a more productive piece of land may therefore be composed of absolute, monopoly and differential rent. Before the treatment of differential rent II, we need to consider the intensity at which land is exploited by capitals for land of the lowest quality in the branch. If more capital can be advanced on the same plot of land, employing more labourers and

thus intensifying the labour process, and if the rate of profit can be thereby increased, then capital will flow to the branch and intensify the use of land until a further intensification of the labour process at the margin would not pay off, i.e. until an extra investment would earn less than average profit. With additional investments on land of the poorest quality in the branch, the profit-rate may rise above the level of the average profit-rate. This additional profit will eventually be converted into additional monopoly rent for the landowner. The *BASIC RENT* in the branch /132> (= absolute + monopoly rent) thus rises, and land of the worst quality in the branch is exploited to its maximal extent. All companies operating on this land must henceforth employ the optimal amount of capital to achieve even average profit, so that a certain intensity of investment is enforced through the competition. The same argument holds for land of better quality in the branch: land of the same quality will attract additional investments until the marginal return lies below the average profit-rate. The ground-rent will rise to soak up the excess profit, leaving eventually only average profit for the company. Also on land of better quality, a certain optimal investment will be enforced through the competition. How is this ground-rent to be classified? The excess of rent over the basic-rent in the branch is a form of differential rent, but not necessarily rent I. As we saw, differential rent I relates to a comparison between *EQUAL* pro rata investments on land of differing quality. The optimal pro rata investments on land of differing quality however generally differ. Better land can be exploited more intensively (carry a greater capital employing more labourers – differences in productivity of technology are here left out of consideration) and earn a rate of profit greater than the rate of profit earned on basic land. This excess in profit falls to the landowner as *DIFFERENTIAL RENT II*, so equalising the rate of profit produced on this land to the branch average. Differential rent II is maximised when a capital exploits it to a maximal extent, i.e. until an additional investment would produce less than average profit. The intensive exploitation of land which occurs in the centre of large cities is a striking example of differential rent II. The advantageousness of the land lies in its prime location, and this location must be exploited to the full, even to earn

average profit, for the ground-rent is so enormous. For example, a giant skyscraper for a department store has to be built on a block in a great metropolis to earn average profit, whereas a one storey building in the centre of a small town would suffice for the same kind of operation to earn average profit. This compulsion of competition comes to be felt above all when land in a city centre is sold, by some termed redevelopment. /133> The landowner is interested in getting the highest price possible (which is simply capitalised ground-rent). The company which can employ the land most profitably is in the position to make the highest bid for the land. This most profitable employment usually means erecting a giant building on the site. The small dilapidated buildings left standing in city centres only stand because i) there are time lags in landowners' strivings to capitalise their property or ii) cyclical swings in the building industry slow down redevelopment or iii) the block of land, due to some unfavourable attribute (size, location, etc.) cannot be better exploited, or iv) the state (as local council) intervenes against the interests of private property (§84) under pressure of citizens (§103).

The treatment of differential rents I and II given here is in spirit the same as that given by Marx in Chapters 38 to 44 of *Capital* Volume 3. Here the detailed analysis of sub-cases is not undertaken. A difference arises insofar as we already have concepts of absolute and monopoly rent which are determined by the situation of the branch as a whole. Marx's discussion of differential rent II on the worst land in a branch turns out in this light to be misled, since what he calls differential rent is in fact monopoly rent (in the sense developed in §45). Marx considers on CIII 738f;KIII 747f the case of a rise in the price of a commodity (grain, in his example) which leads to more grain being produced on quality land that was already under cultivation. This last, marginal investment on the better quality land produces only average profit. Additional investment on land of the lowest quality in the branch, or on previously unused land could not produce even average profit. Capital employed on the worst land in the branch, A, thenceforth, according to Marx, produces a differential rent II in comparison to the last investment on the better land, B, which only achieves average profit. The total investment on B, however, produces differential rent II in comparison to A. According to the concepts developed in §§45f, the above-average profit on A is a case of monopoly rent, which is earned by the branch as a whole because suitable land for producing the commodity in question (or performing a commercial /134> or banking labour process) is in limited supply. This monopoly rent, by virtue of the competition between the landowners

and the companies or, rather, amongst the companies vying to get a suitable block of land, falls to the landowner. Marx resorts to differential rent II, which in fact does not explain the situation, because a concept of monopoly rent (in our sense) is not developed by him. It is not the difference between land of quality A and B which accounts for the rent on A. Rather, it is the scarcity of land of quality A or better which limits the investment of capital in the branch as a whole. With a rise in price, extra capital may be invested in the branch to produce average profit on already employed land. That this capital falls on land of quality B rather than A is due to the higher marginal productivity of B over A. Differential rent II implies that the land to which it falls is in the broad sense more productive than other land. This is what Marx implies in his example, where A draws differential rent II; namely, that A is better than the marginal productivity of B. In fact, however, it is B which has a higher marginal productivity than A. It does not matter where the extra capital in the branch becomes active. If it falls on A, then A produces (additional) monopoly rent equally as well as if it falls on B. Land worse than A still cannot produce average profit (after deduction of absolute rent). Even if, at the higher price of the commodity, no additional investment can be undertaken in the branch which would earn average profit, either on already employed land or on new blocks, the branch as a whole will earn an additional profit, which is eventually converted into monopoly rent.

#### **§47 Fixed Capital Investments on the Land: Advantage to the Landowner**

In the preceding paragraph it has been shown that there is a necessity enforced by competition for land to be used to the maximal extent of its profit-generating capacity. This exploitation of land, especially if it is of good quality for use in one branch or another, will involve an investment in fixed capital, which is the root of another conflict between the landowner and the lessee company. The conflict arises because of the long turnover period of fixed capital, with the result that the lease on land /135> may have to be renewed before the fixed capital, which is assumed here to be also fixed in the sense of incorporated in the land (such as buildings, improvements to the soil, shafts in a mine, weirs on a river, etc.), has been turned over. The investments existing on the land fall in this case to the landowner together with the land, which must be given back into his possession at the end of the lease. The fixtures to the land are then the basis on which a higher rental can be obtained in the

next lease. Strictly speaking, the rental would be augmented by an *INTEREST* and *REPAYMENT* (insofar as the fixed capital has not yet fully turned over; cf. below) component, and not be rent arising from the land in itself. In leasing the land, the owner would also be leasing its improvements, which have been brought about through the investment of money-capital. It is thus as if the landowner were also partially a money-capitalist. The injustice which crops up here is that an investment of capital undertaken by another, passes into the ownership of the landowner without a due exchange of equivalents. The entrepreneur would find it difficult to borrow money-capital at all for fixed capital investment on the land if the danger existed that its undepreciated part would be appropriated at the end of the lease by the landowner. With some fixed capital investments in land, such as the cultivation or the clearing and turning into pasture of virgin land, the improvements are of such a nature that, even when the fixed capital has been turned over and the loan paid back, the improvements remain. So long as the land is further utilised, e.g. for the growing of crops or for grazing, the investment does not have to be repeated. The improvements to the land in this case become a permanent feature of the land which henceforth have the same quality as a natural advantage that is the basis of a differential rent. At the end of the lease, these permanent improvements, being incorporated in the land, fall to the landowner's ownership, and an additional differential rent can be had for them. Although the company which undertook the improvements has recovered the fixed capital invested, it must pay an additional rent in the next period or allow the land to be leased to another company. The landowner can also *CAPITALISE THE IMPROVEMENTS* made to the land by the lessee by selling the land. In all these cases, the landowner profits from an investment of fixed capital which has cost him nothing.

Marx discusses the anomalies of landed property with respect to fixed capital investment thus:

Even the more permanent fixed capitals which are incorporated in the earth and are used up over a longer time are for a great part, in certain spheres often exclusively, made by the lessee. As soon as the contractually set lease period has run out – and this is one of the grounds for the landowner seeking to shorten

the lease period as much as possible as capitalist production develops – the improvements incorporated in the land fall to the possessor of the land as an inseparable characteristic of the substance, of the land. In the new lease contract which he concludes, the landowner adds the interest for the capital incorporated in the earth to the ground-rent proper, whether he now rents the land to the lessee who made the improvements, or to another lessee. His rent thus swells; or, if he wants to sell the land ... its value has now risen. He sells not only the land but the improved land, the capital incorporated in the earth, which has cost him nothing. ... They thus stick the result of social development brought about without their help into their private pockets – *fruges consumere nati*. This is at the same time one of the greatest hindrances to a rational agriculture in that the lessee avoids all improvements and investments whose complete return cannot be expected during the lease period; ... (CIII 619f;KIII 633)

Marx here mentions only the interest which augments the rent, and not the repayment of fixed capital, which also flows to the landowner, insofar as the latter has appropriated a fixed capital which has not yet completely turned over. Fixed capital investments which become permanent features of the land and thus come to have the same significance for the rent-bearing potential of the land as natural differences receive mention by Marx in various passages:

With more permanent land improvements, the artificially increased fertility of the land coincides, after the expiry /137> of the lease contract, with its natural fertility and thus the assessment of the rent coincides with that of kinds of land with different fertility in general. (CIII 675;KIII 687 Cf. also CIII 745f;KIII 754f, where Engels has inserted a note from a notebook “begun in mid-February 1876”: ‘Differential Rent and Rent as Mere Interest on Capital Incorporated in the Land’.)

#### **§48 Fixed Capital Investments on the Land: Advantage to the Company**

If fixed capital investments in land can represent an advantage for the landowner, they can, under certain circumstances, also give an advantage to the leasing company. A company may lease land for a lengthy period at a rental corresponding to its state when leased. If the land is of high quality, it may be able to carry a very large investment of capital and thus produce profit far in excess of what the landowner foresaw when the lease was signed. The company keeps details of its plans for the block of land under its hat. The intensive use of the land

produces a differential rent II in comparison with other land in the same branch, but, since the amount of rent has been set for the duration of the lease, the extra-profit earned by the company accrues to it instead of being passed on to the landowner as rent. The company can earn more than average profit for the duration of the lease. At the end of the lease, however, the fun comes to an abrupt end, and the landowner demands a juicy increase in the rental. In order to avoid a swindle (§47) or to clean up an additional profit for a time, the lessee company has an interest in gaining a lease for as long a period as possible, whereas the landowner's interest lies in short leases. Where the line is drawn is an outcome of the competitive struggle between these two classes.

Marx considers the conflict of interest concerning successive investments of capital on the same piece of land under differential rent II:

The surplus profits and different rates of surplus-profit for different value portions of capital are formed in the same way in both cases (successive investments on different /138> blocks of land of varying quality and successive investments on the same block of land with varying returns; cf. CIII 674f;KIII 686f ME). And the rent is nothing other than a form of this surplus-profit, which forms its substance. In any case however, there are difficulties in the second method for the transformation of the surplus-profit into rent, for this change of form which includes the transfer of the surplus-profits from the capitalist lessee to the owner of the land. ... For the rent is fixed when the lands are leased, whereafter the surplus-profits arising from successive investments of capital flow into the lessee's pocket as long as the lease contract lasts. Hence the struggle of the tenants for long lease contracts and conversely the increase of annually terminable contracts (tenancies at will) through the superior power of the landlords. (CIII 675;KIII 687)

Although Marx discusses this problem with special reference to agriculture and in particular to the long struggle in England between tenant farmers and landlords, the argument is applicable generally to the relations between lessee companies and landowners. Natural differences in the land can be accentuated through the intensive investment of capital on superior blocks of land. These investments are a source of extra-profit (gross profit, before rent is paid) regardless of to whom it falls. The private ownership of land affects in a fundamental way whether and how improvements are made to the land. Both landowner and company want to reap the nature-given benefits of pieces of land as income if they possibly can. The use of

nature for production is caught up in the haggling and opposed strategies of the landowner and the company. Often Nature comes off second best.

### **§49 Resolution of the Strife over Fixed Capital Investments**

The conflict between functioning capital and landed property over fixed capital investment on the land can have various attempted resolutions within the forms of private property: i) the company may undertake only those improvements which can be fully recouped within the duration of the lease. This however could be an impediment to the company's competitive position; ii) the lease /139> can specify that certain improvements made by the company are to be paid for by the landowner by way of deduction from rent payable. Whether this condition favouring the company can be won depends on the relative economic strengths of the two classes; iii) the landowner can become an entrepreneur to the extent that he undertakes certain fixed capital investments on the land himself and thus leases the land together with invested capital to a company. This is already a concession by the landowner, who thereby renounces the possibility of slyly pocketing another's fixed capital investment. The landowner would then double categorially into entrepreneur and landowner. The improvements could in fact be made by a third company on contract and sold to the landowner. The result would be the same. The company leasing the land would be spared the task of making fixed capital improvements itself, but would nevertheless be valorizing a fixed capital invested in the land by the landowner and thus be paying interest and repaying a notional loan. A possible drawback for the landowner in investing fixed capital in the land himself is that the use of the land would be thus restricted, and consequently the search for a lessee could in certain circumstances become difficult. The landowner would become more dependent on the particular company for whom the fixed capital investment was tailored. The more specific its use, the more restricted becomes the market of potential lessees; iv) the final resolution of the conflict between the property-owner and functioning capitalist is their unification in a single figure . The company buys the land, and is thereby enabled to make whatever fixed capital improvements it wants without the danger that a



landowner will reap ill-gotten gain from it. This resolution of the problem is only bought at the cost of an additional investment of capital to buy land. It is therefore restricted to companies large enough to either finance the purchase out of retained earnings or with enough financial clout to obtain additional loan capital. The company's purchase of land of course restricts its freedom of movement in the competition. It is then tied to the branch not only by fixed capital but also by the land, which it would have to sell to change location or shift to another branch of activity requiring such a change of location. /140>

### **§50 Land Speculation**

A further (cf. preceding paragraph iv) ground for companies' buying their own land on which to operate stems from the changes in (differential) rent caused by the changing geographical configuration of the reproduction process. The subsumption of previously unused or little used land under functioning capital alters its significance for the total reproduction process and converts it into rent-bearing land. This is especially striking with the location of land. Land whose location was previously of no importance with regard to transportation, commercial activity, etc. can gain significance simply through the fact that large amounts of capital are invested in the area. Previously unused land which did not even bear absolute rent (§45), can now bear monopoly and even differential rent. The price of the land, which is formed through a capitalisation of its rent-bearing capacity, can thereby increase dramatically. Such dramatic changes are a fertile ground for *LAND SPECULATION*, which consists in the gentle art of predicting and encouraging where economic development is to next occur. Those who first get wind of a development can buy up land which is shortly to increase rapidly in price. For the large companies which lead the investment in a new area, there is no desire to be forced to pay higher rent generated by their own activity. They are thus obliged through self-interest to buy land (at relatively low prices) in newly subsumed areas. Smaller speculators who get a hot tip about expansions into new areas

can make a good catch in the wake of the large companies activities. They rub their hands and celebrate their small killings.

A particular category of land whose rent is affected by the activity of big capitals is *residential* land. Residential land is not used by a company but by private individuals. The company which buys the land and develops it, say, by building a house on it, nevertheless capitalises the land's rent when it sells the completed residence to a private individual. The house is an industrial commodity, the product of the building industry; the land pure and simple is encompassed by the economic category of ground-rent. The magnitude of this ground-rent is of course not determined by the size of the profit thrown off by this land by a /141> company operating on it. The ground-rent is rather determined by the supply and demand on the market. The demand can come from both companies and private individuals (the intervention of the state, however, can sever these markets by zoning land), so that the rent paid by private individuals, whether in regular instalments or capitalised as land price, bears an indirect relation to the use of the land by capital, i.e. the individuals must pay enough rent to keep functioning capital from operating on the land. Apart from this aspect, the demand pressure of the population for housing (including its ability to pay!) plays a determining role in fixing the level of ground-rent (and thus land price) (cf. §45Ab).

### **§51 Destruction of Nature**

Private landed property determines the relation of bourgeois humanity to nature. Under capitalism, the earth's crust has become increasingly parcelled up into pieces of private property that are subsumed under capitalist relations via the category of ground-rent. The employment of land under private property relations has ramifications extending far beyond the effect on the land immediately employed in capitalist industry. The latter affects all aspects of the biosphere and even the atmosphere. Rivers and forests in areas never directly touched by capitalist industry are nevertheless affected, mostly adversely, by the pollutants of industry. (Industry in the 'real' socialist countries is here left to one side; it is in any case not the predominant form of industry in the world today and it is at a severe disadvantage in the politically mediated economic competition with capitalism.) As we have seen, under the category of ground-rent, land becomes the object of competitive struggle between and amongst landowners and companies.

Each subject of competition pursues his/her own economic aim of maximising income with the elements of nature at his/her disposal as property or factor of a labour process. The competition within the branch enforces a maximal exploitation of the land with the biggest possible average-profit-generating capital (differential rent II). Improvements to the land are dictated by self-interest and will not be carried out unless the anomalies of fixed capital investment can be resolved (cf. §§47f). Private ownership excludes improvements to the land which by their nature have to be made on a broad geographical scale. Irrigation, for example, requires massive investments on a large area of land which cannot be undertaken by private property-owners. (A superior subject, the state, usually undertakes large works such as irrigation, and hires them to private property-owners.) The struggle of competition results in an unbridled exploitation of nature. The landowners, of course, have an interest in preserving the rent-bearing capacity of their land. In *AGRICULTURE* some restriction of the plunder of the soil, in the sense of preserving its profit-generating potential, can be achieved by conditions of the lease contract, which delimit the company's right of use. The limitations are, however, difficult to specify, especially since the company has possession and de facto free disposal of the land. There is endless room for dispute over the rights of use specified in a lease contract. Moreover, the preservation of the profit-generating capacity of the soil is by no means identical with the preservation of nature as highly complex ecosystem. Destruction of the ecosystem can occur on a scale in time and space which only gradually shows effects on the rent-bearing capacity of land. Total devastation of nature in certain regions and branches can correspond to optimisation of economic interests. *MINING* is characterised by a gradual exhaustion of the minerals contained in the land to a point where the quality of the remaining deposits makes it unprofitable to continue. Once this stage is reached, the land is simply left as a barren wasteland unfit for any other use. (That is, unless a society-minded state forces the mining company to clean up when it is finished; cf. §93) The owner of mining lands cannot preserve the rent-bearing capacity of his land indefinitely, but he can attempt to obtain a high monopoly rent for his property for the time during which it is

exploited by functioning capital. The finite nature of mining, both in time and geographical place, makes the category of *MONOPOLY* rent of prime importance for property in mining land. Entry of capital to the mining industry is absolutely limited by what can be found in nature. Exploration for minerals is a search for monopoly /143> rent. The rape of the earth's resources is undertaken by the interests of private property, modified by the hindrance or encouragement of the state (cf. §84). The *LOCATION* of land cannot be harmed by the use of a company (except in very exceptional circumstances). The land is simply there, and if its location is favourable, it will draw rent, no matter what the company does to its natural properties. In fact, the maximum exploitation of its profit-generating (and thus rent-bearing) potential can be identical with the total destruction of its natural ecosystem. Large cities, whose development is driven forward by the differential rent II springing from location, create an almost entirely human-made environment.

a) Marx on the protection of private property interests:

These investments, ... when carried out more or less rationally, that is, do not reduce to the brutal exhaustion of the soil ... – against which the gentlemen landowners contractually secure themselves – improve the soil. (CIII 619;KIII 632)

In mining and construction, the securing of interests assumes an entirely different appearance, namely, that of “brutal exhaustion” of the land.

b) In recent times, the destruction of nature in bourgeois society and its drastic consequences for humanity have come to the fore in political debate. This destruction of nature is the obverse side of the enormous advance of the capitalist epoch over pre-bourgeois societies, which has led to enormous increases in the productivity in agriculture, dramatic extension of life expectancy, improvement of urban environments, etc. These comparisons serve the ideology of the progress of humanity through science and are employed as arguments for the existing scheme of things. We've never had it better! Nevertheless, humanity threatens to perish in its own excrement: pollution by the chemical industry, in all its shapes and forms, of foodstuffs, for example, has already reached alarming levels in the U.S. and Europe (cf. Katalyse-Umweltgruppe Köln e.V. *Chemie im Lebensmittel* Frankfurt 1982). In some countries it is claimed that the issue of ecological destruction is the decisive issue facing humanity as a question of survival (cf. e.g. Bahro). The political scare /144> tactics have been singularly unsuccessful in demonstrating a clear connection

between capitalism and ecological destruction. For those who pose the devastation of nature as a necessity of capitalism which calls for the overcoming of capitalist relations, the slogan has been formulated “rewrite capital ecologically!” (Bahro). Curious, then that in all this discussion, the reconstruction of the capital-analysis and especially the significance of the category of capitalist ground-rent does not get even a bare mention. Hints by Marx on the irrational relationship of humans to nature in capitalism are to be found in Volume 3:

Quite conservative agricultural chemists ... concede that a really rational agriculture finds everywhere insurmountable barriers in private property... (CIII 617;KIII 630)

The continuation contains a discussion of Comte’s defence of private landed property. Cf. also the passage from CIII 620; KIII 633 quoted in §47A. There is furthermore a passage which could very well serve as a motto for socialist ecologists:

From the standpoint of a higher economic formation of society, private property of individuals in the globe will appear just as absurd as private property of one human in another. Even a whole society, a nation, even all societies taken together are not the owners of the earth. They are only its possessors, its usufructaries, and they, like *boni patres familias*, have to hand it down to the following generations in an improved condition. (CIII 776;KIII 784)

The political solutions offered to problems of ecological destruction by Greens are almost entirely self-deluding on the point of private property. They make a demand on the state that it do something to prevent ecological destruction, or they attempt, within the bounds of private property, to convert the use of land to ecologically sane uses. The commodities produced are then subjected to the competition on the market, like every other, and the producers have to cover their monetary costs, like every other producer. These piecemeal, apolitical solutions of alternative communes are those of slightly alternative capitalist co-operatives. The global aspects of ecological destruction remain untouched. Due to the poisoning of ground water, etc., /145> crops grown with purely biodynamic methods, for example, are just as poisonous as the normal commodity produced with chemical fertilisers. When the ecological movement becomes political, it directs its demands against a state which guarantees the rights of property. The ecological demands, if successful against some interests of private property, and if they can be reconciled with the economic compulsions of a competitive economy, may be acceded to by the state. It is not only landowners and companies which stand opposed to ecological demands. Labourers who have the prospect of gaining or maintaining jobs, and banks which reap interest from investments, also have an interest in destroying the environment. If the ecologists win one battle to restrain the interests of private property, they have a

powerful, ecologically-minded state to thank. The pragmatically minded ecological movement thus swims between the devil and the deep blue sea.

## **§52 The Landowner's Freedom with a Piece of Nature**

The landowner, insofar as he can secure conditions of contract which prevent his land from being impaired, owns a perennial source of revenue. With the exception of mining, the rent-bearing capacity of land maintains itself over long periods of time if the land is not abused by the company using it. If, however, the market conditions are particularly bad, or if the landowner is particularly greedy for short-term gain, he can sacrifice the long-term rent-bearing capacity of his land. Although this can mean a destruction of nature, this stands within the unrestricted rights of private property; the land is at the landowner's disposal and he may let it be destroyed for the sake of gain or if market conditions are unfavourable (cf. §93).

## **d) The Struggle between the Companies and the Labourers**

### **§53 Company Hierarchy and Managers**

In contrast to the other two revenue-source relations, the wage-labour relation requires that the labourer property-owner him/herself enter the company's labour process after the wage /146> contract has been concluded (cf. §56). The shareholder owners of the company or their appointed representatives (the company executive) have gained the right to exercise the labourers' labour-power. The company's labour process is (at least formally) directed ultimately by the collective of the shareholders mediated through the executive (which may coincide with the shareholders; cf. §38). A practical way has to be devised of making the shareholders' will effective throughout the labour process. There must be a chain of command emanating from the shareholders and reaching out into all areas of the company's operations. This structure, through which the company owners' collective will becomes effective over all the company's labourers is the company's *HIERARCHY*.

Starting with the shareholders at the summit, the hierarchical structure fans out through higher placed labourers to the lowest placed labourers, who perform tasks directly with means of labour and an object of labour. The company's collective labourer has thereby become hierarchically differentiated, and the labourers have different functions according to their place in the hierarchy. The shareholders or their appointed executive have an overall view of the company's operations as well as its position in the market-place vis-à-vis other companies. Those labourers placed near the top of the hierarchy are the *MANAGERS* who similarly have to have a general view of the company's operations and have the task of communicating the state of play of the various sections of the company to the executive as well as passing entrepreneurial decisions further down the hierarchy. The concept of wage-labour becomes more concrete with the development of the hierarchy within the company. In the analysis of the capitalist production and circulation process, where the labour of production and circulation of commodities was investigated as the labour of a collective labourer, the concept of a hierarchical structure was absent. Insofar, the characteristic labour performed by managers, of directing the labour process at the behest of the company's executive and shareholders is an additional determination of the concept of wage-labour. There are now differentiations in the wage-labour performed arising from the degree to which the labourer acts as a functionary of the functioning capitalists' will. Top level managers, although categorially falling under the wage-labour relation, are subjects allotted the task of running the capitalist labour process in the name of the functioning capitalists. Labourers placed lower in the hierarchy are responsible for a more restricted area and have less labourers under their command. The accountability of each labourer in the hierarchy to the next higher is the way in which ultimately the collective entrepreneur ensures that its decisions are actually executed. Each labourer has more or less leeway to carry out company policy. The company executive may rely to an extent on the initiatives of the labourers, or it may seek to command their activities down to the last detail. Depending on their place in the hierarchy, the labourers negotiate a wage not only on the basis of the direct productivity of their labour but

on the basis of the degree of responsibility carried for the operations of the company under their direction. Managerial labour, the labour of maintaining the capitalists' will via the company's hierarchy, is one of the *faux frais* of capitalist production. The class of labourers, first derived in the analysis of capitalist production (cf. App. §11), and individualised at the beginning of the competition-analysis, becomes further differentiated (concretised) according to the positions assumed in the company's hierarchy. Those labourers near to the summit of executive power must have the shareholders' confidence, and through their knowledge of happenings in the company can influence their decisions. The executives of a share company are the direct functionaries of the capitalists (the shareholders). The functions of capital as the domination of dead labour over living labour become dispersed over the entire hierarchy, starting from the shareholders, who ultimately own and control the company, through the board of directors and the top executives, who are responsible for formation of company policy and day to day company operations, down the hierarchy to the various managers, forepersons and other labourers. The chain of command, and thus the distinction between commander and commanded, is *FORMALLY* determined by the shareholders' property rights and the structure of the company's hierarchy. The *ACTUAL* operations of the company however reveal /148> conflicts of interests within the hierarchy. In particular, the managers, executives and board of directors may resist the decisions formally arrived at in the shareholders' meeting. Since managers and executives have immediate control of the company's labour process, they are in a position to sabotage directions from above, or to exert pressure on the board and/or shareholders to follow an alternative course of action. These conflicts may lead to managers' and/or executives' being replaced. The growth in size of capital under the impetus and necessity of accumulation and concentration for survival in the competition, leads to a qualitative change in the economic subject which is the bearer of this movement. The single entrepreneur has been replaced (§38) on the one hand by a shareholders' meeting, board of directors and executives, and on the other by an ownership title vested in several or many shareholders who,



at the same time, have invested money-capital in the company. The operations of larger companies are complex. For organisational convenience it is subdivided into divisions, each with its own managers and organisational structure. The hierarchy is held together at the top, but its vastness and complexity lead to major problems in decision-making, and to massive economic power being vested in a few hands.

a) How are the managers to be considered in relation to the category of class? We recall the basic class difference between the capitalist and working class introduced with the capital – wage-labour relation: The labourer is employed by the capitalist, the subject of the labour process, quasi as an object under his control in the labour process (App. §§11, 13). In the figure of the manager these distinct determinations become mixed. On the one hand, the manager is an executor of the (collective or single) entrepreneurial will, and thus *commands* labourers in the name of the functioning capitalist. On the other hand, the manager him/herself is subordinated to higher echelons of the hierarchy and ultimately to the company owners and their elected representatives. In this respect, the manager is *commanded*, like any other labourer. In combining determinations of both capitalist and labourer, the manager embodies the contradiction between capital and labour (cf. App. §13) in a particularly acute form. The managers are employed under a wage contract, like any other labourer. They enjoy however privileges and themselves exercise power over other labourers, their subordinates. In conflicts between the labourers and the (collective) entrepreneur, the managers may side with either side according to their assessment of their own interests. If they side with the interests of capital, the managers have to bear the brunt of forcing through unpopular decisions of the owners and the executive. This contributes to what is known as middle-manager stress. If they side with the lower echelon labourers, the managers risk being fired for insubordination. As the agents of capital in the normal company operations, the managers cannot count on solidarity from their subordinates, who treat managers with a healthy degree of suspicion. For this reason it is unlikely that middle managers will take the side of the labourers in a dispute. They may however (in managerial professional associations to keep a distance from connotations of trade unionism) act collectively to assert their interests against higher echelons of the hierarchy. The hierarchical structure of the company's organisation graduates the antagonism between wage-labour and capital and thus makes the drawing of class lines more difficult.

b) Marx's remarks on managers are scanty, being contained mostly in Part V of the third volume of *Capital*. The discussion is in the context of "the idea of profit of enterprise as wages of supervision of labour" (CIII 383;KIII 396) which in "the capitalist mode of conception" (*kapitalistische Vorstellungsweise* *ibid.*) serves as

“grounds for the source and (subjective) grounds of justification of profit itself” (ibid.). The labour of supervising the capitalist labour process can be transferred to managers, who receive a remuneration or salary (*Gehalt* KIII 397) which “assumes the form of wages for skilled labour” (CIII 386;KIII 400). The ambiguous determination of the manager as partly labourer and partly (executive of the) capitalist shows up in the determination of the manager’s remuneration/salary. Marx writes:

The conception of profit of enterprise as wages of supervision of labour ... is strengthened by the fact that indeed a part of the profit can be separated as wages and really separates itself, or rather *conversely*, that a part of the /150> wages ... appears as an integral component of profit. This part ... presents itself in pure form, *independent and wholly separated* on the one hand from profit (as sum of interest and profit enterprise), on the other hand, from that part of profit which remains after the deduction of interest as so-called profit of enterprise, in the manager’s salary... (CIII 383;KIII 396f my emphases)

Marx first formulates manager’s remuneration as part of profit appearing as wages, and then improves the formulation to a part of wages appearing as profit. The first formulation presents the manager as quasi-capitalist, the second as labourer. The weight lies in favour of the manager’s determination as a *labourer*, subordinate to the will of the collective capitalist. (It is to be noted that the labour theory of value is of no help in deciding the class determination of the manager. The orthodox treatment of this question attempts to determine class membership on the basis of whether the manager is paid out of surplus-value or not. By contrast, here use is made of the more concrete, surface categories of subjectivity, will and hierarchy.)

The wages paid to managers is conflated with profit of enterprise by virtue of the form of appearance in which the latter, as the complementary part of profit (= interest + profit of enterprise), appears as wages of enterprise (*Unternehmerlohn*).

Compared to the money-capitalist, the industrial capitalist is a labourer, but a labourer as capitalist, i.e. as exploiter of alien labour. The wages which he claims and receives for this labour is precisely equal to (?) the appropriated quantum of alien labour and depends directly on ... the degree of exploitation of this labour ... not however on the degree of exertion which this exploitation costs him and which he can pass on to a manager for a moderate payment. (CIII 387; KIII 400f)

The essence of the entrepreneur’s economic role is his command of the labour process, and this is not altered by the fact that he can employ skilled labourers (managers) to supervise his labour process. Profit of enterprise springs from control of the labour process and not from the actual activity undertaken by the /151>

entrepreneur in his firm. The difference between the categories of profit of enterprise and wages of management is starkly highlighted by the fact that, whereas the entrepreneur can delegate his activities to a manager, whilst retaining control of the firm, when the manager ceases to be active in the firm s/he becomes unemployed and draws no wages at all.

Capitalist production itself has brought matters so far that the labour of supervision, quite separated from property in capital, walks around on the street. (CIII 386;KIII 400)

Marx's treatment of managers, far from showing the constitution of a new class, shows that by virtue of the wage relation under which managers are utilised by capital, they are to be regarded on the one hand as part of the working class, albeit a better paid part with distinctive functions in the labour process to supervise the exploitation of labour<sup>2</sup> and on the other as the extended arm of the capitalist class in the production process, as the functioning capitalists' agents. The entire functions of control of the labour process could be taken over by managers, were it not for the (collective) entrepreneur's property rights in the firm. Here, property and collective labour threaten to fall apart from one another, and the entrepreneur (shareholder, board of directors) appears as superfluous to the labour process:

Inssofar as ... the mere manager, who in no way possesses a title to the capital, neither by way of loan nor otherwise, discharges all real functions which fall to the functioning capitalist as such, there remains only the functionary and the capitalist disappears as superfluous person from the production process. (CIII 388;KIII 401)

c) *Horst Arndt and Gerd Famulla* have published a thorough study 'Die Leitung des kapitalistischen Produktionsprozesses' (in *Mehrwert* No. 9, June 1975). In my view they have not treated the property status of the entrepreneur correctly in that he is regarded as without property. With respect to the limited liability company (*Aktiengesellschaft*) the authors speak of a "breaking away of the direction from the contingent person of the property-owner", of a "delegation of direction functions to propertyless persons" (Arndt & Famulla 1975 p. 106) (The argument does not here depend on the /152> specific form of property in the enterprise as a limited liability company.) That only the money-capitalist is regarded as a property-owner is made clear by the following quotation:

The original owner of capital as functionary of the capital-relation disappears from the production process and delegates the direction to the functioning capitalist. (ibid.)

This misrepresents the role of the functioning capitalist (entrepreneur), who is not delegated control of the labour process by another but himself delegates supervisory

functions to managers. The entrepreneur borrows money from the money-capitalist to finance his firm's operations, but the property title in the firm remains with the entrepreneur. Even on the level of the share company, where money-capitalist and entrepreneur again coalesce in the figure of the shareholders, functions of direction are not entirely delegated to managers, and certainly not to a "functioning capitalist". The latter category applies only with qualification to the functionaries in the share company (cf. §§37f, 53, 53Aa). A valuable aspect of the authors' article is to point to the inadequacies of the critique of the firm that emphasises only the class antagonism contained within it. This antagonism takes the form of the conflict between the entrepreneur and his labourers (or, on the level of the share company, between the shareholders/executive and the labourers). This is a conflict between *subjects* and is thus a conflict of *wills*. The domination of capital over subjects however is not reducible to the antagonism between labourers and functioning capitalists. The domination of social relations over humans shows up in the form of the restriction which the logic of 'things' (the movement of capital in all its aspects as investigated in the capital-analysis) places upon the subjects of competition in general. The authors illustrate this with the example of an engineer, a finance manager, and an industrial psychologist working in the same firm (ibid. p. 128ff). Each has a task to perform within the firm (conduct the transfer of material, maintain the firm's financial equilibrium, improve the psychological climate of the factory) but each is also subject to external constraints (cost of equipment, demands for new equipment, moves to intensify the tempo of labour) which derive ultimately from the necessity of the firm to maintain and, if possible, reduce costs and increase the rate of turnover. Each partial aspect of the firm's operations is restricted in its execution by the others and the total operations are subject to the externally given economic conditions, which make themselves felt through the firm's financial flow. The capital has to turn over and the necessity of its valorization sets absolute limits on the subjectively organised activities of the firm. This subjugation to the movement of capital occurs whether relations within the firm between labourers and entrepreneur are harmonious or not. Antagonisms between competition subjects can be substantially aggravated by a worsening of the conditions of valorization.. But the latter proceeds within its own non-conscious and socially uncontrollable logic.

### **§54 Alienated Activity. Supervision and Power Structure**

Although the labourers have freely entered into wage-contracts with the company and have thereby agreed to labour for it for a certain time, their activities cannot be regarded as their own freely posited activities. The transmission of company decisions down the hierarchy is the

communication of an *ALIEN WILL* and their labouring activities are thereby *ALIENATED ACTIVITIES*. To earn income labourers have to perform certain activities, which may be more or less unpleasant. In any case, they are, during work-time, subject to the executive's will. This subjugation is negativity for the labourers' will, which does not necessarily imply directly experienced felt negativity but rather the lack of positivity in self-determination. As subject of competition, the labourer has only the positive will for earning income through wage-labour. This entails the surrender of the use of his/her labouring body to the company, which exercises its rights of use in directing the labourer. On this level, alienation means nothing more nor less. The alienated labour can be experienced subjectively as continual slave-driving by the boss, as having to bear the boss's well-meaning paternal condescension, as deathly boredom, or as satisfaction with one's work, since the boss has granted a small realm of autonomy. The alienated character of the labourers' activities leads to a second determination of the company's hierarchy, namely, that of *SUPERVISION*. Not only must company decisions be communicated down the hierarchy, they must also be *ENFORCED*. This gives the hierarchy the determination of a *POWER STRUCTURE* in which the ultimate source of power lies formally with the shareholders. The alienated character of activities is to be distinguished from their harmfulness, which will be considered below (§61). It is also to be distinguished from the labourers' subjection to the compulsive total process of capital. The latter subjection does not exhaust itself in subjection to an alien will but rather to an alien *PROCESS*, the result of no consciously willed action, although borne by individual willed activity. This latter subjection subsumes the shareholders, executives and managers just as much as the ordinary labourers. The functioning capitalists (entrepreneurs, company executive) are the subjects who are directly confronted with the abstract universality of the total process of capital. All other subjects are confronted with this subjectless process via the mediation of the active entrepreneurial agents.

Marx deals with the labour of supervision of exploitation of labour in the first volume of *Capital*, Chapter 13 'Co-operation', where the productive force of

combined labour is treated. As a productive force resulting from a particular articulation of the labourers in the production process, be it division of labour or flexibility of the collective labourer, co-operation is to be counted amongst those improvements in the production process which, by increasing the productivity of labour, produce relative surplus-value (App. §17). For this treatment of productivity increase, a special consideration of the labourer's will is unnecessary; the labourers are just treated as placed into the structure of a collective labourer and the character of their labouring activity as willed activity (which of course it is), is not given conceptual consideration. The subjects are treated in the capital-analysis simply as personifications of economic categories, in which will is considered in a systematically reduced way as the attribution of intentionality to economic categories. Will as a category of an independent subject first /155> becomes central in the competition-analysis where we are dealing with *subjects of competition*. The determinations of the collective labourer as hierarchically structured (§53) and as a power structure (§54) arise from the concept of (opposed §14) will of the subject of competition in relation to the capitalist labour process. In my view therefore, Marx anticipates categories which belong to a later level of analysis when he treats the labour of direction and supervision in the first volume. Categories such as "authority of the capitalist", "power of an alien will", "the function of immediate and continuous overseeing", "alien property", "managers", "Arbeitsaufseher, foremen, overseers, contre-maitres" (CI 314; KI 350,351), all belong to the present level of analysis. The subjective strivings and conflicts of labourers and entrepreneurs play themselves out on the basis of the producing and circulation process, which was conceptualised in the capital-analysis. The movement of objectified social labour can be investigated without consideration of the subjective intentions of the actors. This can be regarded as a demonstration of the social objectivity of this process of capital which requires subjects merely as its bearers. In the same chapter Marx mixes the conceptualisation of capitalist co-operation with a transhistorical concept valid even for "the gigantic works of the ancient Asiatics, Egyptians, Etruscans, etc." (CI 315; KI 353). These historical illustrations are meant to show that co-operation is a productive power of labour not peculiar to capitalism, and thus also to be recommended for production in a socialist society. Marx argues similarly that labour of direction is a characteristic of all modes of "immediately social or communal labour" (CI 313; KI 350; cf. also CIII 383; KIII 397), which also has to be taken as a vision of the character of a socialist labour process. The questions of hierarchy and command in a labour process of freely associated producers have to be discussed in more detail in attempts to institute socialised labour and cannot be settled by Marx's general remarks, which are necessarily vague. The bourgeois subjects would first have to *set themselves* the task of creating freely associated production for descriptions of socialism to have any sense. Negative dialectical

thinking by contrast restricts itself to conceptualising the existing form of production: capitalist hierarchy and /156> supervision in the labour process.

### **§55 Control of the Labourers through Machinery and Management Science**

On the level of the company, the domination of labour by capital obtains the form of appearance of domination of the labourers within the hierarchy. In the preceding paragraph, we have seen that this domination is executed through a system of active overseeing by means of the company's hierarchy. The labourers are thereby held to their contractual agreement and the company ensures that it gets as much labour from its labourers as the wage contract will possibly allow. Squeezing out the maximum of labour from the labourers is a way in which the company heightens the effectivity of its operations and thus the dividends produced. The labourers resist the attempts to wring labour out of their hides and can become less and less malleable through attempts to authoritarily direct their labour. The direction of the labourers can be aided by two sorts of means. Firstly, through the materialisation of the labour process in machinery, whereby the work rhythm comes to be dictated not especially by the commands of an overseer but rather by the tempo of the machinery itself. Through the process of the incorporation of the natural sciences via technology into the labour processes, the labourers are reduced increasingly to "mere appendages of the machinery". In this way, one of the company's problems of disciplining the workforce can be solved. Secondly, control of the labourers can be furthered through methods of work-psychology which, by improving the labourers' subjective attitude towards their work situation, can increase the effectivity of the labour process. Such psychological, coaxing methods of manipulation go hand in hand with less well-disguised methods of improving effectivity, which, by analysing the individual work processes of labourers, can work out more efficient patterns of movement, which in turn can then be trained into the labourer, or forced upon him/her by a particular arrangement of the machinery.

a) The treatment of natural science and the sciences of the subjective factor of the labour process already has a systematic place in the analysis of relative surplus-

value production (and /157> more generally, in the striving towards sinking costs for the improvement of the rate of valorization; cf. App. §§17, 19, 48). On this level of the analysis, labourers are to be regarded as willed subjects who voluntarily (*willentlich*) subject themselves to the company through the wage contract. Their own will comes to be dominated by an alien will. On early levels of the capital-analysis where character-masks are treated, the systematic consideration of control of the labourers was not yet systematically prepared. Correspondingly, the employment of sciences of subjectivity to control labourers, or to manipulatively motivate them in the company's interest, belongs to this later, more concrete, level of analysis, where the labourers as individual subjects of competition are aware of their own interests as opposed to the capitalists'.

Marx points out in his treatment of machinery in Chapter 15 of *Capital* Volume 1 that the objectivity of the system of machines can be employed to control the labourers' operations. Speaking of one of the consequences of modern industry Marx writes:

... the dependency of the labourer on the continuous and regular movement of the machine had long since created the strictest discipline (CI387; KI 433)

Marx historicises the concept by making a distinction between periods in the establishment of British capitalism: the manufacturing period, in which labour is only formally subsumed under capital (cf. CI 478; KI 533), and the period of modern industry, in which the formal subsumption becomes "real" (cf. CI(P) 1023ff; Marx 1969 p. 60ff). For a systematic understanding of capitalist economy such a distinction is unnecessary and misleading.<sup>3</sup>

b) *Harry Braverman*, in his book *Labor and Monopoly Capital*, gives an elaborate historical and sociological account of the development of the capitalist labour process in the U.S. in the 20<sup>th</sup> century. He makes a very free use of Marx's categories from *Capital* Volume 1 with the result that the author fixates on the labourers' subjection to the capitalist. As is usual in Anglo-American Marxism, no comprehension of form-analysis is displayed. His moralistic, normative critique of the capitalist labour process lies in its 'dehumanisation' of the labour process and its failure to satisfy "human needs" (Slogan of the German SPD: /158> *Humanisierung der Arbeitswelt!*):

The manner in which labor is deployed around the machinery ... must be dictated not by the human needs of the producers but by the special needs (?) of those who own both the machine and the labor power, and whose interest it is to bring these two together in a special way. (Braverman 1974 p. 194)

Because the process of capital as valorization is identified with the conscious despotic intentions of the functioning capitalist, Braverman's critique amounts to a



rejection of the hierarchical structure of the firm and of management's use of techniques to enforce discipline and raise the intensity of the labour process. Braverman has collected heaps of empirical illustrative material of the phenomenon of relative surplus-value production and hierarchical organisation of the labour process. This is one partial aspect of the critique of capitalism, but the story doesn't end there! Spotting one region of the totality leaves the others in darkness, and therefore amounts to abstract thinking (cf. Hegel). Braverman's external standard of critique, dehumanisation, says more about his own morals than provide a conceptual insight into the nature of capitalism. The book's title reveals that Braverman follows the tradition of American left-wing sociology associated with Sweezy. The latter writes in the foreword of Braverman's "thorough mastery of Marx's ... dialectical method" (ibid. p. xi). In the next breath, Sweezy admits, "In terms of theory... there is very little (?) that is new in this book" (ibid.). Theoretically, there is absolutely nothing new in the book, which applies categories from Volume 1 of *Capital*, and especially Part IV ("The Production of Relative Surplus Value") (ibid.) to purportedly "new methods and occupations invented or created by capital in its restless expansion" (ibid.). "All the essential concepts and tools were provided by Marx... " (ibid.) Is dialectics supposed to consist of the application of ready categories to empirical material? Sweezy gets himself into knots trying to justify the relevance of Braverman's work: "Of course the outward manifestations of capitalism, though *not its inner nature*, have undergone tremendous changes in the last century. Capital accumulation has assumed new organisational forms; it has invaded old branches of the economy and flowed into many new ones." (ibid.) /159> Is that an earth-shattering change requiring more research, when it is conceded that capitalism's "inner nature" has not altered? Wouldn't it be more to the point to appropriate and broadcast knowledge of this inner nature? Sweezy however is intent on opening up new fields of social research in "lines of inquiry ... which cry out for research and elaboration" (ibid. p. xii) for a "younger generation of Marxist economists and sociologists" (ibid.). The aim of such research should be a naive type of ideology critique, which uncovers the deceptive lies of "capitalism's apologists" (ibid. p. x): He speaks of

the urgent task of destroying bourgeois ideology and putting in its place an honest (?) picture of the social reality within which we are forced (?) to live. (ibid. p. xii)

More research is needed to get the facts straight. It is doubtful whether it is lies alone which account for Sweezy's "fellow countrymen and women... (being ME) obliged to spend their working lives" (ibid.) in a "sad, horrible, heart-breaking way" (ibid.). Humanity stimulates Sweezy's "amazement at its willingness to tolerate the continuance of an arrangement so obviously destructive of the well-being and

happiness of human beings.” (ibid. p. xiii). Is humanity merely deluded by lies? Is the present “arrangement so obviously destructive”? If the arrangement is so obvious, why are books necessary? Are books of the type which Sweezy and Braverman write the appropriate means for “that much-needed enlightenment” (ibid.)? Are not more radical and more abrasive means available? Who knows what capitalism *is*?

### §56 The Wage-Form

The struggle between labourers and the functioning capitalists takes place both within and without the workplace. In the first place, in the sealing of the wage contract, it is a matter of how much labour is to be performed for how much money, i.e. it is a struggle about wage rates. Wage rates are determined not simply according to the revenue-source loan relation of labour-power, but in terms of the *WAGE-FORM*. The wage-form sets the wages as a function of *LABOUR PERFORMED*, whereby the conceptual distinction between an expenditure of a *SINGLE* capacity and the simultaneous /160> functioning of *THREE* elements of labour is not made. The labourers labour in a labour process and are paid according to either the time which they spend in the functioning labour process (time-wage) or the result of the labour process (piece-wage) or a combination of the two (e.g. a certain minimum working time may be set but a bonus paid according to the number of ‘pieces’ produced). The wage-labour relation thus displays specific characteristics not shared with the revenue-source loan relation of the other two revenue-sources, land and money-capital. These characteristics arise from the fact that the bearer of labour-power is a living, willed subject of competition, that the income-source, labourer, cannot be separated from its owner, and that therefore the company’s functionaries and the labourer confront one another as subjects not only in the market-place but also in the labour process itself. The labourer is indeed bearer of labour-power and has, in terms of the wage-contract, loaned the use of this labour-power to the company. Within the labour process, however, the labourer cannot be handled literally as an object; everything that happens there must take place with the concurrence of his/her will. Although the company has a labour-power at its disposal, it requires still the labourer’s compliance in

order to manifest this labour-power as labour. The labourer is interested only in the wage s/he gets under the wage contract; the company is interested in getting as much labour as possible out of the hired labourer. The two basic wage-forms bring these opposed aims to a contradictory synthesis by making the wage depend on labour performed. Under the time-wage – and here we deal only with the two basic wage-forms –, the wage depends on the duration of the working period; the longer the labourer works, the more wages s/he receives. The wage-form here includes that the labour-power must be actually expended in the company's labour process. The labourer sells under this form not just the capacity to labour but labour performed over a definite time. The time-wage encourages the lengthening of the working day by tying the wage to the period worked. Under the piece-wage, the labour performed is measured by the number of 'pieces' produced, whether that be the number of work operations within a part of the total production process of /161> of a commodity or the number of operations in part of a commercial or banking labour process. The labourer earns the more, the more 'pieces' of labour s/he performs. This brings the labourer's wage interest and the company's interest in performed labour into unity. The labourer's will is, within the wage-form, apparently the same as the company's. The piece-wage, especially, encourages the labourer to labour and can be a powerful means for increasing the intensity of a labour process. The wage-form is insofar irrational, since the labourer does not have labour to sell; s/he owns only the capacity to labour, and can hire only this capacity. The performed labour depends on the active combination of all three types of elements of labour. In spite of the labourers' interest in labour performed under the wage-form, the product of the labour-process belongs to the capitalist, a fact which goes unquestioned by the labourers, even when the pieces are being counted which determine his/her wage (which of course does not equal the price of the pieces produced).

Marx emphasises that it is not labour which is literally sold, but in fact labour-power. The labourer, as bearer of this capacity, hires him/herself to the entrepreneur:

What is brought to market is in fact not labour, but the labourer. What he sells to the capitalist is not his labour, but the temporary use of himself as a working power. (TSV3 113; TM3 109)

In the seventeenth chapter of *Capital* Volume 1, he is at great pains to show that under the wage-form “all labour appears as paid labour” (CI 505;KI 562) and thus that the exploitation of labourers by capital is disguised. The unearthing of surplus-value generation is an achievement of systematic thinking, which sets out from the value-objectivity of the commodity-products of labour in order to come to the investigation of the capitalist production process as value-generation process. In this progress of thought, the wage-labour relation does indeed need to be conceived as the employment of labour-power by capital and not the sale of labour. Marx claims that the irrational expression “price of labour” occurring under the wage-form is the basis whereon “all ideas of right of the labourer as well as the /162> capitalist ... all their illusions of freedom, rest.” (CI 505f;KI 562) This statement stands in contradiction with Marx’s arguments in the chapter on the ‘Buying and Selling of Labour-Power’ in Vol. 1 that the transaction between wage-labourer and capitalist is not unjust. Marx employs the (questionable) category ‘value of labour-power’ to articulate that the labourers receive full compensation for their labour-power from the capitalist. The distinction between ‘price of labour’ and ‘price of labour-power’ therefore cannot account for the labourers’ “illusions of freedom”. Indeed, as Marx emphasises, the labourer is a “free person”. The question is on which systematic level ideas of right and freedom should be conceptualised. The fact that Marx published *Capital* in series (and in fact never came to publishing the second, third and fourth books) probably moved him to include a section on Wages (Part VI), in which the confusions caused by the category ‘price of labour’ are laid bare. These confusions could have been used as objections against his theory of exploitation presented in the preceding theory of surplus-value (Parts III to V). We have decided in our systematic reconstruction to reserve the treatment of the wage-form and its two basic sub-forms, time- and piece-wages, to the competition-analysis. The argumentation presented here (cf. §24) shows that the wage-form (in the sense of §56; cf. however App. §11 ‘wage-form of value’) is not necessary for the conceptualisation of equality as property-owners; that in fact, even on the basis of the revenue-source relations, there is already a qualitative symmetry of labourer, landholder and money-capitalist vis-à-vis the entrepreneur. For the labourer, this relation is conceptualised as a loan-relation of labour-power. The qualitative categorial equality of the revenue-source relations is further developed into the equality of subjects as property-owners, again conceiving the wage-labour relation as a loan of labour-power. Only on the level where the labourer and the capitalist functionaries confront one another in the labour process as subjects does the wage-labour relation assume the form of appearance of the wage-form. /163>

**§57 Wage Differentials**

Both labourer and shareholder have the aim of earning income, but the higher the income of the one, the lower the income of the other, other things being equal. For the shareholders and executive, the wages paid to the labourers are costs which, as deductions from the company's gross proceeds, reduce the company's profit. The company must nevertheless pay enough to obtain the labourers it requires under given market conditions. The scarcer a particular sort of labour-power is relative to job opportunities, the better it is for the labourer who is trying to wring as high a wage as possible out of the company. The kinds of labour-power required are differentiated not only according to a division of labour within the company's collective labourer, but also according to the place in the hierarchy which the labourer occupies. At one time it can be that labour-power with a particular skill is hard to obtain, at another time, it could be managerial expertise which is at a premium. This differentiation according to skills and hierarchy individualises the labourers even further in the striving for income, for, each of them, in performing different functions within the company, is to a certain extent in different labour-power markets, each with its own supply and demand situation. The differentiation of the labour-power market, its 'stratification', is overcome to the extent that labourers can offer more than one type of labour-power and thus seek a variety of jobs. The relative advantage of skilled labourers in their competitive struggle with companies vis-à-vis unskilled labourers is eroded to the extent that the capitalists successfully implement labour processes which do not require high levels of specific skills. Deskilling of labourers leads to a situation where, although a division of labour within the company prevails, labourers can be transferred from one task to another as required. Similarly, the segmentation of the labour-power market according to hierarchical differentiation does not necessarily rest on differences in the labourers' capabilities, so that the company is not restricted to a specific segment of the labour-power market in hiring labourers. This mobility of labourers from one kind of labour to another does not dissolve the differences between /164> concrete labours (cf. App. §3), but is simply

an expression of the ability of the labourer to perform various concrete labours (and occupy various places in a hierarchy). The fact that certain skills require a shorter or longer period of training is not an absolute limitation to the availability of specific labour-powers. Given time, and on the basis of labourers' interest in gaining high wages, a certain levelling occurs whereby shortages of specific labour-powers are overcome. For their part, the companies strive to minimise the need for labourers' requiring lengthy training by deskilling the labour process, especially through the employment of machinery (cf. §55). (Further consideration of the training of labourers – through the system of schools – is left to the private-sphere analysis.) The labourer orients him/herself towards the existing possibilities on the labour-power market and with some luck finds a more or less suitable, more or less well-paid job with some company or other. Once the wage contract is sealed, the labourer has to submit his/her labour-power to the company.

Marx treats the deskilling and control (§55) of labourers under the historicising perspective of the transition from the period of manufacture to modern industry, although the tendency has of course general, systematic validity:

Since craft skill remains the foundation of manufacture and the total mechanism functioning within it does not possess any objective skeleton independent of the labourers, capital wrestles continually with the insubordination of the labourers. (CI 346;KI 389)

They (the machines ME) dissolve craft activity as regulating principle of social production. Thus, the technical ground for the life-long annexation of the labourer to a single partial function is abolished. (CI 347;KI 390)

### **§58 Conditions of Labour**

Although in the wage contract conditions of labour as well as duration and intensity may be specified, these may in practice be uselessly vague. Duration can be accurately measured by clocks, but working conditions and intensity are much harder to contractually /165> specify. Even with the specified working-time there is usually leeway on both sides to cheat. The company has an interest in getting its labourers to work as intensively as possible, since thereby the effectivity of the company's labour process is raised without an increase in costs. For the labourers,

this simply means that more alienated activity is squeezed out of them, at the cost of an increased burden on their labouring capacities. Working conditions which make labour more pleasant cost the company extra, which must be financed by an additional advance of money-capital. In some cases improved working conditions may be a way of improving the labourers' efficiency, thereby increasing output and raising profit. The company therefore has to tread the line between providing scanty conditions of labour which, while relatively inexpensive, also impair its labourers' performance, on the one hand, and providing good conditions of labour which cost something but enhance performance, on the other. The labourers, for their part, have to struggle for their working conditions in order to tip the balance in favour of a better quality of working life within the factory, and against the company's miserly cost calculations (cf. §61).

### **§59 The Trade Union**

In the conflict between labourers and the functioning capitalists over wages and working conditions, the labourers reach for a means of struggle which improves their bargaining position with the company: the coalition of interests called the *TRADE UNION*. This is a necessary form of coalition brought about by the competitive conditions of private property. The labourers find that in being able to collectively determine the supply of their labour-power to the company, they are able to gain better contractual conditions. When each labourer is for him/herself, the company has it easy in playing off the one against the other, with the result that none or few of them gain reasonable contracts. The labourers are an indispensable component of the company's activities. When a single labourer, who wants a better contract withdraws his/her labour-power, it has little or no effect on the company's operations, unless of course s/he is placed near the top of the hierarchy, in which case even as an individual s/he may wield considerable influence with the company. A collective withdrawal of labour-power is an effective means to force the company's executive to improve wage and/or working conditions, with the proviso that the company cannot obtain labourers

from elsewhere. For this reason, the organisation of labourers into trade unions must be broad, i.e. for a substantial proportion of the type of labour-power considered, in order to be an effective means of struggle. In endeavouring to build a strong, effective coalition, the trade union is interested in obtaining a membership covering a substantial percentage of the labourers of a particular kind of labour-power. The experience of struggles over wages and conditions (i.e. essentially a distribution struggle) demonstrates to labourers that their interests are served by a well-organised union. Since the trade union is a coalition based on the free property of individual labourers in their bodies, the membership of trade unions has to be voluntary if the individual subject's freedom with his/her property is not to be restricted. When the trade union employs arm-bending tactics to coerce labourers to join the union, it acts against a right of individual property. The trade union is thus often struggled against by individual labourers within the form of consciousness of the freedom of private property. The company, as interested spectator, can only encourage this individualistic attitude, for nothing is closer to its heart than to weaken the union. As a coalition which is meant to further the labourers' property interests, the trade union should be able to show its members and potential members that it has a good track record in winning claims. The trade union can follow various strategies in this representation of interests. It can offer the employers a smoothly functioning labour process free from strikes if their reasonable claims are met; or it can pursue a militant strategy of strike action, depending on the belligerency of the employers. When it comes to a question of dismissals (cf. §70), the trade union can propose a plan for gradual shedding of jobs together with redundancy pay; or it can militantly fight to save jobs. The unions as well as their members, however, generally have insight into the external economic situation which /167> stimulates the company to rationalise and thus seek to achieve some relatively small concessions from the employer. In processes of rationalisation, the private nature of property comes to the fore: many a labourer hopes or deludes him/herself that s/he will not get the sack and so becomes disinclined to resist retrenchments. The unions, as administrative organs of competitive struggle, aim to mediate the conflict between labourer



and company; they do not see their task as to put the company's command over labour itself into question. The paid trade-union functionaries also have their private income-earning interests in the union, which they take into account in dispute management.

a) The trade union is an organ of struggle and bargaining in the competition between labourers and functioning capital. Insofar, it is an organisation to further the interests of labourers (for higher wages and better conditions) within the existing capitalist forms, and thus an instrument of the bourgeois class struggle. The struggle between members of different classes, which can assume more or less grander proportions, is waged, as long as the bourgeois relations of production exist, within the given forms. Only when the struggle leads to the working class partially and tendentially consciously placing the relations of private property and/or the fundamental value-form relations into question, can one begin to speak of revolutionary class struggle. The tendential putting-into-question of bourgeois relations is only a small step away in conflicts over the control of the labour process, where labourers resist the company's chain of command. This tendential destabilising of capitalist relations is not to be confused with the conscious actions of an organised working class which attempts to build a conscious form of social production. (The right of freedom of expression guarantees that I can write these lines even today, when Jean Baudrillard writes of the French socialist government's administration of the "end of history".)

b) In a draft for the *Konkurrenzanalyse* (1981) Mike Roth has pointed out that the above argument for the indispensability of trade unions as coalitions of interests in the struggle with the company must be qualified. In disputes arising within the company it is not always the case that a collective representation of interests will be more successful than individual bargaining. Differences in wages and position in the hierarchy give grounds for a competition amongst the labourers over the better paid or more privileged positions, which undermine solidarity in the workplace. The trade union serves to represent the collective interests of labourers vis-à-vis the company or companies. This does not exclude however that an individual labourer can further his/her own interests in competition against his/her colleagues. This competition amongst labourers can be exploited by the company executive for its own ends in weakening the labourers' solidarity. The labourers can be just as calculating of their individual interests as the company executive, and it is by no means clear that solidarity turns out in these calculations to be more than a bit of idealistic floss.

### §60 Workers' Participation. The Co-operative

We have seen (§§53ff) that conflict between the company and the labourers characterises the functioning of the company's labour process. The share company, or at least the large public share company with its complex organisational structure, offers a new way in which the conflict of interests between labourers and the joint entrepreneurship can be fought out. The *ELECTION OF LABOURERS* to sit on the board of directors allows the labourers' interests to be represented right at the summit of control of the company. The labourers, under the terms of the wage contract, have indeed placed their labour-power at the company's disposal to be inserted in the hierarchy, but the conditions of labour and the wage rates remain a matter of continual dispute (§58). The labourers remain the owners of their own person even when possession, that is, power of disposal, is temporarily surrendered to the company. Through *WORKERS' PARTICIPATION* on the board of directors, there opens an opportunity for disputes to be resolved in a seemingly more harmonious way, as an item on the board's agenda which can be settled over coffee and cognac. The labourers may be tempted by the opportunity to represent their interests directly in the lion's den. Workers' participation is a deceptive form of consciousness of an apparent co-operation between the /169> mass of labourers, management and the company owners (the shareholders) for achieving their collective aims. The mutual exclusion of interests as to wages and working conditions is enshrouded in the image of the happy corporation. This image shows itself to be nonetheless very fragile when attempts to represent interests on the board fail and other methods of struggle through the trade union (§59) are reached for. Because of their role in keeping industrial peace within the company, the labourers' representatives – board members or trade-union officials – can be bestowed with seductive privileges by the company. This co-option of labourers' representatives is always worth a try, but has the danger that the rank and file may become disenchanted with their representatives and revolt against them, thus destroying the harmonising system of consultation with labourers. An entrenched system of workers' consultation, where the functionaries have acquired

their own interests, privileges and the taste for good champagne, turns into a positive hindrance for the representation of labourers' interests. Workers' participation is a form of conciliation of conflicts in the share company. Insofar as it functions merely as a form of consultation with labourers, it does not place the shareholders' control of the company in jeopardy. However, insofar as the labourers are not deceived by the harmonising ideology of workers' participation, they may be able to use it to assert their own interests and even exert influence on the running of the company's labour process. The shareholders naturally attempt to minimise the influence of labourers on the board and reduce their influence to a mere token presence. Since labourers' representatives on the board are already party to the normal workings of the company, i.e. are present in a foreign environment of business calculations, they are at a disadvantage in representing labourers' interests (so long as they genuinely attempt this). The restrictions placed on schemes of workers' participation are designed to blunten the tendential claims of the labourers to be subject of the labour process. For naive consciousness it is a relatively small step to the demand to be subject of the form-determinate capitalist labour-process: Labourers' control of the capital which is employed in a company /170> makes it into a *CO-OPERATIVE (GENOSSENSCHAFT)*. This is the ultimate form of bourgeois property, where the administration of the capital which exploits them is undertaken by the labourers themselves. The shareholders of the co-operative coalesce with the labourers themselves. The co-operative can operate solely with its members' share capital, or may in addition borrow capital like any other company. The co-operative has to compete on the market like any other company. Consequently, the labourers themselves have to execute entrepreneurial tasks through a system of delegation. The compulsion of valorization of capital enforced by competition and which stands opposed to labourers' interests of good wages and conditions is contained as inner contradiction within the labourers themselves. They become administrators of the movement of capital and defender of labourers' interests at one and the same time. This contradiction, the necessity of enforcement of one's own subjection to capital, makes the co-operative an especially contradictory form of

capitalist enterprise responsible for the disappointment of many a worker's self-delusive dreams of self-management. Workers' co-operatives are formed generally in times of mass unemployment. The co-operative offers itself as an alternative to retrenchment. The capitalists offer the factory, in which they have worked and which has now become unprofitable, to the labourers. The labourers may be able to arrange finance from the banking system; the company's owners get a price for a capital which in any case was not valorizing, and the labourers take over the reins as their own capitalists, and with massive debts. In order to restore the company-cum-co-operative's competitiveness in an already beleaguered industry, the labourer/shareholders may decide on a course of hard competition with rival companies, so endangering the jobs of other labourers. Within the co-operative, the labourers may impose a policy of wage austerity on themselves, for the sake of their dear factory. The co-operative is a form of capitalist enterprise which usually combines the worst aspects of self-interest: the labourers of a company are *SOLD* the hulk of a dying capital, and proceed to beat the labourers in rival companies on the head with it. The labourers are initiated into the rites of capitalist competition. /171> 'Alternative' co-operatives based on ideals of co-operative, even non-profit oriented labour soon discover the ineluctable logic of competition: the capital must valorize, no ifs or buts. The co-operative is invariably a midget among large companies and turns out to be an organ for the co-operative members' self-exploitation at rates worse than in a normal capitalist enterprise. The co-operative could be a better alternative to unemployment, if viewed with a sober eye which recognises the many defects in such a form of productive activity. Political motivations may play a role which far exceed the narrow self-interest of the subjectivity of competition. Here, such political motivations can only be hinted at against the foil of the systematic concepts of competitive subjectivity, familiar to everyday consciousness but as yet unanalysed.

Marx says of the co-operative:

The labourers' co-operative factories themselves are, within the old form, the first breakthrough through the old form, although of course they reproduce and must reproduce everywhere, in their real organisation, all the defects of the

existing system. The contradiction between capital and labour is raised to a new level within them, even though initially only in the form that the labourers as association are their own capitalist, i.e. they employ the means of production for the valorization of their own labour. (CIII 440; KIII 456)

The final polish to the illusion that the conflict of interests within a company between labourer and owners can be harmoniously resolved is provided by schemes to sell the company's shares to its own labourers (employees' shares). These schemes are token. They do not allow the labourers' share capital to gain any significant influence in the shareholders' general meeting. Labourers who own shares in their own company are inclined to have an interest that the company earns good dividends and are thereby given an incentive to work tirelessly for the company. The worker plays capitalist, and starts to read the financial pages of the newspaper. That they have no significant influence in the shareholders' meeting, and even less in the board and /172> executive, and that their dividend income is paltry compared even with what they earn as wages are flaws in this harmonious picture which are hard to erase. The diligent worker develops assiduously a blind spot for what s/he doesn't want to see. Such schemes offer solace to naive beguiled consciousness that, in spite of all, a community of interests can be created in the competition. In reality, such schemes are merely opportunities for the labourers to identify with the power which exploits them.

## **e) The Person**

### **§61 Over-exploitation of the Labourers. Negative Right to Existence**

The labourer is a peculiar kind of property in that i) s/he is a living, mortal being and ii) property in the labourer's body and the labourer as property-owner cannot be separated. In the loan contract which the labourer makes with the company, the latter has the right to expend the labourer's labour-power for a definite period of time. On the one hand, the labour-power is a perennially renewable capacity that rejuvenates during the labourer's non-labouring free-time through sleeping, eating, relaxation, entertainment, etc. In this respect, the labourer is a perennial source of revenue. On the other hand, the labourer is a mortal being whose labouring capacities inevitably gradually diminish with increasing age until finally death overtakes him/her. From this viewpoint, the labourer is a finite, limited source of revenue. Nevertheless, under

normal social conditions, the labourer can expect to have a working life of several decades (at least in the developed bourgeois societies) and within the limits of a normal working life-time, the labourer is a continually renewing source of revenue. The labourer is a perennial, but not immortal, source of revenue. The labourer as subject of competition has the interest of obtaining contractual conditions for the exploitation of his/her labour-power that do not impair it or accelerate its degeneration. The company is intent on the maximum use of its hired hands, since by this means it can maximise profit. The conditions of labour determine the degree of impairment of the labourer during the working period. Although the /173> wages can be accurately measured, e.g. with an hourly rate, there exists considerable vagueness as to specification of labouring conditions. The strife between labourers and companies is often about a closer contractual specification of working conditions. Nevertheless, there always remain enough vagaries in the specification of working conditions that ever new disputes arise. (On this level of the analysis we treat the subjects of competition only insofar as they act in accordance with the forms of contract. Contracts between wage-labourers and functioning capitalists are thus here not wilfully broken; cf. §§73f.) The conditions of competition between labourers and functioning capital may lead to some sections of the working class having to accept very poor conditions of labour if they are to earn wages at all. The scantiness of these conditions is always measured against the socially average conditions of labour, which is in turn the result of long and bitter struggles between labourers and functioning capital. The bad conditions cause an acceleration of the degeneration of the labourer's labour-power beyond the socially average and, in the extreme, can lead to early death. These conditions have nevertheless been agreed to by the contracting parties, and the company executives do not lose any sleep over why the labourer is inclined to accept such poor conditions. The acceptance of searing conditions of labour stands fully within the naked freedom of private property. The wage contract abstracts from the labourer's motivations for accepting the job. In this case, however, not only is the property, but also the property-owner injured. The subjects of competition are free as property-owners exercising their property rights

in the pursuit of income. Precondition of this freedom is the living will of the property-owner. The property-owner is not immortal but has nevertheless a life expectancy in which s/he can exercise her/his freedom as property-owner. Just at property right is the kernel of the sphere of competition which may not be infringed by the subjects of competition, so is the basis of the freedom of property, the living property-owner him/herself. As absolute precondition of property right, the property-owner as living subject stands higher than property as objects subjugated to will. This is the *FIRST DETERMINATION* of /174> the *FUNDAMENTAL HUMAN RIGHT TO LIFE*: no property-owner may impair the life or health of another, even if such impairment is formally agreed to in the form of contract. Here the right to life has a purely *NEGATIVE* content forbidding actions by others. It does not yet contain any positive content as to how positively the life of property-owners should be preserved or enhanced. It is therefore initially the negative *RIGHT TO EXISTENCE*. Its content in the sphere of competition relates exclusively to the labourers, who are exposed to the danger of over-exploitation by companies. Conditions of labour which impair the labourers more than the social average are thereby excluded in the analysis of competition. These socially average conditions are indeed a product of struggle. The abstract negative right to existence, developed here, is a necessary *FORM OF CONSCIOUSNESS* of an economy based on the freedom of private property. The subjects partaking in competitive life reflect on what they think is fair, what the rules of the game should be, given that they have the will to compete with one another. Any right-thinking bourgeois consciousness must agree that early death caused by black lung is a raw deal which infringes a person's rights. The negative right to existence first gains a substantial content through the struggles for better working conditions. The content is thus historically relative, depending on the compliancy or aggressiveness of the working class, but the form of consciousness is a necessary absolute arising on the basis of bourgeois relations. The struggles for better conditions of labour are carried on within the form of consciousness of this negative right to existence. The company insists on its property right to use labour-power it has hired, but is confronted with the absolute of a

right to existence which to consciousness reflecting within the frame of reference of bourgeois freedom, stands higher than property right. That this superiority in consciousness does not suffice to decide the struggle between opposing rights is a theme of the state-analysis. (cf. §§73ff).<sup>4</sup>

a) Hegel presents the argument for the absoluteness of the right to life and its superiority to property right not in a discussion of the over-exploitation of labourers by companies but of the right of distress, where stealing is seen to be /175> rightful if it is necessary to save life:

The particularity of interests of the natural will, taken in its simple totality, is personal existence as life. This life, in *extreme danger* and in collision with the rightful property of another, can claim a *right of distress* (not as a concession, but as right), in that on the one side the infinite injury of the existence and therein total loss of right stands, and on the other only the injury of a single restricted existence of freedom... (Rph §127)

(This passage should be some consolation to those who haven't enough to eat.) Hegel articulates here the argument as it unfolds out of the concept of freedom, which, according to Hegel, has its first necessary sphere of existence in abstract right. The concept of competitive freedom has been shown in the present analysis to have its origins in capitalist social objectivity, in the specifically capitalist relations of income-sources. Hegel's argument can thereby be seen to be relative to the bourgeois form of society. He discusses a right to steal, which is a form of wrong against private property. On this level of the analysis, we have not yet developed a concept of wrong. The discussion of the right to existence here is in terms of the confrontation of rights arising out of the wage-labour contract and so arises even within the forms of right of the sphere of competition. Marx discusses this subject matter not in relation to a right of existence, but rather in relation to a right of the labourer to obtain the "value" of his/her labour-power. This latter concept has been criticised elsewhere.<sup>5</sup> In substance, the right to the "value of my commodity" (CI 225;KI 249) contains the requirement that the labourer is not harmed by the capitalist in excess of the normal socially given extent:

Apart from the natural depreciation through ageing, etc., I must be capable of working tomorrow with the same normal measure of power, health and freshness as today. ... I want to daily make only so much of it (labour-power ME) fluid, to set it into motion, into labour as accords with its normal duration and healthy development. ... You pay me for one day's labour-power where you consume three days' (?) work. /176> That is against our contract and the law (?) of commodity exchange. I demand therefore a working day of normal length, and I demand it without appealing to your heart, for in money matters good-



heartedness ceases. ... I demand the normal working day because I demand the value of my commodity, just as every other seller. (CI 224f;KI 248f)

The argument here rests i) on a comparison with an historically relative normal working day and ii) on a notion of just exchange of commodities. Labour-power, “like any other commodity”, is said to have a value, and the seller is said to have a right to obtain the value on the market. The critique of both Marx’s concept of value, and of value of labour-power invalidates this argument. There is no right of a “just exchange” – of industrial commodities nor of labour-power. The restriction of the exploitation of labour-power derives from a concept of bourgeois freedom, and cannot be handled in a quasi-quantitative way in terms of magnitudes of value. The topic of rights belongs to the level of competition and not to the analysis of the production process, where Marx discusses them. He goes on to discuss the clash of rights between capitalist and labourer, without drawing on the form of consciousness of the supremacy of the right to life, although this is implicitly present in the historical material cited throughout the chapter on the working day. Marx provides no concept of the right to life, but restricts himself to quasi-economic arguments of a fair deal.

The capitalist claims his right as buyer when he seeks to make the working day as long as possible... (T)he labourer claims his right as seller when he wants to restrict the working day to a definite normal magnitude. An antinomy thus arises here, right against right, both equally sealed by the law of commodity exchange. Between equal rights force decides. And so in the history of capitalist production the normalisation of the working day presents itself as a struggle around the limits of the working day – a struggle between the collective capitalist, i.e. the class of capitalists and the collective labourer or the working class. (C1 225;KI 249) /177>

The historical relativity of the normal working day is here expressed. Only against this yardstick of the normal working day can the labourer measure the justness or otherwise of his/her working time. For consciousness, the clash of rights is not equal, since the right to existence stands higher than the right to use of property. Where the line is drawn does depend on social struggle, but it is a struggle within forms of consciousness in which the right to existence has a superior position vis-à-vis naked property right. Marx treats the matter in a Machiavellian way as a power struggle between classes which is adjudicated by the state:

These laws rein the passion of capital for the limitless draining of labour-power through enforced restriction of the working day by the state, and indeed by a state ruled by capitalist and landlord (?) (CI 229;KI 253)

The introduction of the state in Volume 1 does not correspond to Marx's original plans. The treatment in this chapter has almost entirely historical rather than systematic character with the result that objects which have not been conceptualised come forward in the description of the historical struggles around the working day in Britain. The struggle itself belongs to the systematic level of competition. The state is not introduced at this stage because the ground for the conceptualisation of its form has not yet been systematically prepared. Patience however will be rewarded. The subjects of competition act within the forms of right, and this now includes the right to existence, in particular of the labourers, for they are the ones at risk. The competitive struggle is thus not to be conceived as a battlefield on which the labourers can be annihilated in their struggle with the capitalists, but as a struggle within certain forms of freedom. This doesn't mean that the competition with private property is a picnic.

b) *Müller & Neusüss*, in their article 'The Welfare-State Illusion' (in Holloway & Picciotto 1978 pp. 32-39), propose a derivation of the state directly out of the struggle between wage-labour and capital, without paying attention to problems of form. They argue in a functionalist manner: /178>

...it is to express a necessary consequence contained in capital that Marx in *Capital*, after developing the category of absolute surplus-value, immediately turns to a description (sic) of the catastrophes which the production of surplus-value entails for living labour, and from this derives the particularisation of the state in factory legislation. ... The concentration of bourgeois society in the form (sic) of the state ... is necessary because only in this way can the existence of (capitalist) society be at all assured. (M&N in H&P 1978 p. 38)

This is a kind of causal argumentation: we are asked to make the thought-experiment of imagining a struggle between capital and wage-labour without the adjudication of the state. This experiment should have the brutal result that the working class is decimated by capital's ravages. I can however just as well imagine that the working class gains the upper hand in the struggle and deprives capital of its surplus-value. The thought-experiment possesses no systematic validity. Here the historical-materialists object that one must view the matter historically, that theory must be tested against the hard facts of history. The fact that the British state intervened in the class struggle in the 19<sup>th</sup> century and promulgated legislation regulating the working day says nothing conceptually about the connection between class struggle and the state. This fact has first to be interpreted through concepts developed and validated by a process of thinking. Are the authors seriously suggesting that the concept of state is 'an agency to stop society flying apart'? Müller and Neusüss leap on the word 'state' which repeatedly occurs in the chapter on the working day and elevate it to the status of concept with a very thin argument.

One would hope that a theory of state would have more to offer. The authors have been misled by a systematically dubious part of Marx's text – which has to be understood as *illustration* of the category, absolute surplus-value production – in an attempt to extend Marx's system fragment.

## **§62 The Negative Right to Existence and Capital**

The negative right to existence arises systematically from the competitive freedom with private property as a necessary limitation /179> to the freedom of property if the ground of this freedom, the property-owner, is not to be annihilated. This is the rationality of the freedom of the sphere of competition that permeates the forms of consciousness of the subjects of competition. Such a right has a functional significance for the process of capital, which however by no means can be used as an argument for the right to existence. The latter is a form of consciousness of a subject who first has to be conceptualised. With this caveat one can maintain that the right to existence is an injunction to capital to destroy the human material which constitutes its object of exploitation. The right to existence does not reduce to a guarantee that the mere existence of a mass of human material be preserved. Historical experience shows – and this is the significance of the historical material in the chapter on the working-day – that capital as social form of production can reproduce itself even under conditions of the severest exploitation of its living, labouring raw material. The right to existence is a form of bourgeois freedom and therefore has to be conceptualised above all as a form of consciousness with its own effectivity in the competition struggle. Although the right has its social ground in the wage-labour relation – it would make no sense to speak of such a right were not life actually endangered by the form of the present social relations – it transcends the boundaries of a mere economic relation.

The argument here is not that the right to existence arises from the need for preservation of labour-power for the sake of capital. Nor do we want to derive the necessity of a state to ascertain and enforce what acceptable conditions of labour are to be. The level of acceptable working conditions (duration and intensity of labour and quality of the work environment) is determined through the struggles of the

labourers for better conditions. At any given time, a given standard of working conditions will be looked upon as appropriate within a broad band of variation, whilst some conditions will affront everyday consciousness as an infringement of a basic human right to existence. Such latter conditions are on this level ruled out, since the subjects of competition here act within the forms of competition. That this level of exploit- /180> ation of labourers comes to be set down in laws, and regulated and enforced by the state will be a further concretisation of this right as law, which does not yet concern us. So much however can already be said: the state merely codifies and enforces conditions of labour which have been won in the struggle of competition between labourers and companies within the framework of the struggle between the right to existence and the rights of property. These rights have their reality already in the sphere of competition; they are forms of freedom pertaining to this sphere of social life. The right to existence by no means implies that the labourers come home from the factory or office satisfied. Wage-labour is an exhausting, unpleasant fact of life. A few are lucky enough to actually experience or kid themselves that their wage-labour is rewarding. The labourers accept their subjugation to a boss and their insertion in a hierarchy – no matter how unwillingly and with all manner of declarations of their impotence in the face of the existing relations – and reckon with the consequence that their work will drain their energy without leaving a feeling of satisfaction that something important and self-determined has been accomplished. Under reasonable circumstances, the boss will not give orders like a sergeant-major, and may even have touching human qualities. It is only when their exhaustion and subjugation exceeds what can be normally expected that labourers start to think of their rights. Naive consciousness thinks in terms of what is fair. The level of exploitation of labour-power must be extreme before working class organisations will mobilise to struggle to improve the average social conditions of labour. In this case, the working class strives to give the negative right to existence a new substantial content, whereas in the case of individual (groups of) labourers, a content is already presupposed when they complain about their working conditions.

### **§63 Equal Exploitation of the Labourers**

Once the substantial content of the right to existence is set through struggle as socially average conditions of labour which are seen as not impairing unduly the labourers' health and life, it is a necessity enforced by the competition between companies /181> within a branch that they all achieve the same level of exploitation. There is no room in the competition for kind-heartedness which, in providing better conditions

of labour than average, allows competitors to gain an advantage in effectivity or turnover. Better conditions cost an extra outlay of capital which only spoil the labourers without being compensated by a rise in effectivity. Or it can mean that the labourers are not worked as hard in comparison to competitors, with the result that effectivity is lower. The provision of better than average labouring conditions in such cases means an increase in unit cost which gives competitors an advantage and opens up the danger that the company concerned will be overtaken in the competition.

In historical conditions where the level of exploitation through overwork of the labouring population had reached horrific proportions offending even the most ascetic assessment of a right to existence, Marx remarks that, these being the socially average conditions, all capitalists were forced to exploit their labourers to the same horrific extent:

Largely speaking this does not depend on the good or evil will of the individual capitalist. The free competition enforces the immanent laws of capitalist production vis-à-vis the individual capitalist as an external compulsive law. (CI 257;KI 286)

The conditions of exploitation within a branch should be the same so that all companies are placed on an equal footing in the competition with one another. In the consciousness of the owner of a company who knows that his competitor wrings more out of his labourers than he can or wants to, the right to existence can be used by one functioning capitalist to criticise the unrestrained right of property of his competitor. Equal conditions of competition and consequently equal exploitation of labour-power are viewed by the capitalist as the “first human right of capital” (CI 276;KI 309), as Marx facetiously remarks.

### **§64 The Person as Culmination of Competitive Freedom. (Self-)Consciousness of the Isolated Individual**

The subject of competition as property-owner and bearer of the right to existence is *PERSON*. The person is the abstract formal /182> mode of human being in the sphere of competition. The person is the individual bearer of the concept of *COMPETITIVE FREEDOM* which is acknowledged when the subjects of competition enter into contracts with one another. Action within the forms of competition is synonymous with respect for the other as person. Acknowledgement as person does not

exclude conflict between the subjects but rather includes it. The exercise and acknowledgement of rights are the forms in which the struggle is continued. The subjects of competition still have systematically the aim of earning income, but the abstract acknowledgement of each other as persons precludes that the subject is actually annihilated in the struggle. It does not preclude however that the subject is unsuccessful in realising his/her aims. This is a theme which will be taken up in the analysis of the state (§§79ff). As person, the subject of competition has a right to *COMPETE* as formal abstract equal with all other persons, no more and no less. The person is both the starting-point and the result of the struggle of competition. As starting-point, the person is property-owner with the freedom to exercise his/her property rights. The competitive struggle inaugurated by this freedom can have the result that the labourers' lives are exposed to a danger which would extinguish their freedom as property-owners altogether. The right to existence, which formally holds for all subjects of competition, but which has substance only for the labourers, serves as an injunction against total annihilation or severe harm within the forms of property; it is a result of the competition which is posited to prevent a possible outcome of the struggle which would destroy or impair the labourers' freedom with their property. The being of the subject of competition as active member of the competitive society is connected with a corresponding consciousness and self-consciousness of the subject as to this form-determinate being.<sup>6</sup> The *CONSCIOUSNESS OF THE SUBJECT OF COMPETITION* consists in the knowledge of the externally given facticity of the conditions of competition and his/her possibilities of action within the framework of the given circumstances. The competition subject is thus a calculating, rational agent who attempts to find a place in the total process of capitalist economy, a process which brings /183> forward results that are not the willed aim of a social subject. The competitive society is the realm of *INSTRUMENTAL ACTION* in which the other subjects of competition are viewed as means to one's own ends. The incalculability of the economic process and the caprice of other, similarly calculating, subjects set a limit on the individual subject's chances of success. The forms of property and

contract demand that the subject respect the other's property and existence rights, which of course hinders or retards the execution of the subject's individual aims. This consciousness of the competition subject is related to a corresponding *SELF-CONSCIOUSNESS*: The subject knows itself as an *ISOLATED INDIVIDUAL* in the totality of individuals acting in competitive society. He/she is conscious of his/her willed relation to property, which is employed in the attempt to earn income, and knows that this relation of property is *EXCLUSIVE*. The subject of competition is conscious of him/herself as *PROPERTY-OWNER* with right of exclusive disposal of his/her own property. The self-consciousness of the property-owner includes the consciousness of oneself as equal to all other property-owners. By virtue of their status as property-owners, the subjects of competition concretise their property rights in definite contracts with one another. The self-consciousness of the property-owner includes the aspect that s/he knows him/herself as a constituent link in the chain of happenings of competitive society. The competitive economy is viewed as the outcome of the innumerable interactions of self-interested property-owners, as resultant of a vector-sum of individual social forces. The subject of competition is not conscious of the abstract universal value process of capital which proceeds on the basis of the form-determinate activity of individuals. In the property-owner's self-consciousness, the subject is still conscious of the social connection constituted by property. The *SELF-CONSCIOUSNESS OF THE PERSON* is otherwise. The person as bearer of the right to existence conceives him/herself in the first place abstractly as a living being, independent of any social connection. As fundamental right, to self-consciousness, the right to existence appears to be given pre-socially, as a fundamental human right per se. As we have seen (§61), the right to existence arises out /184> of a *FORM-DETERMINATE* mode of intercourse of social individuals with one another, in which the harming of another subject is an immanent possibility. Such an injunction to the harming of another is only necessary in a society where instrumental action, the employment of others as means to one's own ends, reigns. Since the right to existence is seen as *FUNDAMENTAL* right, the rights of property appear to be

derived from the pre-socially given rights of the individual as individual. The *EQUALITY* of subjects as persons appears to consciousness as an abstract principle based on naive faith from which the equality of subjects as property-owners (the reciprocal respect of property rights) is derivable. Social intercourse as intercourse with private property thus seems to spring from inalienable, pre-socially given rights of humans. Insofar, the systematic knowledge that the subject is constituted as isolated individual by private property relations is inverted.

a) With the person, the analysis has reached the formal figure standing at the centre of the classical theories of right. Respect of personhood is the famous Kantian imperative, formulated by Hegel as “Be a person and respect others as persons” (Rph §36). The self-consciousness of personhood has the fixity of a natural prejudice, which permeates even, or especially, naive left-wing consciousness. The injustice of the degradation and misuse of humans by those more powerful is conceived completely ‘naturally’ as an infringement of basic human rights. For those disenchanted with the regime in the East, the individual rights of the person appear as something holy and precious, to be preserved at all costs. Personhood is taken as a given external yardstick with which reality, especially that in the East, can be compared and criticised. This paltry transcendental method of critique is concretised in insipid reactionary slogans such as: If you don’t like it here, go live in Russia! Like all bourgeois subjects who as a matter of course enjoy freedom of choice, left-wingers seriously deliberate on whether it is better to live in the East or in the West. They are concerned with the bad example (negative advertising) provided by the Soviet Union. The Western left is then confronted with the realisation problem of how to sell their /185> product, left-wing consciousness, to the masses. Left-wing journals and newspapers orient themselves towards what they think the people want, and subsume political matters of content to financial considerations. They identify with the underdog, instead of challenging its naive consciousness. Left-wingers become defenders of human rights and are careful and opportunistic enough to wield this form of consciousness as a lever of lowest common denomination to build a broad, nebulous, shallow movement, which founders on the first sand bank that comes along.

b) The concept of person is here developed only for the members of competitive society, and thus excludes consideration, on this level of the analysis, of children, old people, civil servants, dependants, etc. These latter subjects will be systematically developed on later levels of the presentation.

c) *John Locke’s* second *Treatise of Government* is a classic of the contract theory of the state and of the absolute sovereignty of the people. Here I will not go



into Locke's arguments for the state (called government by him), but rather discuss the figure who enters into a compact to form a government out of a "state of Nature". Locke treats the state of nature as a real state of affairs opposed to the state of affairs in civil society, in which the individual is subjected to the law of government. The law of nature or reason is said to govern the state of nature, only with the impediment that only the individual members of that state are in a position to posit and enforce it. In the state of Nature, all individuals are "equal and independent, no one ought to harm another in his life, health, liberty or possessions" (Locke 1966 p. 119). The individual so described corresponds to the concept of person derived on this level of the analysis, although the route by which this concept is developed is entirely different from Locke's. Locke proceeds from the premise, given by the "law of reason", that all men are free and that each has a "'property' in his own 'person'" (ibid. p. 130) On the basis of this essential "property", external private property is derived as things which become the person's property in that "he hath mixed his labour with it" (ibid.). In Locke's definition of property lies an origin of the classical labour theory of value: "for it is labour indeed /186> that puts the difference of value on everything" (ibid. p. 136). From property through the taking of possession of a thing through labour, Locke proceeds to property acquired through exchange and money, whereby he represents a nominalist theory of money, according to which men "agreed that a little piece of yellow metal should be worth a great piece of flesh or a whole heap of corn" (ibid. p. 134). The "life of men" in the state of nature is thus that of labour and exchange through money, which, although only extremely casually analysed by Locke, corresponds conceptually to the competitive society elaborated in the present work. Locke states several times that "the great and chief end ... of men uniting into commonwealths, and putting themselves under government, is the preservation of property" (p. 180). The transition to civil society is thus performed with the argument that the state has to preserve property, where property is taken to include also "life and liberty". This is analogous to the first determination of the state given in §74. Similarly to Hegel, the point at which Locke's argument is vulnerable, is the derivation of private property from a "law of reason". (Hegel derives it from the abstract will which is free *an und für sich*). Here however is not the place to go into a detailed critique of his treatment of property. This has already been done in the case of Hegel (cf. esp. §18A), whose presentation is in any case better argued.

## f) **Contradictions in the Reproduction of the Free Competitive Economy**

### **§65 The Free Competitive Economy. Material Reproduction without a Conscious Social Subject: Disproportionalities**

The analysis of the total reproduction process of capital shows (cf. App. §63) it to be a process of capital accumulation. Part of the total social surplus-value appropriated by capital in the form of interest and profit of enterprise is advanced as money-capital to continue the reproduction process on an expanded scale. On the level of competition, this movement of accumulation is enforced by the competition between companies. In order to maintain their place in the competition, the companies are forced to strive for increased effectivity of their labour processes, /187> which generally requires an increased scale of production or operations, increased investment in constant capital and greater employment of labourers and land (cf. §§35f). The totality of companies comprising the reproduction process on the level of competition – the *FREE COMPETITIVE ECONOMY* – constitutes the multitude of circuits of capital and their intertwining with one another. Capital must proceed through the stages of money-capital, productive capital and commodity capital, although these stages are subject to a division of labour between industrial, commercial and banking capital. Each single capital is dependent upon the circuit of other capitals in that the products of one capital enter into the labour processes of others, and in that commodities produced for individual consumption must find a market to enable capitals producing them and the capitals supplying means of production to them to reproduce themselves. In particular, the total process should, but rarely does, result in the correct proportions of production in the four basic Departments of commodity production (App. §58). If the relationship between the total production of capital, in the concrete form of a manifold of different types of commodities, and the total social productive and individual consumption is disproportional, the value-form mechanisms of the market enforce changes which may or may not bring the relationship compulsively back

into line. Commodities produced which are not acknowledged as part of the total abstract associated labour<sup>7</sup> to an extent enabling the producing capitals to valorize cannot in the long run continue to be produced. The capitals concerned must seek a new branch of investment, rationalise or cease activity altogether. On the level of competition, this attempt at accommodation to market relations is undertaken by the companies, as collective subjects of competition. The total reproduction process shows itself to be a process *WITHOUT A CONSCIOUS SOCIAL SUBJECT*. In the compulsive adaptation to the reproduction process – an adaptation which can only proceed post factum, after the productive activity has shown itself to be not a part of the abstract universality of value – the activities of companies are disrupted, and the efforts of many a subject of competition to earn income turn out to be entirely or partially /188> futile. The company must plan a new competitive strategy, money-capital seek a new branch or a more effective mode of investment, labourers find new jobs and land another employment. The competitive economy reveals itself to be subject to continual dislocation forcing the subjects of competition to seek new ways of gaining income. Now one branch of activity experiences difficulties, now another, and accommodation to the changed circumstances is forced on all those affected. The development of commercial credit relations simultaneously facilitates the transformations of forms of capital by allowing more flexibility within the value relations and at the same time exacerbating the disturbances to the economy when dislocations between production and transformations of value come to be felt, by widening the circle of impact when one company experiences difficulties. A bailing-out operation for a company in difficulties may only serve to increase the losses and merely postpone the evil day of shutdown. On the other hand, additional credit may allow a company to introduce new technology which forces *OTHER* companies to the wall in its stead. In a situation of disproportionality it is the competition which decides which subjects must take a bow. The *CONVERSE* difficulty, that commodities of a certain kind are not available on the market in sufficient quantity, is welcomed by capital as a chance to fill the gap of lacking production. Developed capitalism has not yet reached a stage where the exhaustion

of natural non-renewable resources presents any significant problems that cannot be solved by substitution of raw materials. (This doesn't exclude that some natural resources become more expensive.) Even if this were the case, the lack of raw materials would force a new shape on the material reproduction process as production of use-values which perhaps for the humans living under capitalism would be uncomfortable, but for the activity of capital as valorization of value would represent no limitation whatsoever. The subjects of competition would seek to ameliorate the effects of the shortage of particular use-values at the expense of the other subjects. As subject of competition, the subject remains captive to the individualistic pursuit of his/her own ends in the shadow of the total process. Material disproportionalities in the total reproduction process are complemented by disproportionalities between the material total process of production and the monetary system which is to mediate production. The banking system is entrusted with the task of providing the money-capital necessary for lubricating total material reproduction. Whether the total amount of money-capital available through the banks suffices is a matter of contingency. Whether particular branches can obtain money-capital in sufficient quantities is also dependent on competitive relations between companies in the branch and the banks. To an extent, a lack of availability of money-capital can be compensated by the velocity of its circulation as well as by commercial credit relations. There remains nevertheless considerable room for disproportionalities between the monetary side and the material side, brought about by the non-consciousness of social material reproduction on a total social level. These disproportionalities appear in phenomena such as credit squeeze, inflation and gluts on the market. (The last named can also be due to pure material disproportionalities of the total reproduction process.<sup>8</sup>)

The contradiction of overaccumulation (§§66ff) is to be distinguished from the disturbances and even crises in the economy arising from the market-mediated compulsive organisation of total social production.

If it is said that not universal overproduction but disproportion within the various branches of production occurs, then this means nothing other than that within capitalist production proportionality of individual branches of production

presents itself as a continual process of disproportionality, in that here the connection of total production forces itself as a blind law on the agents of production, not as a law grasped by their associated understanding and thus as a dominated law which has subjected the production process to their collective control. (CIII 257;KIII 267)

Disproportion, or structural dislocation, and overaccumulation are the two fundamental *contradictions* in the material reproduction of the freely competitive capitalist economy. /190>

### **§66 Absolute Overaccumulation**

Disturbances to the competitive capitalist economy spring not only from its fragmented, post factum nature. The economy is beset by an essential contradiction located in the antagonistic relationship of capital to wage-labour itself. Capital is an infinite, expanding process of valorizing value which relates to living labour as its object of exploitation. The accumulation of capital, its reproduction on an extended scale is predicated<sup>9</sup> upon the availability of labourers to either produce commodities or perform circulation labour. The aggregate labour force, however, does not automatically augment itself in accordance with the accumulation of capital. The rate of accumulation can exceed the rate of expansion of exploitable labour-power which would accommodate such an accumulation. When labourers are unavailable on the market for available capital to set into motion, a possible increase in commodity production is hindered (either through lack of production or circulation labourers; the latter are necessary to circulate an already produced product). This possible increase could result in additional new-value, which forms the substance of income for all classes. A situation where the continual accumulation of capital is prevented by a shortage of available labour-power is called *ABSOLUTE OVERACCUMULATION*. It conceptualises an absolute limitation to the process of valorization residing in the finiteness of living labour. Valorization is an infinite process that encounters finite conditions of realisation in the given labour force. The essential contradiction arises from an excess of capital, an over-production of capital as distinct from an over-production of commodities. The form of appearance of this

essence is latent money-capital, money-capital which cannot find a sphere of investment for lack of available labourers. Absolute overaccumulation on a total scale would appear as a complete exhaustion of the supply of labourers by capital on the one hand, and an excess of capital unable to find a sphere of investment on the other. On a localised scale, overaccumulation appears only as a shortage of labour-power of a particular type, so that the accumulated capital can seek a new branch of activity. On the surface of economic life, this movement of capital does not /191> differentiate itself from the normal dislocations of the reproduction process arising from over-production in a branch. For one reason or another, capital diversifies into other branches and everyday consciousness does not trouble itself as to the differing significance of the movement. In a situation of excess capital on an absolute scale, the competition between money-capitalists for a branch of investment becomes intensified. A part of the total social money-capital must lie idle or valorize at a lower rate and this can only be decided in the competition in the money-market and within branches. Excess money-capital can be disguised by the existence of banks, which accept interest-bearing deposits even when they cannot be loaned to a company. One speaks in this case of excess liquidity in the banks and a lack of entrepreneurial incentive or confidence. The banks try to no avail to encourage the dispirited entrepreneurial spirit to take a plunge. The rate of interest falls and all capital, at least as interest-bearing money-capital, seems to valorize. (Where the inflation rate exceeds the interest rate, money-capital has already ceased to valorize.) For the banks and companies, the absolute overaccumulation appears as excess liquidity, which is desirable from the viewpoint of being able to meet payments as they fall due, but undesirable from the viewpoint that unused money-capital draws no interest and produces no profit. Since money can always earn some nominal interest at a bank, the portion of total social money-capital that is lying idle can still gain a portion of the interest falling to the total social functioning money-capital. The bank only pays an interest on deposits which can be more than covered by the total interest derived from capital loaned to companies. When a part of the bank's deposits in fact remains unused, the interest payments to the bank

are lower and a portion of them have to be spread over money deposited which is in fact lying idle.

a) Marx investigates overaccumulation in the third subsection 'Excess Capital with an Excess of Population' of the fifteenth chapter 'Unfolding of the Inner Contradictions of the Law' (of the Tendential Fall of the Profit-Rate) of Volume 3 of *Capital*:

There would be an absolute over-production of capital as soon as the additional capital for the purpose of capitalist /192> production were 0. The purpose of capitalist production, however, is valorization of capital, i.e. appropriation of surplus-labour, production of surplus-value, of profit. Thus as soon as capital had grown in a relation to the labouring population where neither the absolute labour-time which this population supplies could be extended, nor the relative surplus labour-time...; thus where the augmented capital only produced just as much or even less mass of surplus-value than before its growth, an absolute over-production of capital would occur. (CIII 251;KIII 261f)

This is a formulation of the contradiction of overaccumulation in its pure form. Marx presupposes in this passage a direct correspondence between performed labour-time and value-magnitude which is untenable (cf. RVfA & App. §8). The formulation of the contradiction does not require the presupposition of the dogma of the labour theory of value, relying as it does on the simple disproportionality between total social capital and the labouring population. It also does not alter anything if the labourers who perform circulation labour are included, even though they are not involved in value-generation, since their finiteness too represents a restriction for the *functioning* of capital, if not a positive restriction in the generation of value. The labour theory of value presents overaccumulation in a light where the absolute or relative limits to the labour-time objectified by society's labourers represent a limit to value-creation and thus in surplus-value 'creation'. This is not the case. If labourers are available at a suitable price, say, for a socially average wage, the fact that they produce with more machinery, in material and value terms, can enhance their value-generating potency – measured in money, in the sale price of the produced commodities – so that a greater mass of commodities, although produced with the same input of living labour-power, gains value-form recognition in money allowing the rate of surplus-value to rise and the rate of profit to be maintained.

With respect to the competition between individual capitals over which of them should lie idle Marx writes: /193>

A laying idle of a part of the old capital (when newly accumulated capital sought a sphere of investment ME) would have to occur under any

circumstances, a laying idle in its characteristic as capital, insofar as it should function as capital and valorize itself. Which part this laying idle particularly affects would be decided by the competition struggle. As long as everything goes well, competition acts, as shown by the equalisation of the general rate of profit, as a practical brotherhood of the capitalist class, so that they in common divide the common booty in relation to the size of each lot employed. However, as soon as it is a matter not of the division of profit, but of division of losses, each strives to lessen his quantum of the same as much as possible and to shove it onto the other. The loss is unavoidable for the class. However, how much of it each individual has to carry, to what extent he has to partake in it at all, becomes then a question of power and cunning, and the competition transforms itself then into a struggle of hostile brothers. (CIII 153;KIII 263)

The role of competition here is clearly expressed, even if it is misleading to talk of losses when discussing the laying idle of capital. Capital laying idle is not a positive loss, even though it is not a positive gain. The discussion of competition in this passage, which is applicable even to the absolute variant of overaccumulation, belongs to the competition-analysis, just as the investigation of the equalisation of the rate of profit does, within which Marx's examination of overaccumulation occurs. Overaccumulation sharpens the competition between functioning capital over opportunities to valorize; some capital must lie idle. This does not mean however that the competition is normally a "practical brotherhood"; even in good times the struggle in some branches can be fierce, and a company can lose its footing and slip into bankruptcy. Since in our presentation of the sphere of competition, the banks are presupposed as subjects of competition, there can be no talk of an absolute laying idle of capital, where money lies round in the company safe, old socks or under the mattress. Through the banks valorization of capital as interest-bearing /194> capital becomes disconnected from the essential valorization of capital through the employment and exploitation of living labour. The banks will always accept money. If there is inflation, they can offer real negative rates of interest; where there is no inflation, the nominal rate of interest offered could be zero, or even negative (Switzerland). (Here is not the place to discuss why the Swiss franc is such a well-loved currency.)

The significance of the above passages from Marx for the understanding of the essence of the phenomenon of capitalist crisis has in recent years been pointed out by Makoto Itoh (1980) and earlier by Kozo Uno (English trans. 1980). Ivan Glaser (1982) has proposed that accumulation and overaccumulation be given a central place at the beginning of a reconstructed capital-analysis, a proposal which stands opposed to the attempt to reconstruct the capital-analysis value-form analytically. None of the authors mentioned formulates a critique of the labour theory of value.



With Glaser the labour theory of value in fact forms the fundament of his proposed reconstruction: a form-independent consideration of labour should constitute the centrepiece. Although both Itoh and Uno attribute significance to the value-form, they both remain fixated on a causal theory of laws of motion of capitalist crisis which would be applied to analyse particular crises. (Cf. App. §7A and my review of Uno and Itoh, 1982.) The consideration of relative and absolute overaccumulation given here does not amount to a theory of the cyclical movement of economy as boom and bust which could account for crises on an empirical level. Here we name only a fundamental contradiction in the competitive economy which makes disturbances and crises unavoidable. The empirical explanation of a particular crisis – which buys into a rat’s nest of problems of disentangling and trying to weigh up the influence of many factors which never give a transparent form of appearance of either of the contradictions conceptualised here – would have to take account (in an *a posteriori* explanation) of dislocation, and restructuring (§65), the state’s economic policy (which can and often does backfire; cf. §84), conditions on the world market, and endless contingent factors. /195>

In Japan there is a multitude of Marxist economists who devote themselves precisely to these empirical problems. What this accumulation of knowledge is supposed to achieve is anybody’s guess; certainly not the critique and enlightenment of naive consciousness. The description of crises cannot go beyond intelligent reportage. Form-analysis shows that there can be *NO* economic theory in the sense in which this is attempted by economics. Economics (Marxist and otherwise) is a futile attempt at a premonetary theory of capitalist economy. (Cf. Pedersen & Stenderup 1982.) Form-analysis restricts itself with good reason to the analysis of the contradictory form of bourgeois society. It does not need to engage in (endless) empirical research; the world to be conceptualised lies to hand in the form of everyday consciousness. Empirical details are merely embellishments, “rococo ornaments” to connect the general with a specific context. Those sociologists and economists who pursue their research of capitalist economies operate on the conceptual level of an avid newspaper reader. The complicated mathematical economic theories in vogue today are an obscene hoax which appropriate social wealth for the ostensible solution of problems which are in principle insoluble.

b) In her work *Das Marxsche System: Ein Beitrag zu dessen Ausbau* (Berlin 1929), Natalie Moskowska proceeds from a general, form-indeterminate concept of accumulation, which she defines as relative increase of the production of means of production with respect to the production of means of consumption.” (p. 121) According to this definition, overaccumulation means that Dept. I production increases too fast relative to Dept. II production. In this way, a notion of underconsumption arises: too many means of production are produced in relation to

means of consumption, or, in other words, there arises an under-consumption of means of production. Insofar, Moskowska's theory is not a classical under-consumption theory, according to which the limits of consumption of the working class represent a limitation of valorization of capital. The principle of overaccumulation is thus mixed with a version of the over-production/under-consumption theory of crisis. Moskowska writes: /196>

As long as a reserve of living labour-powers is available or is substitutable by the mechanical process, one can only talk of a latent over-production (used synonymously with overaccumulation ME), *no matter how great the gulf* between production and consumptive use may be. The latent over-production first becomes real with the *exhaustion of the reserve* of exploitable human material, i.e. to an over-production which leads to disturbances in the economy. (ibid. p. 128 my emphases)

Here, the basic idea of overaccumulation is correctly expressed. Overaccumulation means fundamentally exhaustion of the available labour force, which can be allayed by technical innovation (cf. §69). On the next page, however, Moskowska writes of a “disharmony between the productive and consumptive power of the society” (p. 129) which leads to a compulsion to produce ever more, until the exploitable labour-power is eventually exhausted. This “disharmony”, then, is supposed to trigger the overaccumulation. Why such a disharmony (between Departments I and II) arises is not explained. As long as an effective demand for personal consumption exists, i.e. so long as, in particular, the labourers have sufficient wages to spend, there would seem to be no limit to the “consumptive power of society” and thus no possibility of a disharmony. Moskowska also quotes a passage from Marx (CIII 245;KIII 255) supporting her view that overaccumulation is a contradiction with the “narrow basis on which the relation of consumption rests” (ibid. p. 130 quoting KIII 255). This “narrowness” of consumption cannot be grounded. The disharmony which arises is rather that between the growing mass of money-capital, which seeks employment as capital, and the limited mass of exploitable labour-power. Moskowska does not discuss the kernel passages on overaccumulation in Vol. 3 Chap. 15 Section III. Since she defines accumulation, and thus also overaccumulation, in a form-indeterminate manner, the concepts have also a meaning for other forms of society, in particular, for a socialist society. Accumulation for Moskowska is synonymous with development of the productive forces, which proceeds along with growth of the population and technical progress. Overaccumulation is accordingly development of the productive /197> forces that outstrips the available working population and the level of technology. The figure lying at the base of this argumentation is that from the 1859 Preface, whereby development of the productive forces comes into contradiction with the relations of

production. Instead of this figure, the above paragraph (§66) seeks a limitation to capital in the transformation of money-capital into productive, functioning capital. This limitation cannot be formulated in form-indeterminate manner, and is not synonymous with an amassing of means of production that outstrips the available workforce. By concentrating on this form-transformation of capital we avoid being misled by elements of an under-consumptionist theory which Moskowska blends into her theory of overaccumulation (cf. §68Ab & §69Aa).

### **§67 Relative Overaccumulation**

Before the overaccumulation of capital could reach a stage where it would be absolute, i.e. where the available labour-force would be entirely exhausted, a relation of competition comes into effect which produces overaccumulation before actual exhaustion has occurred. Accumulating capital comes up against the limit of available labour-power through the fact that the labourers use a situation of increasing shortage of labour-power to their own advantage. The shortage of labourers relative to the mass of total social capital gives rise to a competition between companies for the available labourers. This increased demand of companies for labourers is favourable for the latter, who, through their organs of competitive struggle, the trade unions, can gain higher wages from the companies. Higher wages mean higher costs and therefore the worsening of conditions of valorization. Unit costs rise, leading to devalorization (*Entwertung*) of capital. The capital is either entirely lost through the value-form, i.e. through insufficiently high prices, or it is forced to lie completely idle. If the companies can only get hold of labourers by conceding to increased wage demands, and if the increased wage costs would negate the purpose of the investment, it would rather leave the labourers available unemployed. We would have higher wages for that part of the working class still employed, together /198> with excess, unvalorizable capital on the one side and on the other excess labourers unemployable under the given market conditions. Such a situation of simultaneous excess of capital and excess of (unemployable, because too expensive) labourers we call *RELATIVE OVERACCUMULATION*. It is relative, because the total social labour force has not been exhausted, but capital is nevertheless in excess in that

it cannot valorize successfully. The rise in wages that would result in the attempt to employ this last part of the labouring population negates the purpose of the companies to produce a greater mass of profit. Relative overaccumulation corresponds more directly to the phenomenality of the competitive economy than absolute overaccumulation, since it takes into account the struggle between functioning capital and labourers over the determination of wage-rates. Complete exhaustion of the society's labour-force is excluded by the exercise of the labourers' collective competitive subjectivity. Just when the invisible hand of supply and demand is beginning to work in favour of the labourers, capital decides that they are too dear and goes on strike. Functioning capital complains loudly that the working class is pricing itself out of the market, and thus making continued accumulation (referred to euphemistically as 'growth', which is without question good for the economy!) difficult. The phenomenon of relative overaccumulation is not restricted to industrial branches of capital, but holds for all spheres of investment in both production and circulation. In the industrial branches it can be seen that the full exploitation of the value-generating potential of commodity-producing labour is ruled out by the struggle over wages.

a) Marx nowhere uses the term relative overaccumulation, but its meaning can be deduced from the definition he gives of absolute overaccumulation (cf. the quotation in §66Aa). Absolute overaccumulation arises when additional aggregate capital cannot produce any additional aggregate surplus-value. Relative overaccumulation would be accordingly a situation where additional aggregate capital (accumulated capital) produced surplus-value at a lower rate than the social average. The question is: which rate is significant? The rate of surplus-value or the rate of profit? /199> Here, on the level of the competition-analysis, where the subject bearing the capital-relation is the company, the rate of profit, the ratio of gross profit (including interest but after deduction of wages and ground-rent) to total advanced capital, is of consequence. And here it is above all a rise in wage costs, caused by additional demand for labour-power, which would reduce the profit-rate. A fall in the profit-rate through a reduced unit selling price can only arise from a misrelation in the production of particular commodities. Marx in fact introduces a "massive contraction of prices" (CIII 254;KIII 264) into his discussion of absolute overaccumulation. A fall in prices however can be only either a case of misproportion between production and consumption (§65) or a conscious means of competition, i.e. a price war, to defeat opponents, or the *result* of the restriction to

further accumulation, i.e. the lack of availability of additional labour-power, either absolutely or at a suitable wage-price, prevents produced commodity means of labour from being drawn into a capitalist labour process. In any case, even apart from the fact that the concepts of overaccumulation here developed have nothing to do with the labour theory of value, the concept of relative overaccumulation in §67 is not that directly implied by Marx's definition of absolute overaccumulation. In our presentation, relative overaccumulation is a concept arising through the incorporation of the competitive struggle between wage-labour and capital into the fundamental problematic of absolute overaccumulation. Marx, on the other hand, incorporates both this struggle and the tendency to increase the organic composition of capital simultaneously into his argumentation. As we shall see in §69, the increasing organic composition of capital is already an attempted resolution of the contradiction of overaccumulation.

The same circumstances which raised the productive power of labour, increased the mass of commodity-products, extended the markets, accelerated the accumulation of capital both in its mass and value and lowered the profit-rate, these same circumstances have produced a relative overpopulation, produce it continually, an over-population of labourers, which is not employed by the excess capital because of the  $\frac{1}{200}$  low rate of profit which it would throw off at the given rate of exploitation. (CIII 256;KIII 266)

That excess capital cannot employ the excess population is due to the tendency of wages to rise, and not because of a lowered profit-rate. The lowered profit-rate in this case would be a consequence of the higher wages, not its cause. The additional capital would be unable to valorize at all at the higher wage levels achieved in the situation of relative shortage (in relation to the total social mass of capital) of labourers. We are of course speaking here about a whole economy, and not about a single branch. There is no possibility for capital to find a more favourable sphere of investment. In this sense the relative overaccumulation is also absolute, in that it encompasses all branches of activity of capital.

b) *Paul Sweezy (Theory of Capitalist Development 1942, 1970)* presents a two-strand theory of capitalist crisis. The one strand is considered in §69A. Sweezy is better known for the other strand, the under-consumption theory of crisis, which is here criticised. He formulates the under-consumption theory very concisely on pp. 181-183, and gives a mathematical formulation in an appendix (pp. 186-188). The mathematical appendix does not improve the argument, but makes it clear that it depends on considering quantities in value-terms, i.e. as *money prices*. Sweezy argues for two premisses:

1. the ratio of the rate of growth of consumption to the rate of growth of means of production declines (ibid. p. 182)

and, on account of the “technically determined relation between the stock of means of production and output of consumption goods” (ibid.), for:

2. the ratio of the rate of growth in the output of consumption goods to the rate of growth of means of production remains constant. (ibid.)

He then deduces a contradiction between the two assertions. The contradiction is derivable only if both assertions hold in value terms. The argument for the second assertion, however, depends on a technical argument, which implies no conclusion for the ratio seen in value terms, i.e. even if the constancy of the technical /201> ratio is admitted, the ratio in value terms could decline. This removes the ground for the under-consumption theory, and thus makes redundant Sweezy’s extensive discussion of ‘counter-tendencies’ in Chapter XII ‘Chronic Depression’. This chapter is remarkable for the fact that, to the second last page, Sweezy argues in support of Kautsky’s thesis of chronic depression. Then, miraculously, state expenditure is introduced as a factor which “offsets the tendency to under-consumption” (ibid. p. 235). Sweezy’s theory thus gives no satisfactory answer to the strategy of (Keynsian) policy implemented by the state to bolster consumption. Sweezy concludes with a lamentably weak excuse:

It would be futile to attempt to answer these questions (regarding the thesis of chronic depression ME) on the level of analysis to which our analysis has so far been confined. (ibid. p. 236)

The introduction of state expenditure into the argumentation does nothing to rectify the flaw in the basic argumentation for an under-consumption theory. The appropriation by the state of a portion of social wealth, mediated by taxes and state loans, is in any case a relatively simple matter; the wealth so appropriated is no longer available to competitive society. The pronounced emphasis placed on a theory of crisis in the Marxist discussion down to the present day would seem to suggest that crisis is *the* principal critique point of capitalism; that it would be satisfactory for humans to continue to live under reified relations just so long as they could deliver the (material) goods. The unrelenting compulsion of the fetishised social relations leaves a residue in subjectivity itself, which retreats behind an ossified facade. One should not expect or strive for too much in order to avoid being disappointed. The hitch is: ‘realistic’ resignation is one form of capitulation which sadly represses and binds vital energy. In contrast to an earlier generation of Marxists, today we realise that history is not on our side. Some have bent the stick in the other direction: history is against us. Both attitudes of faith refuse to face the responsibility: we make our own history, even, and especially, in that we allow ‘things’ to take their course. /202>

## §68 Destruction of Capital

Overaccumulation of capital, both absolute and relative, leads to an increased competition between the companies, which are, on this level of the presentation, the adequate subjects bearing the relation of functioning capital. A part of total social capital must lay idle, but which part is decided through competition. Rising labour-power costs lead the companies to make even more ruthless efforts to increase effectivity and speed up turnover. Some of them will lose out in this competition and be forced to sell their commodities or perform services for prices which do not allow the capital employed to valorize. The company can perhaps arrange loans of additional capital to cover temporary losses, but this can only be a temporary measure until the company has again established a secure position. If it fails to do this, or if no emergency loan-capital can be raised, the company disappears from the scene. It is liquidated, either by being wound up or by takeover on terms dictated by the stronger company. In the process of making losses, a part of capital is destroyed. The value advanced to produce more value returns decreases, or not at all. Any such losses of value, although painful and dangerous for the company concerned, lessen the total amount of social capital and thus the pressure of overaccumulation. The destruction of capital through competition is thus a healthy process. The crises of capital of this kind are *CLEANSING CRISES* (*Reinigungskrisen*). It is not merely that inefficient companies go under in the competition, but that capital as such is destroyed. The competition between companies ensures that it is the inefficient companies which go to the wall. The insolvency of companies resulting from worsened conditions of competition is a forced transgression of the forms of property right. The company is no longer able to honour its promises for payment of revenues, and repayment of money-capital. As collective subject composed of its shareholders, the company loses its status as person and is no longer acknowledged by other persons. It ceases to have any validity as a subject of competition. If the company takes the particular shape of a single entrepreneur, the entrepreneur is unable to seal further contracts, nor command a labour process. /203> The sacrifice of these subjects in the competition

nevertheless allows a lessening of the pressure of overaccumulation and thus contributes to conditions for a new phase of accumulation, of economic expansion. The sacrifice is effected impersonally through the conditions of competition. The failed subject has no *ONE* to blame – except him/herself. The social relations remain unmoved by the suicides of individual failed entrepreneurs.

Cleansing crises are brought on by rising costs of labour-power in conditions of competition favourable to the working class. The oft-heard complaint of the representatives of capital that the labourers are pricing themselves out of the market thus possesses a certain ironic validity. If only the labourers would act with *moderate, restrained* competitive subjectivity, the whole works (apart from the nagging problem of disproportionality) should keep functioning ‘smoothly’. The working class is blamed for taking advantage of a favourable competitive situation for itself and thus ‘damaging’ ‘our economy’, threatening jobs, etc. The same freedom of competition which is the hallmark of the Free West is denied to the working class. The representatives of capital do not mention that it is the thirst of accumulating capital for additional labour-power which brings on relative overaccumulation in the first place.

### **§69 Increase in the Organic Composition of Capital**

The struggle for survival amongst companies is above all a competition over effectivity of the company’s operations. Those companies which produce at lower unit cost than their competitors gain extra returns from sales and can conquer new markets. In conditions of overaccumulation, the struggle over increasing effectivity decides not simply which companies will produce greater profits, but which companies will avoid the fate of having to lay their capital totally or partially idle. There is in addition a further effect of the increase in effectivity. Such increases are generally brought about with the employment of technology requiring a greater outlay of capital. The relation of living labour to the value and extent of the means of labour diminishes: each labourer sets more means of labour into motion and the *ORGANIC COMPOSITION* of the capital rises. This rise in organic composition means that accumulated capital has found an employment as capital, where it does not exert an extra demand for labourers. The company employs more of the accumulated capital, but



for extra machinery, etc. and not for additional labourers. This is a resolution of the contradiction of overaccumulation insofar as accumulated capital avoids the fate of having to lay idle or to be underutilised. The accumulation of capital as new technology is a necessity forced on the companies by competitive conditions. Total social newly accumulated money-capital represents the fruits of the expanded reproduction of capital. These fruits also have a material form as additional commodity-capital, so long as inflation is abstracted from. The additional total-social money-capital thus corresponds to an addition to the total abstract commodity wealth. This additional commodity wealth must only be available in the appropriate material form if it is to be used by companies introducing new technology. Given that the increasing organic composition of capital is a factor *OFFSETTING* overaccumulation by allowing accumulation without increased labour-power demands, we can assume (abstracting from problems of disproportionality) that the additional social commodity-product takes the appropriate form of means of labour, and not that of additional articles of individual consumption on which labourers would spend additional wages. The material form of the total social commodity capital, whether it be available to capital for increased productive consumption in some labour process or whether it fall to individual consumption – and that means in the first place the labourers' consumption – is a *RESULT* of the distribution struggle over income (in the money-form) and not the cause of the distribution of social wealth. We can thus conclude – problems of disproportionality aside – that on a material level nothing stands in the way for companies to increase the organic composition of capital and so act against the tendency to relative overaccumulation. The introduction of new labourer-substituting technology implies in general the replacement of fixed capital. The worsened economic conditions resulting from overaccumulation may force a company to replace fixed capital (in modern terminology: to /205> restructure) even though the extant fixed capital is still physically capable of functioning. The pressure of overaccumulation thus coincides with a movement to write off and replace fixed capital. Where this pressure does not exist, companies are content to employ the existing

technology and accumulate by extending the scale of production without replacing labourers by machines.

a) Marx and most of his interpreters have represented the tendency towards a falling rate of profit as a theory of crisis. This is done also in the pages on overaccumulation in Volume 3:

But even if it is assumed that the occupied capital continues to valorize at the old rate of profit, the mass of profit remaining the same, then it would still be calculated on an augmented total capital, and this implies a fall of the profit-rate. ... It is however clear that this factual devaluation of the old capital could not happen without struggle, that the additional capital of  $\Delta C$  could not function as capital without a struggle. (CIII 252;KIII 262)

This passage presupposes that the organic composition of the capital actually employed does not change, so that it is a matter of the newly accumulated capital trying to force the old capital to lay idle. If the organic composition of capital actually functioning does increase, it means that the additional capital can be employed without raising the spectre of increased wages through increased demand. The struggle of competition would then be the race for the introduction of new technology and not for the necessary laying-idle of some part of social capital. Even with an increased organic composition of capital, one cannot conclude that the rate of profit falls. Kozo Uno has pointed out that the tendency of the rate of profit to fall cannot be regarded as a theory of crisis:

It should be remarked, however, that the falling tendency of the profit-rate is a normal consequence of the rising organic composition of capital and that the law itself does not imply any internal contradictions capable of generating an economic crisis. (Uno 1980 p. 95) /206>

Uno is both right and wrong. The 'Falling Tendency' is not a crisis theory; it is not a correct theory at all. The argument for the falling rate of profit depends on the labour theory of value, whereby it is assumed that a given mass of labour corresponds to a unique mass of new-value and thus of surplus-value (after deduction of the necessary value for wages). This cannot be assumed for a form-analytic argumentation, with the result that the tendency cannot be derived. This implies *a fortiori* that the tendential fall is not a theory of crisis.

Sweezy, in his *The Theory of Capitalist Development* (Modern Reader, N.Y. 1970 (1942)) provides a critique of the law of the tendential fall from within the framework of the labour theory of value. He concentrates on questioning Marx's assumption in his formulation of the law that the rate of surplus-value remains constant while organic composition of capital rises. He notes that the introduction of machinery which displaces labourers is a method of raising the rate of surplus-value

(relative surplus-value production), whilst – in the general case – simultaneously increasing the organic composition of capital.

For this reason, Marx’s formulation of the law of the falling tendency of the rate of profit is not very convincing. (ibid. p. 104)

Sweezy then introduces the upward pressure on wages brought about by capital accumulation to deduce a fall in the rate of surplus-value. Whether the rate of surplus-value rises or falls, according to Sweezy, depends on the balance between the displacement of labourers through new technology and increased demand for labourers through capital accumulation. This balance “is an issue which cannot be settled on general theoretical grounds” (ibid. p. 106). In the same breath however Sweezy emphasises that “there has been no thought of denying the existence or fundamental importance of such a tendency (of the rate of profit to fall)” (ibid.). Is Sweezy here displaying a lack of courage to stand by his own theoretical arguments? Does he feel compelled to spare his father the pain of an open conflict? (Arnold Künzli has posed the question to Marxists: *Vaterfixierung oder Vaternord?*) Our value-form analytic argumentation shows that no tendential fall can be derived from the rise in organic composition of capital (cf. App. §§15-20). Sweezy’s arguments are closely related to our consideration of relative overaccumulation and maintain validity even though they are irrelevant for a law of tendential fall. One need argue only with the upward pressure on costs caused by increased wages in a situation of near full-employment, in order to deduce problems for continued capital accumulation. Sweezy superfluously argues further for a decline in the profit-rate which leads capitalists to temporarily cease their accumulation:

The specific form of capitalist crisis is an interruption of the circulation process induced by a decline in the rate of profit below its usual level. (ibid. p. 143)

As opposed to this assertion of the *abstinence* from capital investment caused by a depression of the profit-rate, we emphasise the diminution of the profit *mass* caused by a rise in wage-labour costs which *hinders* the capitalists in throwing their money-capital into a new circuit, regardless of any considerations as to whether they voluntarily withdraw their capital because of a miniscule rate of profit. What would they do with it instead? In Chapter X ‘Crises Associated with the Falling Tendency of the Rate of Profit’ therefore, Sweezy is close to an overaccumulation theory of crisis, and explicitly draws on passages from Vol. 3 Chap.15 Section III to support his arguments. The other strand of Sweezy’s crisis theory, the theory of under-consumption, is considered in §67Ab.

b) How does an author manage to be a droopy draws and a messiah within the space of one hundred pages? This is what *André Gorz*, a resigned French Utopian socialist, has achieved in his *Adieux au proletariat* (German edition 1980). His

resignation begins by casting into doubt the elements of Hegel's philosophy of history which found their way into Marx. These are the elements which prophesy the necessary development of the proletariat to a revolutionary subject which would appropriate the "totality of productive forces" (op. cit. p. 9) developed in capitalism. He discovers these prophecies (Chapters 1 and 2) in Marx's early (programmatic) 'philosophical' writings (in contrast to the dry later writings, regarded by many as economics). Gorz proclaims: /208>

The class which collectively employs and develops the totality of the productive forces is not able to appropriate this totality, to subordinate it to its own aims and to conceive it as the totality of its own means. ... Capitalist development has given it (the collective labourer ME) a structure which prevents the real labourers from recognising themselves in it, from identifying with it, from perceiving it as their own (?) reality and power. (ibid. p. 22)

He quotes passages from *Capital* Vol. 1 to show that Marx himself saw that the development of capitalist productive forces degrades the labourer to a "living appendage of a machine" (quoted in ibid. p. 22). Whereas Marx saw that even these degraded labourers had a chance of coming to understand better and to oppose their subjection to capital, Gorz expects the workers to be able to identify with the co-operatively and hierarchically structured collective labourer in the factory "as their own reality and power". Where does this leave Marx's analysis, which demonstrates that the collective labourer is a collective organism run by the collective capitalist, who *imposes* it on the labourers, who *inserts* them into it in the desired position? Gorz suggests that Marx demands the impossible: that the labourers identify with the alien power of capital. Wouldn't it be more to the point to suggest that the workers *resist* this alien power?

Gorz's polemical barbs against impossible demands in fact are meant to gouge the Soviet Union's "productivist ideology" (p. 25) and the French Communist Party's workerist propaganda for state socialism. Given that the capitalist means of production represent the *will* of the collective capitalist, and not of the workers, Gorz makes a couple of sensible statements:

Then the means and structure of production must be changed in such a way as to enable their collective appropriation. (ibid. p. 16)

and

The political power of the working class appears then not as a solution but as one of numerous conditions for the indispensable transformations. (ibid. my emphasis)

In the next chapter (3. The Proletariat as Copy of Capital) we are thrown into the depths of resigned gloom: The labourers are /209> turned into dull, unresponsive wage-slaves through capitalist mechanised labour. Moreover,

Capitalist concentration has annihilated the social fabric to its very roots in that it denies not only to the individual but also to groups and communities *every chance* of autonomous production, consumption (?!) and exchange (?) relations. (ibid. p. 32 my emphasis)

To top it off,

there is no political life at the basis anymore, thus also no political forces which would be in a position to continue the democratisation of the state and of society. (p. 34)

There seems to be not a ray of light:

The labourer's possibility of recognising the difference between his/her objective position as cog in the production process and his/her potential position as sovereign associated producer is not given in proletarian existence. (p. 35)

Gorz attributes an omnipotence to capital and the state which makes any responsibility of the workers for their own situation superfluous. He identifies with and celebrates the workers' supposed impotence to do anything to challenge the existing relations. What kind of political naivety is it (pretended?) which demands that the labourer, degraded (but nevertheless not finished) by his/her existence as labourer, through this existence comes to a revolutionary political consciousness? Gorz sets up the straw ideal of a spontaneous radicalism which should spring out of "proletarian existence", only to refute it in a theatrical gesture of despair. If labourers (and others) are to come to gain insight into their own situation (not only in the factory), it will be because their own felt suffering leads them to seek out those who can offer them a critical understanding. A clear head is a precondition for any non-delusory, non-compromising political struggle. If they are not interested in this explanation, or if no political organisation is present to stimulate/provoke interest and to provide a convincing and thorough non-doctrinaire agitation, then they will continue to seek solace for their woes elsewhere, in the cherished realm of individual freedom. Meanwhile, intellectuals, who also have their hobbies, especially book-collecting, /210> can continue to let the three volume classic (or at least its latter two volumes) gather dust on their shelves.

Intellectuals, in bemoaning workers' (and others') ignorance about the source of their own impotence, in undertaking endless sociological studies to prove empirically how despondent the proletariat and other social groups are, by getting excited about spontaneously arising protest movements, in making theories to show why the labourers are inevitably prisoners of their own restricted consciousness, in

musings over how the spell of false consciousness can be broken by aesthetic effects (light shows?), in writing turgid histories of working class defeats, provide not one iota of energy to substantially critically enlighten this restricted, acquiescent consciousness. They rather contribute to and *reinforce* the resignation (their own?) in the face of the existing totality. *None* of these activities of intellectuals is needed to establish that the attempt to confront bourgeois consciousness with its own illusions and limitations is today placed before formidable obstacles. Not the least of these obstacles are the false consciousness and faint-heartedness of intellectuals on the left as to their political function. Once again the problem of the difference between contemplation (*Anschauung*) and praxis, of thinking which intervenes (*eingreifendes Denken* Brecht).

Because of these obstacles – which Gorz is unable to solve with his pen (and which no intellectual's theory) not even Bahro's normative, moralistic theory of human individuality (*ibid.* p. 81) can solve) – Gorz turns his literary efforts to the blind search for an alternative revolutionary subject (who of course is waiting for the lucky break of being discovered). On the way he repudiates the (Marxist-Leninist, socialist party, Eurocommunist) strategy which attempts to take over state power in the name of the working class. He also claims that, even under *communism*, it is impossible to destroy the state apparatus,

because this functional power is inevitably driven forward again by the enormous apparatus and the division of labour which underlie it. The only chance of abolishing relations of domination rests on the insight (?) that /211> functional power is inevitable (!) and that it must be allocated (by some even stronger god-like subject? ME) a predetermined *limited space* in order to separate power and domination. (*ibid.* p. 57)

Domination here means class domination by the bourgeoisie (which is supposed to go on a very long holiday), whereas power is apparently a free-floating (spirit) medium (à la Parsons) which inheres in large, cumbersome Kafkaesque bureaucracies per se (à la Weber).

In any case, Gorz believes that we're stuck with an anonymous apparatus which functions machine-like and which apparently cannot be regarded as a (collective) subject because no single individual can be found to say "I done it" (or in Gorz's words "I am the one" p. 51). According to Gorz, a bureaucratic state is ineluctable because of the "enormous production apparatus" and the developed social "division of labour". Although state power remains as subjectless ruminations of a headless Goliath, class domination is abolished over afternoon tea with the bourgeoisie. Puzzled, we ask what happened to those nasty private property relations which perpetuate class domination, and what about those guns, water cannons, etc. of the police, and the military's nifty little tanks and armoured cars which stand at the

state's disposal in the last instance to fulfil its time-honoured task of upholding free individuality?

Gorz replaces this political question with the *technocratic* question of how organisationally an "enormous production apparatus" can be socially appropriated. He rules out the possibility that the proletariat could appropriate this complex, mind-boggling apparatus because, (even) under the present domination of the capitalist class, it has (is?) no *subject*, but only functionaries who service it. According to Gorz, companies are not collective subjects in which a collective will comes to expression, but rather an anonymous, rambling organisation in which everyone serves as a cog in the (surplus-value?) machine. One wonders then what is decided in board rooms. If even at the level of the single organisation no (collective) subject can be dug up, then it follows, according to Gorz's technocratic argument, that a total social subject of production, even under *communism*, is also impossible. The only correct statement Gorz could have made in this connection he leaves unsaid, namely, the purely negative observation that the competitive capitalist economy is a subjectless process.

#### When is a Class not a Class?

Answer: when it's a semi- to un-employed negation of a negation. Gorz discovers his revolutionary subject in the "Non-class of Non-labourers" (ibid. p. 63), which comprises "the totality of those excluded from production by the process of annihilation of labour (he means job rationalisation ME) and those whose capacities are under-employed due to the industrialisation of intellectual activity (automation and informatics)" (ibid.). In short, this subject comprises the semi- and un-employed plus the over-qualified employed. Gorz doesn't explain too well why an overqualified labourer or a labourer who finds only spasmodic employment are not labourers. In his mind's eye is apparently the archetypal overalled worker who goes to the factory every working day to perform some exhausting and/or mind-dulling task for which s/he is not overqualified. Only according to this ideal image of a prol are the overqualified labourer and the labourer who cannot find continuous work "to earn the necessary pennies" (ibid. p. 65) no longer labourers, arbitrarily excluded from membership of the working class. His proof of their non-proletarian status reads:

They cannot recognise themselves in the label 'labourer' nor in the title 'unemployed' (ibid.).

Has class consciousness sunk this low? Have the labourers developed a self-image in which they try to kid themselves about their objective existence as (prospective) sellers of labour-power? Maybe the "necessary pennies" become unnecessary through an intensive free course in Zen meditation.

By means of his ingenious dialectical trick Gorz discovers his spontaneous revolutionary subject which “embodies ... the dissolution of all classes” (ibid. p. 68). This newly discovered revolutionary subject (by now a hit amongst cool alternative prols with identity problems) – the non-class of non-labourers – also lives in a (the hand of this master in dialectics moves faster than the eye): /213> “non-society” (p. 69) where it tenderly learns “emotional and practical autonomy” (p. 80) which disposes it (obstreperous child!) to “react sharply to hierarchical discipline” (ibid.). The true-life, submissive workers, now dressed in comfortable sloppy sweaters, can at least pay regular visits to this non-society, and even erect a “niche” (p. 74) there, which is “above all, family life, ‘house and home,’ vegetable garden, the hobby workshop” (ibid.), etc. etc. Gorz’s clever distinctions and dialectical-magicalist inversions do not seem to be able to distinguish analytically between prolo and neo-prolo (perhaps a psychological survey of differences in the ability to express emotions is required).

Gorz describes the labourers’ “niche” and the non-labourers’ “non-society” in glowing terms, enough to warm the cockles: it is the haven of

communication (Habermas’ hobby horse ME), gift-giving, aesthetic creativity and enjoyment, production and reproduction of life, tenderness, development of bodily, sensuous and intellectual capacities, creation of use-values. (ibid. p. 74)

One wonders how this “sphere of individual sovereignty” (ibid.) could ever require the intervention of social workers and psychotherapists to alleviate the more visible, no longer bearable cases of alcoholism, depression, neuroses of various sorts, schizophrenia, bashing, child abuse, existential emptiness, etc. etc. For our homely Gorz, “true life begins outside of work” (p. 75). Like Habermas, who cherishes and defends the life-world against the encroachments of the system, Gorz (in slippers) discovers in the private sphere the ideal of “individual autonomy” (p. 74) which points the way to true “*communism*” (p. 75).

Gorz has started to brighten up. His heart and phantasy take flight. Gone are the depressing thoughts at the beginning of the book that capital has “annihilated” the “social fabric”, that it “denies every chance of autonomous production”, that there is “no political life at the basis anymore”. This bad case of depression is really making progress. Gorz, cheery now, starts to paint a breathtaking Utopia, in which the “social labour with economic aims” (p. 74) will be wondrously subordinated to the “activities of the sphere of individual autonomy” (ibid.). This ordering of /214> priorities is apparently already “happening in all *classes* of the over-developed (over-ripe, just about to fall from the tree of its own accord ME) societies, particularly in the post-industrial neo-proletariat” (ibid. p. 74f my emphasis) (which was proclaimed before to be a *non-* class). One sees the well-heeled member of the equestrian society, the guys sitting at the bar after work, the family on Sunday at the



beach, football crowds of 100,000 and more, all subordinating “social labour” to their individual caprice.

Gorz’s phantasy is based on a linear extrapolation of the present phase, where capital is heftily spitting out labour-power. On the off-chance that we get through the present phase without totally annihilating catastrophes and with capital and state still on our backs, we can look forward to a bright future, where capital would start once again to massively suck in labour-power. Back to Gorz’s phantasy: since this marvellous process of re-ordering of priorities (why didn’t someone else think of it before?) is already underway under its own steam, one has only to wait until the non-proletarians read or hear of Gorz’s inviting Utopia for the intellectuals’ problem of why the socialist revolution, even in its expurgated version, hasn’t happened to date to be solved. The hindrance of the “programmed distraction of the mass media” (p. 80) has melted away. Seemingly, Gorz’s non-prols, because of their happier family background, are able to shed off mass indoctrination with ease, to grasp their “self-determined possibilities of happiness” (p. 81). Hegel’s teleological, optimistic philosophy of history rises like the phoenix out of the ashes.

This writer’s Utopia however has a number of unavoidable *drawbacks*, which could affect its sales potential. Although the still perpetuated wage-labour is reduced to a minimum (by the impudent struggles of the non-class of non-labourers, presumably), “it is not possible to administer the social production process in its totality or even the larger technical units which form it” (p. 89) (I had sooo set my heart on it!). This impossibility rests on the “demise of the old individual professions in favour of narrowly specialised social qualifications” (p. 89). If only we could resurrect the old craft professions then we could socialise /215> production consciously in its totality. The whole problem, according to our author, lies with the regrettably, depersonalised division of labour which suffers from the “rigidity of technical (?) compulsions” (p. 91) as well as from “the multitude of mediations between the wishes of those at the bottom and the results introduced by the construction office” (p. 91). Many new and old lefties have personal experience of the intractable problems of organising the washing-up in communal households. In France, from all reports, progressive forms of living have not yet reached such dizzying heights, which, it could be conjectured, intimidate our author. If one wanted to avoid the depersonalised system of the social division of labour, together with its “technical imperatives” (p. 83) one would have to turn the very hands of time back to “craft industry and a village economy” (p. 91). We don’t want to be unrealistic, now, do we? That would be flying in the face of the objective course of historical development, mere voluntarism. A will which is worth two bits has to swim with the tide of history, like dead fish.

Gorz reproduces the technocratic mentality, which equates reified social relations with technical compulsions. For him, state, commodity production with wage-labour, are *technical* necessities. Although he advocates a Utopia regardless of the woeful state of bourgeois consciousness, which treats such fanciful dream-spinning for what it is, this doesn't prevent him from building in *technicist* restrictions (which appeal to the practically and the materialistically minded) which confuse the coercion of social relations with "*physical laws*" (p. 82 my emphasis). In any case, the large masses of presently acquiescent bourgeois subjects (including his innovative non-non-class) couldn't care less about Gorz's science fiction. In further arguments against the socialist plan, Gorz insinuates (p. 82) the grave charge against Marx, that the well-known revolutionary wanted to subject "tenderness, love" (p. 82) and all that stuff to the socialist production plan. How could Marx have been so misguided, especially since he obviously had a good mind?

Gorz quotes Marx's famous passage, an absolute favourite of all Utopian schemers, on the realms of freedom and necessity, including the sentences:

The freedom in this area (the realm of necessary social labour ME) can only consist in a rational regulation of this their metabolism with nature by the socialised human, the associated producers, so as to bring it under their collective control instead of being ruled by it like a blind power. (CIII 820;KIII 828 quoted in Gorz p. 86)

This "blind power", which Gorz passes over in silence, is not the natural powers, but the fetishised social relations, over which not even technocrats have any control, nor the state. The social objectivity of the value-forms, the fetishised expressions of social labour (money, capital, interest, rent, wages, profit of enterprise) have to be abolished if the economy is not to rule the individuals "like a blind power". Gorz eternalises these fetishised, reified relations by pronouncing them to be *technical* imperatives of industrial production with a developed social division of labour. Does he think that this blind power can be tamed by constructing a Utopia in which the bourgeois private sphere is ascribed, by an intellectual's wishful thinking, priority over the "realm of necessity"? Since Gorz has never troubled himself with the concept of fetishism, he cannot partake in the "dialectical phantasy" (Adorno) of a society where a consciously and collectively decided plan of the associated producers would make money, and hence wage-labour, capital, interest, etc. and even the state (which fills in for, and maintains the economic process without a conscious social subject) obsolete? Does he imagine that a plan has to be so rigid and one-dimensional, like the existing society's economy, that a diversity of wishes could not be taken account of in the realm of politics which decides on necessary, social labour? Anti-communism sits deep in the free West, even amongst the left. The crisis of Marxism in this free West reduces to the banality, clung onto with the

tenacity of a fanatical, self-fulfilling religious belief, that communism's a good idea, but it doesn't work in practice.

Gorz has the temerity to posit a Utopia which, through his subjective fiat, spirits away the contradictoriness of private life subjugated to the imperatives of the economic system and /217> the power of the state. Even the economic crises, which periodically expel labourers from the economy, disappear in Gorz's doodles. How is it that economic crises are not also a technical requirement of the system in the author's mind-game? Gorz's fanciful unrealisable Utopia will not help change the world. It constitutes one more volume in the rapidly expanding series 'Apologetics for the Bourgeois Totality'. This apology broadcasts the delusion that the present society's oppression and contradictoriness are restricted to the system of capitalist economy and the state (albeit wrongly conceived as technical imperatives), so leaving the sacred world of the private sphere – apart from the complaints of women – unscathed. Gorz reflects a current malaise of the left: a paralysis of phantasy combined with a profound ignorance of the form of society in which we live.

### **§70 Unemployment. The Economic Cycle**

The employment of new technology as a way of avoiding laying capital idle need not stop at simply an employment of the existing labourers together with greater masses of value of means of labour. It can go further in actually displacing labourers from the labour process. The total social demand for labourers would be thereby lowered and a powerful weapon created by the companies in their struggle against the demands of the wage-labourers. The conditions of relative overaccumulation would produce a situation where the attempt of combined capital to set more labour into motion would meet with the snag that the labourers would be in a better bargaining position to gain higher wages. The increase in wages, however, would only increase the drive to introduce, and the chance that a labour-displacing technology *WILL* be introduced which will reduce unit cost. The displacement of labourers by cost-reducing machinery is a phenomenon not restricted to, but of course more frequent when the working class is in a position to exert upward wage-pressure. The displacement of labourers creates a *RELATIVE SURPLUS POPULATION* or *UNEMPLOYMENT* which can be effectively used by the companies as a lever to contain and even reduce wages. The increasing organic composition of capital through the

introduction of new technology is thereby /218> *ACCELERATED*, although at the same time the rate of exploitation of labour is *INCREASED*. Unemployment as a mass, general phenomenon in contrast to unemployment caused by structural dislocation of the economy, where capital moves from one branch to another, has its roots in the contradiction of overaccumulation. The ever-growing mass of accumulated capital comes into misrelation with living labour. This misrelation leads to the expulsion of labourers from the labour process in order to force variable capital costs into line with the valorization of an increased total mass of capital. Mass unemployment is thus an essential factor in the (temporary) resolution of the contradiction of overaccumulation. The fall in wages forced on the working class through its displacement by machinery simultaneously creates once again fertile ground on which accumulated capital can function as capital, and set labourers into motion without the danger of exhausting the labour supply nor being beset by rising wages. The forceful expulsion of labourers is only an interlude – of varying and indeterminable length – to their re-incorporation into the economy. The contradiction of overaccumulation has the paradoxical feature that the living object of capital's exploitation, the labourer, is necessarily (temporarily) repelled by capital. Because of the labourers' competitive subjectivity, the totality of companies constituting the competitive economy is unable to exploit even the available labourers to their full number. The movement of the contradiction of overaccumulation, which is based on the varying availability of labourers in relation to total social capital and thus on the periodic creation of mass unemployment, is the essence underlying the *CYCLICAL NATURE* of capitalist economy. There can be no simple theory of cyclical crises. The systematic order of the above paragraphs (§§66-70) suggests a simple movement where overaccumulation is at first produced and then resolved by various means. Such a temporal ordering is plausible insofar as the spur to restructure production, and change the organic composition of capital is given by the pressure of rising wage costs. But technical innovation and expulsion of labour-power can proceed even without a situation of relative overaccumulation becoming acute. The phenomenal result would be similar: the creation of

unemployment, but without accompanying /219> valorization difficulties. So long as wage-costs have not risen, the expelled labourers could be absorbed elsewhere in the competitive economy. There is thus no ground for deriving a regular cyclical movement of boom and bust on the basis of overaccumulation. The counteracting effects to overaccumulation can operate without being induced by a situation of acute overaccumulation. Changing organic composition of capital as well as destruction of capital can occur also outside such a situation. The latter can be induced through the pernicious and ever-present problem of disproportionality, independently of overaccumulation. Crisis, as devalorized capital on the one hand and unemployment on the other, can be due entirely to the disproportionality of an *a posteriori* process of material reproduction. A cobweb of increasing disproportionality exacerbated via the value-form mechanisms on the phenomenal level can appear as identical with a crisis resulting from overaccumulation. Form-analysis shows that there are no causal 'laws of motion' of capitalist crisis, but rather that the contingency of the value-form and the antagonism between capital and labour result in an erratic, crisis-prone process of material reproduction beset with class struggle.

a) Marx:

The fall in prices and the competitive struggle on the other hand would have given every capitalist a spur to lower the individual value (?) of his total product through use of new machines, new improved methods of labour, new combinations, under its universal value, i.e. to increase the productive force of a given quantum of labour, to lower the relation of variable capital to constant, and thus to set labourers free, in short, to create an artificial overpopulation. ... The ensuing stagnation of production would have prepared a later expansion of production – within capitalist limits. And thus the circle would be run through anew. (CIII 255;KIII 265)

The fall in prices mentioned in this passage has to be interpreted carefully. It is not a fall caused by over-production or under-consumption per se, but a fall caused by overaccumulation, where accumulated capital cannot be bent back onto living labour either because of its absolute lack of availability (absolute overaccumulation) or because of its rising price (relative overaccumulation).

b) The introduction of more productive technology has a significance exceeding that of being means to relative surplus-value production (App. §§15-20). The

concept of relative surplus-value production cannot explain the expulsion of labourers from the labour process; the same number of labourers could conceivably be employed to produce on a greater scale of production. The additional total-social commodity-product would augment the total social surplus-value, so long as it had a use-value form appropriate either for additional means of labour in a capitalist labour process, or for individual consumption by the non-labouring classes, i.e. the additional total commodity-product would gain recognition as additional social surplus-labour (surplus-value) to a degree allowing the rate of profit to be maintained, so long as it possessed a material use-value form suitable for use by the exploiting classes. There can thus be no talk of an inherent limit to capital accumulation and capitalist increases in productivity lying in the consumptive capacity of the working class. The process of accumulation could be an endless process of enrichment of the exploiting classes in value and in material terms, were it not for the antagonistic relationship of capital to wage-labour and the contingency of the value-forms: if the rate of increase of labour-power demand exceeds the rate of increase of available labour-power, a situation arises where the working class is able to eat into total social surplus-value. Once the labourers have won an increase in wages, corresponding to an increased claim on the total value-product, capital resorts to the means of expulsion of labour-power in order to reduce once more the working class's portion of the total value-product. On the surface of economic life, in the competition, these value connections are not apparent. Capital's difficulties in valorization, which appear as the difficulties of individual companies, seem to spring from a number of sources: over-production of certain commodities, inexplicably falling prices, lack of demand, all of which are circular explanations in that they simply reflect capital's (still unexplained) valorization difficulties. To explain the phenomenon of crisis (comprising valorization /221> difficulties of companies on the one hand and the creation of unemployment on the other) the concept of capital accumulation has to be brought to bear on the competition struggle between wage-labour and capital. This results in the concept of (relative) overaccumulation. The other root of capitalist crisis lies in the problem of co-ordination of material reproduction through the value-form, resulting in dislocations of a greater or lesser degree, which are not automatically self-correcting. /222>

# **Part IV**

## **The Doubling of Competitive Society into Civil Society and State**

### **§71 Competitive Society**

The *COMPETITIVE SOCIETY* in its first determination is the totality of subjects of competition active in the *FREE COMPETITIVE ECONOMY*. Their freedom is constituted by the property which they own, the exercise of their property rights and the acknowledgement of their status as person. Each individual subject is endowed with a will directed at making income, and sets its respective property to work in the attempt to realise this aim. The competitive society is thus no structureless totality of individual subjects but is determinate both as to form and content. The formal figure of competitive society is the person, as bearer of property rights and the negative right of existence (§61), and the form of intercourse is the contract. The content is the economic activity factually brought about by the subjects, which brings forth material wealth of a definite extent and differentiated into the almost unlimited diversity of particular commodities. The distribution of this wealth is determined through the amount of income each competition subject manages to earn. Quantitative differences in income earned are the inevitable result of the freedom of property. The competitive society is thus characterised by qualitative equality as persons and quantitative inequality of income as the result of the exercise of the freedom as person in contractual interaction.

### **§72 The Will to be Acknowledged as Person**

The subject of competition wills that the rights of person which constitute its freedom in the competition are acknowledged by all other subjects. Insofar, the competition subject wills the form of competitive society as a will that the other acknowledges its particular being as

person. The form of competitive society is viewed as a means for preserving and pursuing the particular interests of the individual. This instrumental view of the form of competitive freedom is shown by the fact that for the individual it is not so much a matter of its acknowledgement as person *OF* /223> others but rather of a willing of its own acknowledgement as person *BY* others. The form of competitive freedom however is a universal which cannot be derived from the particular interests of the individuals. On the contrary, their interests are first determined through the forms. Once it is perceived by the individual within the given forms that its aims can be furthered only insofar as its rights are acknowledged by others, it concurs with the forms out of self-interest. The forms of freedom, as we have seen in the above development, arise on the basis of the value-form relations constituting the capitalist relations of production. Value and revenue-source relations, as investigated in the capital-analysis, take on the form of appearance of property relations constituted by the free will of individuals in the competition. An inversion of subject and object occurs in consciousness, whereby the subjects of competition deceive themselves that they are the authors of property relations. The property relations are universal forms which cannot be understood as arising out of the individual. The individuals' self-interest in income-earning demands the recognition of property rights and the right to existence by others. The fact that each particular individual demands the same acknowledgement as person does not make it universal (*allgemein*; Hegel emphasises that *allgemein* does not mean *allen gemeinsam*, i.e. common to all). That would only be a summation and subsumption of particular interests whose origins themselves need to be grounded. This grounding occurs in that one gains insight into the origin of property and existence rights in the universal relations of income-sources. A sign of the defective universality of the forms of competition when understood from the viewpoint of the individual is that there is as yet nothing to determine its will with respect to its acknowledgement and respect of the rights of others. The imperative to be a person and respect others as persons does not proceed directly from the interests of the individual. The individual is of necessity a person in bourgeois social relations and



cannot decide as an individual to be a person. Because the individual *MUST* be a person, it also has interests deriving from this form of social being. The pursuit of the necessary interest of income-earning demands the acknowledgement by others of personhood. Starting from individuals as such, there is absolutely no possibility of deriving any /224> content for their mutual recognition. Recognition as person is already form-determinate despite the appearance to naive consciousness that no other form of mutual recognition is conceivable.

Classical bourgeois philosophy has emphasised that recognition as person is a great and precious form of social being. Hegel in particular points out that bourgeois mutual recognition as persons is an historical product hard won in the history of spirit. In previous forms of society, the status of person was not universal. In comparison with these earlier social forms, bourgeois society appears to supersede them in the progress of spirit. It were as if this historical comparison could have practical consequences for contemporary consciousness. Hegel argues for the person as a necessary realisation of free will, as its most abstract form of determinate existence. Consequently, any attempt to ground the category of person through reasoning starting from individual interests is rejected by Hegel. For him, personhood and its acknowledgement are necessary to the concept of freedom, no matter what the individual's opinion may be. With this, Hegel recognises the superiority of the universal over the particular, and affirms it. The concept of free will taken by Hegel as the foundation of his *Rechtsphilosophie* constitutes his advance over a normative moralist such as Kant. Hegel's development of personhood, despite its defects, is truer to the real relations of bourgeois society and its forms of consciousness in that it shows that personhood is above all an ideal which should be respected by consciousness, and not out of considerations of self-interest. There is no convincing argument which could proceed from the particularity of private interests to the confirmation of the universal form, the person. The appeals made in everyday life to naive consciousness that the status of person is holy in itself, precisely in that it abstracts from particular interests and often to their detriment, is an expression of this disjuncture. This universal character of personhood, which overrides particularity, could conceivably make naive consciousness thoughtful, when it considers that its status in society is formally independent of its interests. The achievement of its interests in competition to earn income is left to the windfalls and downfalls of competition; /225> only the universal – personhood – is socially recognised and guaranteed.

**§73 Wrong**

Insofar as the individual is bent on self-interest and wills the forms of competitive freedom as a demand on others corresponding to its own interest to earn income, its own acknowledgement of the personhood of others stands more or less in conflict with its self-related aim of earning income. There arise countless situations in competitive life where money or other property can be got whilst infringing the personhood of another. All such possibilities of subjective action against right as it exists in the sphere of competition are forms of *WRONG*. Wrong is the actual negation of right not just as a particular instance of the property or existence rights of another particular individual, but as absolute negation of the forms of competitive freedom. In wrong, the individual subject puts itself above the universal forms of competitive society for the sake of furthering its particular aim of earning income. Since income has been determined as money gained within the rightful forms of competitive intercourse, money gained through wrong cannot be referred to without qualification as income; it is unrightful income, ill-gotten gain. Wrong is not merely the harming of the other as particular but of the universal. The extent of this harm varies according to the conscious intentions of the individual perpetrating the wrong. Since the substantial intercourse of competitive society is the conflict-ridden abstract form of contract, the subjects of competition often come into dispute over the precise determinations of their contract or over whether the right to existence is being infringed by conditions of labour. Self-interest makes the subjects blind to the standpoint of the other. Thus arises a *CIVIL DISPUTE* over who in fact has right. A second form of wrong is committed when an individual knows that it is infringing the other's rights, but pretends that it is observing them. In this it makes a show of right by preserving the outward *FORM* of right whilst simultaneously negating it in its substance. The injured party to the contract enters it in good faith as to the integrity of the other, only to discover later (or perhaps not even then) /226> that a *FRAUD* has been perpetrated. A third form of wrong occurs when not even a show is made of preserving the forms of right and the individual openly infringes right in pursuing the aim of

obtaining money. The committing of wrong can for convenience be restricted to ill-gotten money, since all other property obtained through wrong has a value in money terms. Even the infringement of the right to existence can on this level not be conceived other than as an unrightful way of gaining property. The nearest case to hand of wrong in regard to the right of existence is in the wage-labour relation, where the danger always exists that the entrepreneur or company will squeeze out too much labour from the labourers or provide socially unacceptable conditions of labour for the sake of making an extra profit of enterprise. The dispute over working conditions remains vague, with one party demanding its right of use of hired labourers and the other demanding its right to existence. In such cases, the matter is decided, on this level, through 'market' force,<sup>1</sup> since wrong has no strictly defined limits. Wrong against existence rights can now however also be thematized without the mediation of contract where, e.g. a person is directly threatened or attacked for the sake of property, i.e. robbery with actual or threatened bodily harm. Theft is also wrong without the mediation of contract, where however another person is not threatened. These latter two forms of wrong lie most extremely outside the rightful forms of competitive interaction.

a) Hegel makes a corresponding tripartite division of the kinds of wrong into non-malicious wrong (§§84-86), fraud (§§87-89) and compulsion and crime (§§90-103) in the *Philosophy of Right* which we have essentially followed here. His transition from wrong to morality is however not followed in this work. Wrong is rather the basis for the first determination of state (§74), which upholds the universal forms of competition. Although Hegel develops the moral subject in the second part of the *Philosophy of Right* as "particular subjective will which wills the universal as such" (§103), there is still need for him at the end of the section on the System of Needs to make a transition to the first determination of the state in the administration of justice which transforms right *an sich* (implicit right) into "valid reality, as protection of /227> property" (§208). The transition to the first determination of the outer state for Hegel is thus essentially the same as given here. This suggests that Hegel's systematic separation of the treatment of abstract right from that of civil society, and in particular the discussion of crime and punishment independently of the state, is erroneous, which leads to a systematic repetition of the same conceptual argumentation. The development, in the second part, of the moral subject does not solve the contradiction of wrong and crime. Morality has only a

restricted realm of validity insufficient for the upholding of abstract right. It is only within the private sphere that such a category can unfold its subjective contents. Hegel was doubtless influenced in his systematic ordering by the significance which he attributed to the critique of Kant, the philosopher of bourgeois morality. As one sees from the enormous influence which Kant has even on contemporary social philosophic thinking, from Popper and Hayek via Max Weber to Habermas and the Budapest school, Hegel's attribution of significance to the critique of Kant was certainly not misplaced and maintains its relevance to the present day, in the dispute between normative and dialectical (critical) social theory.

b) Given that the individual pursues his/her interests as a person and respects the forms of competitive society to the best of its intentions, the negation of wrong committed by others seems justified and necessary, even when his/her direct interests are not impaired by the occurrence of wrong. In that the individual can uphold in consciousness the validity of the abstract universal category of person, regardless of his/her particular interests, s/he has accomplished in consciousness and affirms the diremption between abstract universal forms and particular interests. The subject who regards the form of personhood in a purely instrumental way, as means to the end of earning income, regards also the state (§74) as a punishing instance which instrumentally has to be taken into account. This subject is far from acknowledging the *forms of competition as universal forms of freedom* raised above particular interests, and is thus subject to the moral criticism of those who cherish the ideal of personhood as universal category per se. This moral criticism often sounds carping when expressed as: where /228> would we all be if everyone just suited themselves! The amoral egoist who holds to the forms only to avoid punishment, and would overstep them if given half a chance, partakes of the form of consciousness of the particular subject of competition, for whom the status of person is purely instrumental. The egoist remains captive to his/her own particularity and refuses to acknowledge the validity of the universal abstract form of competitive freedom. The genuine person, who apotheosizes the universal form as such, independently of his/her particular interest, is an idealist who has already taken a step towards the negation of his/her own self-interest. Those subjects who have achieved success in the competition can easily afford to be idealists, for their self-interest coincides with these ideals. The egoist sides with rampant particularity, the other with the abstract universal. There can be no adequate synthesis of these two standpoints in a form of society where the diremption of particular interest from the socially valid abstract-universal forms is objectively given, regardless of the attitude of consciousness towards it.

### **§74 The First Determination of the (Outer) State**

In conformity with the forms of freedom of competitive society, the individuals should have intercourse with one another through their mutual acknowledgement as persons. Wrong is the negation of this acknowledgement of right which calls forth its own negation if competitive freedom is to maintain its universal existence. Since the individuals as persons are equal with one another, there is no subject to hand who could effect the negation of wrong. The negation of wrong is itself a negation of the freedom of the one committing wrong. The individual person must respect all others as persons and is therefore not entitled to punish another. This punishment would presuppose the superiority of the punishing person. As the re-establishment of right as universal freedom by the negation of the particular negation of right, *PUNISHMENT* can only be executed by a universal subject to whom all the particular persons are subjected. A subject with this will for the negation of wrong and therefore for the maintenance of competitive freedom, is the *FIRST DETERMINATION OF THE (OUTER) STATE*. Only the state insofar as it is the universal subject with the task of negating /229> the negation of right has a right to restrict the freedom of a particular individual through punishment. When such punishment is undertaken by one individual against another, even when the wrong can be clearly recognised, the negation of wrong is only particular and has the character of mere *REVENGE*. Wrong must be negated by a superior subject, which is recognised in consciousness as the legitimate negator of wrong.

a) *Max Weber* introduced to sociology a definition of the state as a social institution with the monopoly of the legitimate use of force in a given society. With this he aimed at an empirical definition which (abstractly) singles out an attribute of the state in the bourgeois epoch. His empirical definition does not aim at a philosophical-phenomenological conceptual characterisation of the state but at a correct, value-free description independent of all forms of consciousness which are associated with the bourgeois state. Weber must therefore attempt to give 'legitimacy' a sociological-empirical meaning. In the present analysis, the state as negator of wrong is introduced with phenomenological arguments and within the specific context of the protection of the rights, of the person. The state as superior

subject in this function has a monopoly of legitimate power. Legitimacy on this level of analysis arises from the phenomenological arguments for the necessity of a negation of wrong provided. In this way, the speculative concept of state given here has nothing but a superficial resemblance with Weber's definition. The latter is not grounded by thinking, but by comparison with the 'facts'. We do not go into the question of whether attempting an empirical definition of legitimacy is absurd.

A determination of the state as protector of property rights stands in contrast to the tradition of positive right, and is closely related to the tradition of natural right. As *Franz Neumann* points out in his *Die Herrschaft des Gesetzes* (Frankfurt/Main 1980), there is a contradiction between the state based on the rule of law and state sovereignty:

Both elements, sovereignty and ... rule of law are constitutive for the modern state. Both elements however cannot be reconciled because the highest power and the highest right /230> cannot be realised at one and the same time in a common sphere. (Neumann op. cit. p. 16)

This is a formulation of the contradiction between ideas of natural right and positivism in legislation. In their historical significance, both traditions and their contradiction play an ever-recurring role. As Neumann, *Otto Kirchheimer* and others have pointed out, the revival of interest from the right in ideas of natural right in jurisprudence and law is usually associated with political attempts to prevent a reformist-progressive, apparently socialistically-oriented state from interfering with the basic private property structure of capitalism. Perhaps the most well-known example is the German Weimar Republic. The contradiction between legal positivism and the natural right tradition can be more precisely conceptualised with the categories of abstract and concrete universality completely foreign to the sociological thinking of Neumann, Kirchheimer and almost every other critical social theorist. The form of competitive society is abstract-universal in the sense elaborated in the above presentation: the forms of property correspond to the abstract-universality of the value-categories. This abstract universality, on the level of competitive society, takes on the form of appearance of *abstract* particularity, namely, as the rights of property and personhood. These are individual, particular rights, but are abstract-universal in their form in that no acknowledgement of the concrete particularity of the individual is provided for. On the other hand, the state as law-giver (§75) is simultaneously universal *and* concrete. The state is the concrete-universal, all-encompassing subject of bourgeois society, which has the right and power to make and execute concrete contents of will. The legislation posited by the state is thus concrete, conforming to the peculiarities and conjuncture of the civil society in question. The contradiction between legal positivism and natural right is the friction arising from the demand that the state as concrete

universality respect the abstract particularity of personhood (whose kernel is private property rights). Both forms of consciousness thus necessarily belong to bourgeois society and are taken up at different times by different social groups to further their interests. Thus, for example, although the natural rights tradition has /231> several times been pronounced anachronistic in the philosophy of law, and as belonging to the seventeenth and eighteenth centuries, it enjoys intermittent revivals in the Free West.

b) Poulantzas is reputed in recent Marxism to be one of the main theoreticians of the bourgeois state and politics. His principal theoretical work, *Political Power and Social Classes*, employs an Althusserian framework in initiating its analysis of the specifically regional objects, state and politics. This structuralist framework results in a remarkable method of argumentation. A general theory of historical materialism is presupposed (as an “a priori construction”) within which a concept of mode of production is defined as “a specific combination of various structures and practices which, in combination, appear as so many instances or levels, i.e. as so many regional structures of this mode.” (Poulantzas op. cit. p. 13)

The instances or levels are four in number: “the economic, political, ideological and theoretical” (ibid.). Poulantzas’ concern is with a “regional theory of the political in the CMP” which “presupposes the particular theory of this mode of production” (ibid. p. 17). The startling answer to the question as to how this presupposition is fulfilled is provided by the claim that “the particular theory of this mode (is ME) ... expounded by Marx in *Capital*.” This is an astounding statement: *Capital* is represented here as being a theory of the four “levels or instances” of the capitalist mode of production. The unfinished nature of *Capital* in the double sense is thereby suppressed: firstly, the analysis of capitalist economy was left by Marx in the form of one published volume (in two German and one French editions), drafts for the second volume and a single unreworked draft for the third. Recent Marx-research has thrown more light on the fact that the very heart of *Capital* is cleaved by two contradictory versions of the value theory. Poulantzas has not the least notion of these deeper-lying problems with Marx’s theory. Secondly, Marx’s manuscripts contain no systematic theory of any of the “levels or instances” of the CMP besides the economic.

Poulantzas claims an overblown, double status for *Capital*: /232>

- (i) a scientific treatment of the CMP, of the connection and the combination (matrix) of instances which specify it, and
- (ii) a systematic theoretical treatment of the economic region of this mode of production. (ibid. p. 20f)

It requires acrobatic leaps of the imagination to conceive how the theory under (i) could be anything but a series of generalisations, assertions, dogmas and platitudes (cf. *ibid.* pp. 25ff) without the systematic conceptual grounding of the “economic region” and the other “levels or instances” claimed for this mode of production. Poulantzas’ procedure is to presuppose *Capital* as a theory of the CMP, as well as a general theory of historical materialism, as theoretical “raw material” to be digested in producing a theory of the political in the CMP (cf. *ibid.* p. 18 n. 6). A third raw material are the “Marxist classics” of Marx, Engels, Gramsci and Lenin, in which, as the author admits, “these authors did not specifically discuss the region of the political at the level of theoretical systematicity” (*ibid.* p. 19). This is a nice touch of almost English understatement. Poulantzas therefore attempts to refine these texts through structuralist distillation, especially Marx’s and Engels’ historical analyses, in extracting general concepts. The result is that Poulantzas’ theory has no self-contained argumentation, but rather constantly refers to historical and situational texts and to a more general theory of historical materialism, whose correctness is assumed, and which act like Bible quotations. The general theory of historical materialism as elaborated by Althusser in *Reading Capital* presents considerable problems, to say the least, as to the grounding of its principal postulates. The historical texts employed by Poulantzas cannot substitute for theoretical argumentation which stands on its own feet in a dialogue with thinking consciousness. Poulantzas confers an exaggerated theoretical status on the historico-political analyses of the Marxist classics to justify his procedure of extraction of terminology.

Consequently, I shall refer mainly to the political works of Marx, Engels, Gramsci and Lenin whose *double status* has already been pointed out (but by no means established ME) ... : as well as containing a study of “historically given capitalist states, they contain at the same time a theory of the capitalist /233> type of state. (*ibid.* p. 187)

The result can be nothing more than an arbitrary groundless pasting together of phrases culled from various sources whilst simultaneously asserting that they all come from a common problematic, or infallible fountain of truth, whose autonomous presentation is never offered.

Since the various “instances” of a mode of production are already presupposed as belonging to a more general theory of the CMP contained in *Capital*, no attempt is made to theoretically establish the concept of the political or of the state as a further development of the analysis of the economic “level of the CMP”. By relying on the “Marxist classics”, Poulantzas has chosen an extremely comfortable mode of theorising. This comfort accounts also to an extent for the ease with which Poulantzas’ theory was put on and later stripped off by Marxists in the seventies.



The state is presupposed, by an appeal to obviousness, as a “cohesive factor” (ibid. p. 143 n. 1) in a mode of production; its concept poses luckily no theoretical problem for Poulantzas. Consequently, the relation of the state to the economic remains empty and schematic, purportedly covered by terms such as ‘determination in the last instance’, ‘over-determination’, etc. “Cohesion” is attributed to the state in all modes of production and social formations. This necessity of cohesion is something to be demonstrated by the analysis of the bourgeois form of society as a *result* of the analysis. In the presentation given here, the form-indeterminate notion of cohesiveness corresponds to the conceptual determination of the state as universal social subject standing over against civil society in which the economic process executed by the competitive struggle has a form, namely, the freedom of private property, which precludes a total social subject within competitive society itself. In Poulantzas’ theory, the theoretical problem of a form-analytic argumentation for a “cohesive” social subject, a rather sticky problem, is not posed.

Pp. 148ff discuss the problem of the various forms of state possible within the capitalist “type” of state. The structuralist theory which everywhere polemicises against all forms of historicism itself does not earn the description of a conceptual presentation. /234> The schematism of the definition of the capitalist type of state is apparently compensated for by a wealth of “forms of state” within this one “type”, resulting from the combinatory possibilities of articulation of the “relatively autonomous” levels of state and economy. Through taxonomic diligence, an illusory fullness of analysis is achieved in listing five different “forms of the ‘pure’ CMP”, and juggler’s formulations about the articulation of the various modes of production within a social formation. In the analysis of the state in general and the capitalist state in particular, the main postulate is the class character of the state.<sup>2</sup> According to Poulantzas, the state is to be conceived always in its relation to the economic class struggle and to the political struggle around the state itself. All other conceptions of the state are dismissed as ideological theories which disguise the bourgeois state’s (insidious) class nature. According to Poulantzas, there are for the capitalist mode of production, a dominated class (the working class) and dominant classes, covering industrial, commercial – industrial, financial and landowning fractions, as well as other subdivisions such as monopoly and non-monopoly capital. Some combination of these dominant classes or fractions must hold state power, over against the working class. Otherwise, the (instinctively revolutionary?) working class would have captured state power and would be on its way (with a cut lunch wrapped in a red flag) to socialism. At best, the working class, according to the Poulantzian conception, can offer *resistances* within the state against class power, and even win *concessions* from the “dominant classes”, which however, do not threaten their political power (ibid. p. 190f). Against this classic orthodox Marxist conception of the state, which derives above all from wishful thinking about

an “objective necessity” of socialism, going back to both Marx and Engels, Poulantzas acknowledges that

in its institutions everything takes place as if the class ‘struggle’ did not exist. This state is organised as the political unity of a society of divergent economic interests and these are presented not as class interests but as the interests of ‘private individuals’, economic subjects: this is the connection to the way in which the state is related to the isolation of socio-economic relations, an isolation which /235> is partly the state’s own effect. (ibid. p. 188)

Is it the class character of the bourgeois state which is the essence lying beneath-the appearance of the state’s-relation to society as composed of individual subjects? If this is so, how is the real appearance of class neutrality in the state’s relation to society in its positing of universal well-being (§84) to be reconciled with the ‘essence’ of the rule by the “dominant classes”? Poulantzas can only blankly juxtapose his thesis of the rule by the dominant classes with the ideological notion of class neutrality. That’s not going to convince a single believer in class neutrality. In fact, Poulantzas’ posited essence cannot be grounded; the class character of the state cannot be expressed as class rule (cf. esp. §87). The state has a relation to the economic competitive struggle in its relations firstly to the individual subjects as persons and to the coalitions continually waxing and waning within the course of struggle. The maintenance of the capitalist value-forms does not necessarily depend on the state favouring the competitive interests of the entrepreneurial, money-capital or landowning classes over those of the working class. This struggle is a matter of a quantitative distribution of the abstract universality of new commodity wealth in the income-forms, and does not touch the qualitative income-source relations themselves within which this distribution struggle takes place. There are good reasons for the state’s treating the entrepreneurial class as favourite citizens in deciding its conception of universal well-being. The labourers’ struggle for higher wages, if it gets off the ground at all, may have detrimental effects on the accumulation potential of the economy as a whole. The state can exercise its power to contain wage demands, and even justify this to everyday consciousness, on the grounds that they impair the universal well-being by harming investment. This is not a blatant furthering of capitalist class interests, but a necessity imposed by the capitalist form of the economy, to which even a worker’s consciousness usually bends. The trade unions, in line with the consciousness of their members, make a great to-do about their co-responsibility for maintaining the social fabric (*la fabbrica sociale!*), and make an effort to represent wage demands as reasonable. The trade unions and their members practically concede the necessity of capital accumulation /236> enforced by competition which, under special circumstances, can even be beneficial to the working class by providing new jobs in a world-

competitive branch of industry. Usually, however, accumulation is wielded as a weapon against the working class by displacing them with machinery, to relieve any potential pressure of relative overaccumulation (§67). The state attempts to draw the line in the struggle between the trade unions and the companies, in a way consonant with its conception of universal well-being, which provides for a certain level of individual consumption as well as for general economic prosperity. (This should not suggest that the state can guarantee economic prosperity; cf. §84) The struggles and the strength of the various parties can force the state to arbitrate a compromise which it regards as inconsonant with the universal well-being. If the working class achieves too much in its wage struggle, the state accuses it of ruining the economy's competitiveness. If the companies win out, then at least the economy as a whole has a good chance of flowering, which should console the working class with deferred gratification of its individual consumption desires.

Universal well-being is not simply a thin disguise for the dominance of the "power bloc" or the "hegemony" of a fraction within it. Poulantzas defines state power from the start as the power of a class within the state conceived as a power centre (ibid. p. 190). He denies that the state can have its own monopoly of power, with the result that all state power, although appearing to stem from the state, e.g. the functioning of the police force, has to be conceived as in fact the site of power of a particular "dominant class":

When we speak for example of *state power*, we cannot mean by it the mode of the state's articulation and intervention at the other levels of the structure; *we can only mean the power of a determinate class* to whose interests ... the state corresponds. (ibid. p. 100)

The state in fact corresponds qualitatively to the interests of all social groups insofar as it secures the framework in which they pursue their private interests, and it attempts to resolve anomalies in the ongoing competitive struggle (cf. §§82ff), and that not simply by furthering capitalist class interests. In the state's /237> economic and welfare policy, some groups will be relatively advantaged and others relatively disadvantaged with regard to the money-income earned or otherwise received, or in relation to future prospects of earning income. Poulantzas presents this as the hegemonic class *in the state* furthering its interests, whilst at the same time making concessions to the working class:

The notion of the general interest of the 'people', an ideological notion covering an institutional operation of the capitalist state, expresses a real fact: namely that this state, by its very structure, gives to the economic interests of certain dominated classes guarantees which may even be contrary to the short-term economic interests of the dominant classes, but which are compatible with their political interests (?) and their hegemonic domination. (ibid. pp. 190f)

The rider “but which...” is misformulated in terms of “political interests” and not in terms of the state as (qualitative) guarantor of the forms of competitive freedom, which in no way can be reduced to the interests of a particular ruling class or classes. The working class, too, as long as it remains non-revolutionary, accedes to and *affirms* the state as guarantor of the forms. The state does not require or allow the power of a particular “dominant class” to sustain it. As social form, the state is positively affirmed by all bourgeois individuals and their coalitions, even though in quantitative terms their lot under the state may vary considerably. The state is a superior, universal subject which realises its own conception of well-being in civil society, and employs the economy as means to its own ends (which nevertheless may be justified to consciousness).

In Part IV of Poulantzas’ book, the notion of political interests is filled out as the power of a (dominant) class within the institutions of state. The paradigm for this power is the political party which represents a particular class or class alliance although, according to Poulantzas, class power can also have a hold on state power through the executive. Political parties which vie for election to government cannot be conceived as the mere organs of particular classes but must represent a conception of the universal well-being of society which is more than tawdry camouflage for class interests. The conflict in civil society around the state is not only a class conflict, but is carried out in fighting over differing conceptions of universal well-being. No matter how left- or right-wing a parliamentary political party may be, it must cater to or bend to interests of all classes if it is to gain any power in a bourgeois state. As regards economic well-being, in certain favourable conjunctures, the two poles of a high general level of individual consumption on the one hand, and strong capital accumulation on the other, can be reconciled with one another. In other conjunctures, however, the two poles present themselves as mutually exclusive alternatives, where the former must be sacrificed to the latter. Political parties (see the analysis of the inner state in §§100ff) can present and realise a policy of economic austerity at the cost of the working class, and gain approval for this policy from the working class at elections. The workers thereby hope that if they pull in their belts now, later, with an improvement of economic conditions, their lot will also improve. In this reasoning, the labourers identify with ‘their’ state’s task of managing a capitalist economy. They concede readily that the functioning capitals, the companies, are the principal bearers of economic activity (thus relieving the working class of this responsibility) and therefore enjoy special consideration by the state. The labourers thus accede to the state’s preferential treatment of functioning capital, and hope that once capital has been rejuvenated, they will also be able to gain a bigger slice of the commodity cake in the distribution struggle. This reaction on the part of labourers cannot be viewed as the surrender of their own class interest, nor as their ‘betrayal’ by the trade unions (which is a

moralistic notion that reeks of paternalism, and relieves the working class of self-responsibility). Rather, it is a consequence of their self-identification with the 'logic' of a capitalist competitive economy: they see that within the present forms, which they do not put into question, even in consciousness, their own wage-interests depend on the health of the capital which exploits them. Even when labourers lose their jobs through rationalisation, they can console themselves with the cold comfort that they are contributing to a long-run restructuring of the economy from which, sooner or later, everyone should be able to benefit. The labourer /239> keeps an eye out for the party which will usher in an economic upturn (which it of course claims to be a result of its sound economic management), and gladly deceive themselves with hoping against hope. The state praises the labourer for being such a responsible, patient beast.

Poulantzas asserts that the state acts to politically organise the dominant classes and politically disorganise the working class (ibid. p. 188). This is a consequence of his claim that state power is always the power of a class, so that political power of the working class in the state would imply the imminent dissolution of bourgeois relations. Only wishful Marxist thinking, which nourishes illusions as to an "objective revolutionary potential" independently of consciousness, could willingly delude itself in this way. Only on the basis of a revolutionary consciousness would the social power of working class or other organisations even begin to threaten state power in its capacity as guarantor for the bourgeois-forms of competition. Poulantzas, as well as his Eurocommunist comrades, maintains that a parliamentary victory for a working class political party would automatically mean a shift of "class domination" from the legislative to the executive part of the state (ibid. p. 314). He would not gladly concede that a bourgeois society can continue to function reasonably well, without any undue movements towards socialism, even when a socialist party comes to power, as in his home country, Greece, or his adopted country, France. A working-class political party, just as well as a conservative party, can assume responsibility for the functioning of the national economy, on pain of being brought down at an early election. The working class expects from a socialist/working-class party that it will be able to better its lot under the present forms, which means anything else than ruthless neglect of the interests of the capitalist class. These expectations of course can be, and often are, disappointed.

In several places Poulantzas turns his hand to an attack on the conception of a separation of state from civil society (ibid. p. 124). In this he makes no reference to the concept of "doubling". He nevertheless points out that the individualisation of the bearers of capitalist relations leads to the state's being represented as the unity of a society fragmented into the competitive strivings /240> of individuals and notes that this "cannot be reduced to the *ideological*" (ibid. p. 123) His criticism of a

theoretical conception of the separation of civil society and the state is that such a conception presupposes individuals as generic subjects equipped with needs, who alienate their essence in the state (ibid. p. 124). If need-having individuals are taken as the starting-point of the analysis then indeed problems arise, since no concept of these individuals is developed. Poulantzas would have to think again if he were confronted with an analysis where the doubling of society into society and state were developed on an entirely different basis. The state can be grasped as universal subject representing the unity of competitive society, without losing the mediation whereby this competitive society is itself conceptualised as “a real characteristic of capitalist relations of production” (ibid. p. 124). The failure to make head nor tail of the category ‘surface of economic life’ leads Poulantzas to invert the real relation between competition and the juridical, state-guaranteed forms of competition:

But competition is far from designating the *structure of capitalist relations of production*; it consists precisely in the effect of the juridical and the ideological on socio-economic relations. (ibid. pp. 130f)

“Effect” here must be understood in a causal way, and not as a *Reflexionsbestimmung*. Juridical relations and (ideological) forms of consciousness arise conceptually on the basis of individuated relations of competition, and not conversely. These latter relations are unfolded as determinations of *thinking* from “the structure of capitalist relations of production” (cf. esp. ibid. p. 133).

In his last book, *State, Power, Socialism*, Poulantzas devotes a few words to the refutation of a derivation of the state from “the relations of circulation and commodity exchange” (Poulantzas 1979 p. 50f). His line of fire is thus directed against Pashukanis, della Volpe and one position within the German state derivation debate in the first half of the seventies (ibid. p. 51). Since Poulantzas does not see the point of problematizing the form of the bourgeois state, but is oriented towards describing various *forms* of the bourgeois state within the bourgeois epoch, his reflections on the former problem are somewhat thin. Against the /241> attempts to ‘derive’ individualisation and then the state out of a consideration of simple commodity circulation, the author proposes an understanding of individualisation based on the ‘effects’ of the structure of the capitalist labour processes on the capitalists and labourers (ibid. pp. 64ff). The mediations between the spatial and temporal matrices(?)” (ibid. p. 63) of the “capitalist social division of labour” (ibid.) and the ideological conception of individuals as “private persons” are not spelt out. What is hinted at is a vulgar materialist notion of individuation. Here as elsewhere, Poulantzas demonstrates his imperviousness to any considerations of form-analysis.

Against the development of a concept of state out of an analysis of competitive society, Poulantzas offers the basic axiom, faithfully drawn from the Marxist classics, that the state is only to be correctly conceived in its relation to “the field of

the class struggle” (Poulantzas 1975 p. 125). Of the “major theoretical work of Marxism, *Capital*” (ibid. p. 20) Poulantzas claims that class analysis is a central motif:

Marx shows, particularly in *Capital*, Volume III, how the agents of production ... are distributed into social classes. (ibid. p. 131)

The last one and a half pages of the rough draft for Volume 3 are attributed the exaggerated status of a class-analysis ready to be adopted without reconstruction. In another place (cf. §9A) Poulantzas disputes this very analysis of classes.

c) In his critical article on Poulantzas, *Simon Clarke (Capital & Class No. 2 1977)* points out that Poulantzas does not perform the necessary mediations to demonstrate the way in which the relative autonomy of the state results from the relations of real appropriation (ibid. p. 12). He provides this mediation himself by mentioning the revenue-source relations of the factors of production:

The political level does not therefore intervene in distribution, which follows directly from the natural ascription of revenues to ‘factors of production’. (ibid.)

On the basis of these relations,

the state can ... present itself as the state of the whole, as the unity of the individuals it has itself constituted as juridical subjects. (ibid.) /242>

Although in two sentences the transition cannot be made from revenue-source relations to the state, this insight of Clarke gives a bare hint at a fruitful way of filling in Poulantzas’ missing mediations. Paradoxically, Clarke turns this insight into a critique of Poulantzas which blocks off his chance of further filling it out. According to Clarke, any conception of class based on revenue-source relations must be false because class must be defined at the level of production rather than distribution (ibid. p. 15). Marx’s enigmatic chapter-beginning, ‘Classes’, in Volume 3 on the level of the revenue-form is not mentioned. He bends the stick the other way in arguing that Poulantzas’ class state is not sufficiently class state because it is based on an unMarxist theory of class (ibid. p. 14). That there could be a systematic presentation which proceeds from an analysis of the (value-form) relations of production through an analysis of the surface of economic life to the state, wherein the latter is conceived as being exposed to the power struggles of “interest groups” (ibid. p. 15), remains a hidden and forbidden path for Clarke. It’s a pity that he lacks a strong sense of adventure. If the state is to be conceptualised, it must, according to Clarke, be done so directly on the basis of relations at the *essential* level of the total analysis. Defence of Marxism thereby turns into the refusal to allow conceptual mediations, for fear of losing the true radical kernel of Marxism. To give forms of appearance a substantial place in the argumentation is taken as simply borrowing bourgeois concepts and consequently as falling into the ideological arms of

bourgeois sociology (ibid.). The inability to dispose of bourgeois sociology in any way other than stubbornly insisting on essential determination prevents this kind of Marxist theory from arguing adequately with everyday consciousness.

Although both Poulantzas and Clarke represent attempts to free Marxism from Stalinist dogmatism, they have not succeeded in putting the “tautological determination of the bourgeois state as class state” (Flatow & Huisken 1973 p. 84) seriously into question. This determination is either tautological, as Flatow and Huisken say, or plain blind dogma, when Marxists talk of the ruling classes possessing state power. /243>

In their article, which was a major contribution to the German *Staatsableitungsdebatte* (but which unfortunately has not appeared in English translation), Flatow and Huisken offer some enlightening general remarks of the problem of conceptualising the bourgeois state. Those Marxists who cling to Marx’s “mature conception” (Poulantzas) of the state as class state, for all their talk of the effects of ideology, cannot bring themselves to the admission that ideology also has a truth content.

Against bourgeois conceptions of the state as an essentially neutral instance oriented towards the universal well-being and welfare, there remains only the statement that in such theories it is a matter of pure mystification of the true kernel; confronted with the decisive question how then do these bourgeois theories arise, such a methodologically defined concept of state must capitulate. (ibid.)

Despite his discussion of bourgeois theorists such as Weber and Parsons, Poulantzas argues merely with “the pure counterposition of results of bourgeois and Marxist theory” (ibid.). From the start it is decided: a theory which does not conceive the bourgeois state as class state (however this may be theoretically formulated) is plain wrong and ideological. The notion of the members of bourgeois society having forms of consciousness that affirm the existence of a universal social subject, or that universal forms of freedom have reality in bourgeois society cannot be conceptualised by Poulantzas because he rejects such notions outright as ideological.

Poulantzas and, to my knowledge, all Marxist theory of state published in English in recent years, fall behind the level of discussion in the West German debate, which had the great merit of at least having posed the problem of how the state can appear as a class-neutral state even though it is based on the capitalist mode of production in which classes exist. The naked insistence on the class nature of the state cannot argue with the form of consciousness of ‘universal well-being’, but can only claim that the working class is being duped by ideological campaigns which mask



capitalist class interests. There is no doubt that the capitalist class, especially through the media, repeatedly tries to ‘sell’ its interests as those of the working class, but this /244> alone cannot account for working class acquiescence. Such a conception denies that the workers are able to form any true conception of their own interests. The state formulates a conception of universal well-being in which working class interests are afforded a modest place. The labourer, having very often acquired a submissive attitude through hard experience, may unwillingly accept the role allotted by the state in its conception of universal well-being, but s/he is not merely duped into swallowing capitalist class interests as his/her own. The state does not merely implement capitalist class interests, but a compromise of interests of the various groupings in civil society, modified by virtue of its relative autonomy from society and its monopoly of repressive force according to its own estimation of what is good for itself and for society.

d) The central thesis of *Flatow and Huisken’s* paper is:

that only on the basis of the determinations of the surface of bourgeois society do those connections emerge which allow the essence of the bourgeois state to be grasped. (ibid. p. 100)

The thesis is argued for firstly by a sketch of the development of categories of “price of labour”, “profit”, “splitting of profit into gain and interest”, “ground-rent” which ends with the level of “revenues and their sources”. This last formulation takes over directly Marx’s own from the third volume of *Capital*, and so is subject to the critique and reconstruction of this level in Part I above. The next step in the argumentation is to pronounce the character-masks of the capital-analysis to be subjects “who think themselves to be free insofar as they can dispose of private property” (ibid. p. 106) and who have “interests totally and exclusively concerning the optimal use of their own property for the purpose of gaining high revenue”. (ibid.)<sup>3</sup> There follows the listing of three interests of the owners of the three kinds of revenue-sources (the fourth figure, the entrepreneur, is missing) taken from the MG Erlangen’s 1972 paper:

a) the interest in the maintenance of the revenue-source itself b) the interest in the highest possible revenue... c) the interest in the continual flow of revenue, which in this determinacy of continual flow is income. (MG Erlangen 1972 p. 4 quoted in F&H 1973 pp. 106f) /245>

Flatow and Huisken do not make anything of the MG Erlangen’s distinction between income and revenue; cf. §§14f. The following pages (pp. 109-116) are devoted to a more detailed discussion of the above-named interests in which terms such as “wrong”, “punishment”, “law”, “competition”, “production of equal conditions of competition”, “distribution-competition”, “family”, among others,

crop up. To these three particular interests of the revenue-source owners there correspond three universal interests “common to all (*allen gemeinsam*) and thus universal (*allgemein*)” (ibid. p. 116). From the “contradiction between universal and particular interests” (ibid. p. 118), the state is derived as embodying “the release of universal interests out of the sphere of the private persons and their administration in the sphere of the state”. (ibid. p. 121) The development as a whole does not proceed very systematically in that, in the discussion of the interests of property-owners, determinations of competition (e.g. “distribution-competition” ibid. p. 113) are mixed with determinations of the state (e.g. “law” ibid. p. 110). It has to be asked whether the universal which the state “embodies” can be conceptualised as “the concept of universal interest” (ibid. p. 123) in the sense of interests common to all. This argumentation has the same general structure as the utilitarian tradition of argumentation for the understanding and justification of the state starting with Hobbes. Hegel’s critique of this tradition is therefore relevant here. The universal cannot be conceived as a subsumption of the totality of particulars under a general category.<sup>4</sup> Flatow and Huisken cannot formulate with this subsumption logic a “contradiction between universal and particular interests”. The state is not conceptualisable on the basis of the consciousness of the property-owners of revenue-sources, on the basis of their perceived common interests.<sup>5</sup> Nothing mysterious about the state would remain; the universal process of capital would not gain a conceptual – even illusory – form of appearance. It is dissolved in consciousness in common interests once the level of the revenue-form is reached. As against this utilitarian argumentation, the present analysis proposes the concept of *competitive freedom* (§64), whose culmination in the sphere of competition is the person, as the basis on which the concept of state can be developed (in its first determination /246> as preserver of competitive freedom as form). Competitive freedom is not a category derivable from conscious particular interests of subjects of competition. It is the universal form of consciousness and action of subjects of competition springing from the relations of property. The latter are a form of appearance and further development of revenue-source relations, which in turn summarise the capitalist value-form relations. Although property-owners have particular interest in their property, namely the interest to earn income, the particularity of their wills cannot be the starting-point for the conceptualisation of property itself. The particular interest pursued by the subjects of competition is disjoined from the result brought about through the exercise of the freedom of person. This result leaves some property-owners empty-handed. The state cannot therefore be thought as representing the common interest in income. The state is affirmed as guarantor of competitive freedom, which inevitably results in the negation of some particular interests. This fundamental diremption of particularity from universality can only be conceptualised by proceeding from the essential levels

of the capital-analysis, where this diremption is first formulated (cf. Eldred & Hanlon 1981 RVfA p. 29 and App. §§4ff). The state is the product (for reflection) of this diremption and simultaneously an *Aufhebung* of it.

e) The *Marxistische Gruppe* claims to have put an end to the debate over the derivation of the state in its pamphlet *Der bürgerliche Staat* (1979).

The present analysis ... distinguishes itself considerably from the writings which in the last decade have appeared as contributions to the 'state derivation debate'. It is namely the state derivation, and thus ends that unhappy debate... (MG 1979 p. 5)

The MG would probably not be overjoyed to find an author who does not take their word that they have ended the debate and who offers his own systematic presentation which deviates significantly from its brochure. The pamphlet does make the advance over recent Marxist theory of state of actually dealing with the content of the object of analysis. The derivation debate understood /247> itself as a derivation of the form of state from the Marxian capital-analysis. Thus various systematic places in the capital-analysis were proposed and discussed as a starting-point for the further analysis of state. We have already discussed one of the better of these proposed starting-points in the article by Flatow and Huisken. In their critique of Flatow and Huisken, the MG approves of their proposed starting-point with the "surface of bourgeois society" (MG – at that time the *Arbeitskonferenz* – 1974 p. 150) which is further characterised as the level where "the individuals purposefully and consciously act (*umgehen*) with their revenue-sources (the last category of *Capital*) and that this activity presents autonomous forms which have to be analysed. These forms must ... also hold as those which to start with determine the consciousness of the agents of the capitalist mode of production. Since however they (F&H ME) are concerned with the state, they carry out no analysis of the competition but rather restrict themselves to its universal forms." (*ibid.*) Five years later, with the appearance of their state theory, one expects to find an analysis of competition mediating the transition from the "last category of *Capital*" to the state. It is interesting to note that the commentary on *Capital* begun by the MG in 1974 has to date not been continued. One could surmise that some rather grave problems in sorting out the argumentation in *Capital* has to date prevented the MG from publishing the last word on Marx's main work. Unperturbed by problems of building up a consistent systematic conceptual structure, the MG has proceeded to publish a series of pamphlets since 1979 dealing with state, imperialism and the private sphere. In any case, the expectation that one could find an analysis of competition as transition to the state analysis in the MG's state derivation is disappointed. The very first sentence of the analysis reads:

The bourgeois state is the political power of capitalist society. (MG 1979 p. 8)

A bald statement, which makes no bones about having to “unearth the preconditions” (Hansen et al. 1983) on which it stands – or falls.. There is no trace of the revenue-sources in the first systematic paragraph. Instead, what is there to be found is “the /248> economic competition with respect for private property” (ibid.). What exactly is private property? The state “guarantees the recognition of property and person”. What is a “person”? To make sense of these terms and others, such as “capitalist society”, “competition”, “freedom and equality”, “particular interests”, one has to search through later parts of the text or to rely on one’s own everyday understanding. The resort to either way of making sense of the text is already a critique of the MG’s claim to have performed a “derivation” and in particular, a derivation from a capital-analysis.

There is a continual ambiguity about the category of private property. On the one hand there are phrases such as:

Private property, the exclusive disposal of the wealth of society, on which others are dependent for their existence... (MG 1979 p. 10)

which lend support to the interpretation that only those who dispose of “the wealth of society” are property-owners. In another place, the working class is claimed to be the “means of property” (ibid. p. 30). On this interpretation, the system of private property means that there is a class “with exclusive disposal of the means of production” (ibid. p. 10) which has the “power to contest the existence of others” (ibid.). This interpretation implies the existence of a propertyless class. If this is so, then there can be no basis for a form of appearance of equality. The MG writes that the “agents of the capitalist mode of production” have the freedom “to secure their portion of wealth corresponding to the means which they have or do not have” (ibid. p. 9) This is the well-known distinction between rich and poor, between ownership and non-ownership of the means of production, which belongs to the stock in trade of socialist propaganda since time almost immemorial.

On the other hand, the labourers are explicitly attributed, in the fifth systematic paragraph (out of ten), “property on their own labour-power” (ibid. p. 31); “many call only themselves and their means of consumption their own.” (ibid.)

The MG deals only with two classes in bourgeois society, the capitalist class and the working class (ibid. p. 30). At the same time, there is a passing reference to “the productive use of capital//249>land and the performance of wage-labour” (ibid. p. 31) which hints at a third class, at least.

The predominant theme of the MG’s analysis is that bourgeois society is *a class society*:

the equal treatment of contracting parties equipped with different means offers the best guarantee that inequality continues to exist and grow. (ibid. p. 24)

The bourgeois state is consequently a class state; the labourers in reality unequal.

The *maintenance of a society* in which the increase of property, the extension of the sphere of personal freedom, excludes others from the participation in social wealth constitutes also the *sole purpose* of the bourgeois state. (ibid.)

“Participation in social wealth” can refer only to individual consumption. Property in “capital/land” allows the capitalists and landholders to gain a larger slice of “social wealth” for consumption than the labourers, who are left only “toothbrushes and lemonade” (ibid. p. 10). The critique is thus a matter of the social difference between rich and poor, a quantitative difference in the distribution of social wealth to social classes. That entrepreneurs control the means of production is significant in this regard only in that it allows them to gain a larger income. The state guarantees this inequality in income by guaranteeing the “forms of intercourse of competition” (ibid. p. 18):

The law which is guaranteed to all and justice organise the advantage of the stronger and the persisting disadvantage of the citizen with less means. (ibid. p. 19)

The MG correctly points out that the members of bourgeois society concur with the state’s compulsory maintenance of property relations because only this allows them their freedom to pursue their own particular interests (ibid. §1). If however the exercise of the freedom of property leads to such unequal results, then there is, from within bourgeois society itself at the level of naive consciousness, already a critique of capitalism, as the maintenance of the distinction between rich and poor. What prevents then the awakening of revolutionary consciousness, if critique is this simple? The contradiction between rich and poor contains already /250> its own *Aufhebung* within the bourgeois totality: the working class turns to the state and demands that it redress the balance in the distribution of wealth, at least to the extent of providing all with a socially acceptable minimum standard of living. And in some conjunctures, the working class is actually able to wring social welfare out of the state which more or less adequately provides for the mass of weaker members of civil society. The MG recognises this to the extent that the “welfare state” (*Sozialstaat*), which provides various welfare measures, is treated in §5(c). This is however partially negated in §8 through the determination of universal well-being as “economic growth” (ibid. p. 72). The state turns out to be an Indian giver; it tries to save on social welfare because it “reduces the national wealth” (ibid.). The national wealth is not reduced through welfare, but is redistributed! The concept of universal well-being turns out to be blatantly one-sided in that it is simply a way in which “the state implements the interest of the capitalist class” (ibid.). The state as universal is accordingly a mere sham cover for class interests. The fact that under certain circumstances economic growth can be favourable also for the competitive interests

of the working class to gain more income is not discussed; the labourers are treated as a mere means of capital which the state will protect when the capitalists “behave ruthlessly towards their means” (ibid. p. 74). In that the MG declares economic growth, even and especially at the cost of the material standard of living of the working class (“it occurs to it (the state ME) with regard to its measures to maintain the wage-labourer, that they are ‘costs’ ...” ibid. p. 72) to be the state’s final purpose, it contradicts the statement:

Not through its *bias*, its immediate commitment to the interest of definite parts of society does it (the state ME) become the servant of a class ... (ibid. p. 19)

The attempt to formulate the critique of the bourgeois state in terms of its furthering economic growth and hence also the *interests* of the capitalist class against those of the working class leads the MG to quantitative considerations in order to demonstrate that the labourer’s lot is comparatively bad in terms both of material gain and of the damage caused by competition. Some of this is true but does not get to the heart of a form-analytic critique of capitalism capable of putting /251> the form of bourgeois society into question. The domination of capital over the working class is not to be conceived as the inequality in the distribution of wealth, but as the domination of capital over labour (cf. App. §13Ab; Kleiber 1983). This has two aspects. Firstly, the capitalist dominates the labourer in the production process. Secondly, capital, as processing value, is social labour in that it represents the abstract association of labour by organising the sale of produced commodities. The capitalist himself is subjected to the abstract universality of the market; the labourers experience a subjection directly to a subject in the chain of command in the enterprise. This *lack of self-determination in social labour* is a qualitative consideration, which is independent of the distribution of income. The MG aims in its critique at showing i) that the working class comes off badly in the distribution of commodity wealth and ii) that it must labour under poor conditions for too long to obtain even this paltry share of income. Essential to this kind of ‘poverty-critique’ is to show that the working class cannot even better its lot in this regard through competitive struggle, i.e. for as long as it is ruled by capital and state. This critique is to serve the MG as the main prong for political agitation. It represents the working class basically as the victim of capital and state, which is shoved around according to the latter’s requirements. The unwelcome enlightenment that it lets itself be abused is supposed to provide the key to promoting a revolutionary consciousness directed radically against capital and state. This kind of ‘poverty-critique’ and its related agitation however contain no element of self-critique of the working-class. Critical philosophy has to get on the track of why the working class freely submits itself – now for more than a century – to capital and state. There are some other aspects of proletarian existence and consciousness which make this seem

a sensible or inevitable, or even desirable state of affairs. In the first place stands the obverse side of the labourer's submission to the capitalist: it leaves the responsibility for organising the whole production process to the capitalist. When the labourer knows his/her place in the hierarchy and his/her job, then s/he can forget about all other aspects of the production process. Similarly, /252> on the level of the relation between capitals/companies, the enticement to let 'things' have their way, and to make the best out of the present competitive conjuncture, is great. There must be a few mediations before the labourer could come to regard him/herself as a *subject* who is partially responsible for the shaping of social labour on a total social scale. To point out that the labourer comes off worst in the distribution of social wealth and in material conditions of life cannot provide sufficient critical political motivation, since the apparently positive side to the labourer's acquiescence is not laid bare. The MG's agitation, which continually tries to find the worm in every aspect of the labourers' existence, shows no insight into why the labourers put up with this form of social existence and even affirm it. The emphasis on the inequality in the distribution of social wealth under capitalism allows socialism to appear as above all a form of society where social wealth is more evenly distributed – the kernel of thinking on that secular holiest of holies: '*social justice*'. Abolition of private property should have this as a consequence – but not only this. The form of social labour must also be radically altered, which poses a challenge for the working class. In order that the working class could come to even consider this challenge, the contradictoriness of bourgeois existence must be thrown into relief in all its nooks and crannies, to conceptualise how the subjectivity of the bourgeois individual (not only the labourers) is *negated* by the abstract-universal totality. This experience of negation and negativity is not reducible to material considerations. Critical philosophy must be able to articulate all the various forms of appearance of this negativity (and the apparent forms of positivity) in order to demonstrate to consciousness its subjection to 'things' and to others, i.e. its (accepted) lack of subjectivity, and, by this means, to perhaps provoke the subjugated subject, on *reflection*, to *become a subject* and criticise its limited, contradiction-ridden form of subjectivity.

### **§75 Law**

Even when the subjects of competition have the will to act within the forms of right in intercourse with one another, so that no one has the will of negating right to obtain money, the opposing /253> interests in the form of contract imply an unclarity as to the contractual determinations which cannot be finally decided by the parties themselves but must be

*ARBITRATED* by a third party. Right must be *POSITED* by the state. At the same time, for everyday consciousness, the state cannot posit right arbitrarily, since its determination is the maintenance of the freedom of the person. The form in which the state posits right is firstly as *LAW*. The state pronounces what is to be law and thereby removes the ambiguity that arises in the private contractual relations between persons. In that it determines right as law, the state determines also how the subjects are to relate to one another as persons. Together with the law therefore there go the *FORMALITIES OF LAW*, which define contractual procedures between persons. Since the judgement by the state over right must be based on universally acknowledgeable criteria, contractual intercourse in the main must take a written form that puts beyond doubt what the contractual determinations are and whether they have been fulfilled. Conversely, since the laws are posited right and constitute the conscious framework of freedom in competitive society, they must also be *KNOWABLE* by the individuals so that they know in what their freedom lies and how the universal subject is rightfully entitled to act. The subject-matter of law on this level concerns itself exclusively with property rights and the rights of existence. Other forms of right will be developed at later stages of the analysis in accordance with new determinations of the content of bourgeois freedom.

a) The conditions of competition, in which particular interests are pursued, often become so fierce that the conflict between the subjects becomes a conflict over right itself. The competition between companies leads of itself to an attempt to extract the most out of the labourers, which may infringe the labourers' negative right to existence. The borderline between use of labour-power which does not and that which does impair the labourers' life and health is socially determined, by class struggle. In order for this determination to become effective socially, it has to be posited and judged by the universal social subject, the state. The state thus has the task of preventing the annihilation /254> and harm to lives of the labourers through the strength of the companies in the competitive struggle.. In this vein, Marx remarks laconically:

Capital thus pays no regard to the health and length of life of the labourer unless it is forced to do so by society. (CI 257;KI 285)

He also notes that the compulsion by the state to restrain the exploitation of labourers is not to be viewed only from the viewpoint of the preservation of



freedom, but also has an economic significance as the preservation of a social resource. He quotes the *Times* of 5 November 1861:

But though the health of the population is so important a fact of the national capital, we are afraid it must be said that the class of employers of labour have not been the most forward to guard and cherish this treasure ... (CI 257 n. 1; KI 285 n. 113)

This capitalist utilitarian reasoning is an affront to everyday consciousness which holds onto an ideal of bourgeois freedom not reducible to mere survival of a mass of exploitable human material.

b) Right as it has been analysed in Parts II and III is right only implicitly (*Recht an sich*), in the form in which it arises from the forms of intercourse in competitive economic life. The state respects these forms and at the same time gives them a determinate, finite social existence by positing them as laws. Right is thus to be distinguished from law. Hegel formulates this distinction in the *Encyclopaedia*:

The *necessity* to which determinate existence (Dasein) determines itself is obtained by right in the administration of justice (*Rechtspflege* = literally 'caring for right'). Right-in-itself has to present itself to the court, to individualised right, whereby right-in-itself can be different from right which can be proven. (E §531)

The distinction between right and law conceptualises one aspect of the 'relative autonomy' of the state which remains such an elusive notion in Althusserian, structuralist Marxism. The correspondence between state and capitalist economy has to be specified as a form-correspondence and not as a functionalist, quantitative /255> furthering of the valorization process. The necessary mediation in order to grasp the form-correspondence between state and 'base' is provided by the competition-analysis, which develops the forms of consciousness and intercourse in which the capitalist value-form relations appear to the subjective actions of individuals namely, as the freedom of private property, or, as Hegel expresses it, as abstract right.

c) The determination of the concept of law given here is anything but a definition useful to sociology. The law is right which is concretely posited by the state. *Max Weber* understands under right and law something entirely different: both are given definitions, as general as possible, in order to be applicable to all cases where punishing instances appear, in all periods of history, in all kinds of society and in all spheres of society. In connection with capitalist economy, for Weber. "the limits of the factual success of the force of law in the area of the economy" (Weber 1980 p. 197) presents a specific sociological problem:

Avoidance of the law precisely in the economic sphere ... is often easy to hide. According to experience, the influence of right (here meaning: law ME) on the effects flowing directly out of the ultimate sources of economic action is particularly restricted: the economic calculation of the value of goods, and with this the formation of prices. (ibid.)

Such problems are the concern of a sociology of law. From one standpoint, such sociological investigations are useful to the state in increasing the effectivity of its legal control over society. From another, 'left' standpoint, such investigations could show up just how restricted the power of state is vis-à-vis calculating private interest. All this presents some curious phenomena, such as the total inversion of the "intended purpose of a regulation" (ibid.) into its opposite, but provides no concept of law and right which could allow consciousness to critically consider what the hitches in these social forms are.

Just as out of place for a form-analytic mode of conceptualisation is the sociological preoccupation with which "guarantees of law" /256> (ibid. p. 198) have been provided by institutions (the church, guilds, etc.) other than the state in the course of history. Through diligent historical research, one can unearth the most exotic and peculiar examples of forms of punishment/enforcement of economic behaviour which seem wonderfully quaint to modern consciousness. Weber himself would like to show through his sociological investigations that the "development of the market" (ibid.) has produced historically-speaking a rationalisation of the law, "a calculable functioning of right according to rational rules" (ibid.). This "characteristic tendency" should explain "the monopolisation and regulation of all 'legitimate' coercive force by a single universalistic coercive institution" (ibid.): the modern capitalist state. The emphasis is placed upon establishing a "tendency" which allows the *comparison* of our epoch with earlier epochs. What insight should flow out of this comparison? That we should be thankful that the state has become so all-encompassing, rational and predictable? Weber would of course insist on his "value-freeness" (*Wertfreiheit*), which is a little dissatisfying for anyone who isn't interested in the accumulation of knowledge for the sake of knowledge. Sociology does not operate with a concept of freedom, although this is *de facto* a principal motive of sociological researchers, who tack their progressive or conservative politics onto their research according to reasons which come from outside sociology (be it even the whim and fancy of pure interest in a field of study). Since a concept of bourgeois freedom is not in the slightest developed by sociology, through sociology itself as science, thinking cannot be helped to a critical consideration of bourgeois freedom through any form of sociology. A concept of bourgeois freedom should also reveal contradictions and the inner connection of the whole, so that consciousness can freely choose its attitude to this 'whole'. Sociology, through its

*show* of objectivity and its positivistic commitments, suppresses the conceptualisation of the objectively given contradictoriness – and that not without political motivation.

d) The *Marxistische Gruppe* does not enjoy the scientific reputation of a Max Weber. Nevertheless, their small agitational booklet entitled *Der bürgerliche Staat* contains more food for /257> thought for a conceptual analysis of the bourgeois state than the whole of Weber's thick volume *Wirtschaft und Gesellschaft*. Here we comment only on the MG's treatment of law and right (MG 1979 §4). One cannot discern a conceptual difference between law and right in the brochure; they are used interchangeably. Particularly interesting is the statement:

Through the power of the state, the law is immanent to the actions of citizens, so that the citizens acknowledge its commandments as ethical yardstick which they apply to themselves and others: *morals*. (MG 1979 p. 23)

Morals are here set equal to the acknowledgement of the state's laws. If this is the concept of morality, then no difference can be established between the posited law and consciousness' attitude towards it: all that is posited by the state is morally correct. This is a concept of morality which does not allow that the subject, in following its moral conscience, may oppose and reject a law. It is not the case, as the MG maintains, that when the citizen infringes the law s/he does so always "with a bad conscience" (ibid. p. 27). There are two further attitudes of consciousness towards the law which admit of opposition to the law. The first is the amoral attitude, which views the laws purely instrumentally as hindrances (or enablers) to its activity, and orients itself towards them merely to avoid punishment. The MG describes this as the "outright functionalisation of (moral ideals ME) for self-interest." (ibid. p. 28) This hard-headed attitude may or may not be complemented by a large slice of *hypocrisy* which is employed as moral weapon against others, where the *show* is made of morality although the person concerned does not him/herself adhere to the moral principles espoused.

The second attitude is the one that cannot reconcile a law with its conscience. This second attitude can lead to a moral critique of the state, which is particularly treasured on the left. Thus even the right of private property upheld by the state can be morally condemned on the ground that it leads to material inequality and poverty. To the moralistic critique can be said: it remains at the abstract standpoint of individual subjective condemnation of an abstractly isolated phenomenon of bourgeois society; it observes a fact of bourgeois life and assumes a critical stance, of its own /258> free will. Those of like mind, equally freely assumed, can demand the abolition of private property. But very soon a compromise is reached: if this consciousness is worried about poverty, then charitable acts of organisations and the welfare activity of the state may relieve the worst excesses in the name of social

justice, thus appeasing this moral consciousness; it qualifies its critical standpoint and, instead of demanding the abolition of private property, demands that bourgeois society should become more humane. On the point of critique, that private property leads inevitably to inequality, it can be retorted that the differences are unavoidable, that those with more have earned it, that the competitive spur leads to the best possible for all. The moral critique of private property is in no position to answer these retorts from its subjective standpoint. It must reach for arguments which parry the opponent with reasonable objections. Very quickly, moral consciousness, on abandoning its subjective standpoint, realises that its purely moral opinion is powerless against an opposing opinion. To argue at all, some knowledge has to be gained to ground the critical stance. If moral consciousness doesn't take care, it might find itself having to come to an understanding of Marxism. Usually, it doesn't allow matters to reach this point, since Marxism is already presented to consciousness as an ideology, that is, as just another subjective standpoint held by some idealistic fanatics of equality.

### **§76 The Doubling of Competitive Society into Civil Society and State**

The state, in upholding the existence of and in positing right, acknowledges the individual as person. Personhood has an objective existence in the freedom of competitive society and only insofar as the state acts in accordance with these forms of freedom has it the determination of bourgeois state. The society in which the individuals act gains a new determination through the existence on this level of a superior universal subject. Whereas beforehand the society was determined as the totality of individuals pursuing their economic interests within the forms of right, the state and the specific relation of the state to society as the recognition and preservation of freedom as bourgeois right gives the competitive society its character as the *CIVIL SOCIETY* composed of *BOURGEOIS* /259> *INDIVIDUALS* in their relation of personhood to the state. The bourgeois individual is a determination of *ALL* the members of civil society, not just of the capitalist members. The members are bourgeois in the sense that they are *PERSONS* who exercise their rights as person to pursue particular interests and that this being-as-person is acknowledged and guaranteed by the state. The competitive society thus *DOUBLES* itself into *CIVIL*

*SOCIETY* and *STATE*. The doubling is a necessary consequence of the form of competitive society, in which the principles of particularity (the pursuit of income) and universality (the material reproduction of the whole through the mediation of capital) fall asunder. The state, as concrete-universal social subject, does not overcome this sundering but guarantees it, in that it guarantees the personhood of the individuals *AS* individuals. The individuals pursue not the aim of expressing and realising their material interests in the organisation of the ongoing social labour, but the *ABSTRACT AIM* of money-earning. For particularity, it is straightforward to orient itself towards this abstract aim; the universal takes care of itself, at least as *FORM*, insofar as the individuals keep to the forms of intercourse of private property. The universal as *CONTENT* however can and does negate and nullify the particular interests of some individuals (see following paragraphs).

a) Civil society and state as determined here belong to the concept of bourgeois society. The state as bourgeois state respects the personhood of the members of civil society. On this level of the presentation, personhood consists only of the individual rights of property and the negative right of existence. The *Fascist state* deviates from the concept of bourgeois society in its restriction of the guarantee of the rights of personhood. In the economic sphere this restriction consists in restricting competitive freedom, especially of the working class and small capitalists in favour of 'big capital'. On the level of political freedoms (still to be conceptually developed), the Fascist state substitutes its *Führerprinzip* and the demand for unity of the people at the cost of petty individual interests. The Fascist, as well as the Bolshevik state, are both characterised by the increase in state power vis-à-vis civil society, and the consequent loss or restriction of the rights of personhood. In the Soviet Union, this restriction of civil society by the state has gone so far as to abolish private property, the basic right characterising competitive and civil society, without the construction and institution of a new form of the right of particularity. The Bolshevik state can be conceived as having incorporated civil society into itself. In the present work neither the Fascist nor the Bolshevik states are the object of analysis. We focus on the paradigmatic state corresponding to bourgeois freedom as it exists in reality and in consciousness within the bourgeois epoch. From the standpoint of bourgeois freedom, the critique of these latter forms of state is an easy matter. Both are compared negatively *ad nauseum* with the ideal bourgeois state as realisation of freedom. The critique of the latter, however, poses considerably more ticklish problems.

b) *Lorenz von Stein* is a main representative of early German constitutionalism. In the introduction to his *History of the Social Movement in France from 1789 to the Present* (first edition 1850, second edition 1855 in v. Stein *Gesellschaft – Recht – Staat* edited by E. Forsthoff 1972), which appeared shortly after the 1848 revolution, Stein writes on “the concept of society and the laws of its movement”. His method of presentation clearly shows the influence of Hegel.<sup>6</sup> Like Hegel, Stein maintains, “the systematic science which masters its subject matter can begin only with the concept” (v. Stein op. cit. p. 21). In the first couple of pages of his introduction, Stein argues for the state as the independent will of the community: the state is the “human community as willing and acting personality (*Persönlichkeit*)” (ibid. p. 24). This “independent existence” (ibid. p. 23) of the community as state however cannot, according to Stein, dissolve the “independent life of all individuals” (p. 25). Stein’s concept of state is thus initially determined as the universal subject of society. In the following pages, the “independent life of all individuals” is investigated, in which the familiar classical argument for private property through the individuals’ labour is repeated. (This argument however differs from Hegel’s, who derives private property through the necessity of the will to externalise itself.) As for all bourgeois thinkers,<sup>7</sup> private property for Stein belongs to the essential concept of personality/personhood. On its basis, he has no difficulty in deriving a concept of society as a class society /261> of those who possess the material conditions of labour, and those who do not.

Consequently the order of the human community is ... essentially always and unchangeably the order of dependence of those who do not possess on those who possess. These are the two great classes which unconditionally appear in the community and whose existence cannot be dissolved through any movement of history nor through any theory... (ibid. p. 30)

Then comes the qualification:

...as long as the product remains a good (commodity? ME) and the product of labour remains property... (ibid.)

With this qualification, Stein’s statement of the eternal order of class society lapses almost into tautology.

It is interesting to note that Stein divides the possessing class into “three great classes” (ibid.):

possession of land, possession of money, industrial possession or possession of so-called standing or fixed capital. (ibid.)

His description of classes is thus at least close to the four classes we have analysed above (§9).

The latter part of Stein's introduction is devoted to arguments against communism and socialism and for social reform. The first two must be rejected, according to Stein, because they deny the personal freedom of private property and rest on erroneous philosophical notions of equality. Social reform, on the other hand, in no way seeks to abolish class society, but is to give every last labour-power the chance to *acquire* capital. As long as each individual is given the desolate solace of the possibility of acquiring capital through his/her own exertion, Stein claims that the "social question" (ibid. p. 110) will find its solution. The

separation of society into possessing and merely labouring ... in *no way* stands in contradiction with the concept of personality or with that of personal freedom *as long as capital is the result of labour*. For as long as this is the case, the *possession of capital itself is only the higher level of development of personal life...* (ibid. pp. 110f emphasis in original)

We are not told how "capital is the result of labour" – perhaps as the result of the appropriation of surplus-value? Earlier in his introduction /262> (ibid. pp. 91f), Stein argues that the antagonism between capital and labour leads to a situation in which the labourer cannot acquire capital.. "S/he who has no capital cannot acquire any." (ibid. p. 92).

Therefore, social reform can only be achieved through the state. The state, however, according to Stein, is in the hands of the "ruling social class" (cf. pp. 49ff). Nevertheless, Stein maintains that

it is the consciousness of the possessing class of society that its own highest and enlightened interest demands that it *tirelessly work for social reform with the greatest exertion of its social powers and with every assistance of the state*. (ibid. pp. 112f emphasis in original)

Once again, this statement is qualified:

The self-interest of society demands this reform in order to avoid the otherwise ineluctable social revolution. (ibid. p. 113)

The liberal strategy proposed by Stein becomes clear: the discontent of the proletariat must be bought off with the provision of the possibility that individual workers can become capitalists. One could doubt that this possibility was ever absent, and that social reforms since 1850 have done anything to increase the possibility, apart from granting the status of abstract free and equal personhood to all individuals, so that every worker has the formal chance through the competition with private property of becoming a capitalist. Stein's arguments for social reform reduce to a criticism of the 19<sup>th</sup> century bourgeoisie's political hegemony in the state vis-à-vis the working class, which contradicts abstract equality. The creation of formal equality in civil society is supposed to enable the labourers, as well as the

capitalists, to take responsibly in the life of the state. The movement of social reform should result in Stein's "social (welfare) state" (*Sozialstaat*). As one of his admirers today writes:

Stein saw the true task of the social state in the securing of social freedom through raising the working class to cultivation and property. (ibid. p. 511 E.R. Huber 'Lorenz von Stein und die Grundlegung der Idee des Sozialstaats' pp. 495-512)

Stein thus defends the state as the true universal subject that stands above the class interests in society and which has the task /263> of educating society to social responsibility. In the face of the existing domination of capital over labour, Huber uncritically repeats Stein's phantasy of inverting the present domination into the domination of labour over capital (ibid. pp. 504, 512). In that Stein sees "labour as the proper (?) capital" (ibid. p. 512), Huber suggests that Stein "shows the working class the way out of hopeless self-alienation." (ibid.) The author does not tell us whether the working class has already trodden this path, or if it is just around the corner.

Forsthoff, the editor of the volume under discussion, pleads in its introduction (in 1972) for the survival of the state, which he sees as the guarantor of "personal freedom". According to the time of their writing, i.e. after 1968, his words can be seen as expressions of fear of an impending "socialisation of the state" or a "statification of society". (ibid. p. 20) Stein has thus by no means lost his relevance in contemporary ideological struggles over the pros and cons of private property and state. Stein has an enormous advantage in this debate: for consciousness it is self-evident that individual freedom without private property is impossible.

### **§77 State as Repressive Apparatus Based on Rule of Law**

The law is the guarantee of the existence of bourgeois freedom. Insofar as the bourgeois individual wills this freedom of right, it must will the existence of the state and its subjection to it. As self-interested subject, the bourgeois individual only wants that s/he is acknowledged by others as person; his/her acknowledgement of others in turn as person flows not from self-interest and is at most a *quid pro quo*. The individual does not concur with his/her subjection to the state only from self-interest but from a form of consciousness of the universal forms of freedom of bourgeois society. The universal forms of freedom find not their origin (*Grund*) but only their affirmation in the subject. The form of freedom as person is not derivable from the particular will; the



universal is not simply what is common to all. *THAT* the subjects of competition are persons is not the issue, but whether they concur with the coercive guarantee of this personhood by the state. Insofar as s/he acknowledges this freedom as universal and not /264> merely his/her particular freedom, s/he realises the necessity of a state which is to uphold this freedom against the particularity of others and even against his/her own. These universal forms and their universal expression as law of state can suffer no particular exception. The bourgeois individual submits to the law through his/her own consciousness of the freedom of the rights of property and right to existence. Particular aims may mean that the individual has a contradictory form of consciousness with respect to the law. The universal nonetheless stands higher than particular interest and is endowed with the superior force of the state. Even if the particular individual places his/her own particularity above the universal and negates the latter in his/her consciousness and deeds, the state, in order to be real universal, must have the power to call the individual to justice, to restrain the individual within the forms of the universal. The state in this determination is *REPRESSIVE APPARATUS*. In the case where doubt exists as to whether the law has been transgressed, the individual must be brought before the state for judgement as to his/her innocence or otherwise. The judgement is pronounced through the *LAW COURTS*, which are a specialised arm of the state. The state's will is there represented by the *JUDGE*, who is empowered and charged with the upholding of law. The judge is the particular embodiment in an individual consciousness of the state's will. In his/her submission to the judge in a court of law, the individual submits him/herself to the state. If his/her particularity overrides its observance of the universal forms of freedom, then s/he is *COMPELLED* to submit to a court of law. This force against the person is justified by the necessary universal validity of the law. Since the judgement of the law on a person is a realisation of bourgeois freedom, the individual can see in its submission to justice its own freedom, even if this is tinged by a repulsion against this submission occasioned by self-interested particularity. This possibility of the comprehension of his/her own freedom, and the circumstance that what takes place in a

court of law is a universal matter, has the consequence that the procedure of the machinery of justice must be public. The state is the conscious realisation of the forms of freedom in civil society and is thus the representative of the universal forms. The forms of freedom in competitive /265> society are only *IMPLICIT (AN SICH)* and must be posited (made *FÜR SICH*) by the state. As freedom embodied, it corresponds also to the individual's freedom that s/he can know and observe the state in its laws and judicial actions. The repression of the person is thus in the name of freedom. So long as the individual tries as far as possible to observe the laws of state, s/he can regard the enforcement of law as the protection of him/herself and of society as a whole from the acts of a few individuals. For as long as the state acknowledges the individuals equally as persons, it has a relation to society conforming to specifically bourgeois freedom. In this relation, the state is the *STATE BASED ON THE RULE OF LAW*. The state based on the rule of law contains the two complementary determinations of preserver of freedom of the person and repression of the particular transgressor. The guarantee of personhood by the state is the ground of the immense stability of the bourgeois state: particularity regards its freedom as preserved and upheld by this state.

a) The consciousness of the subjection to repression by the state as a form of freedom conflicts with that of subjection without the possibility of enjoying any fruits of the freedom of property and existence guaranteed by the state. For the excluded and unsuccessful (§79) in civil society, the state can be viewed as an alien authoritarian power which guarantees a form of economic life (and, systematically later, private life) that offers no promise but merely crushes the particular strivings of individuals. In this form of consciousness, the individual is pitted against the state as repressive apparatus. Disappointed particularity finds its expression in the figure of the hero-villain who succeeds, at least temporarily, in outwitting the power of the state. The attraction of this hero for losers resides in its fulfilment of the wishes to flee the all-encompassing repressive straight-jacket of the state. In the normal course of bourgeois life, a transgression of the forms of right as set down by law has only an accidental existence, precisely to the extent that the power of the state can be eluded. The individual is constrained by the possibility of punishment by the law courts and prison system to keep within the law. Where the law is broken, fear of punishment can arise as well as the consciousness of satisfaction that particularity has won out /266> against the state-guaranteed forms. It cannot be excluded that

groups of individuals can organise crime within society even to the extent of complicity with the state which turns a blind eye or is actively corrupted and bribed (cf. §94). Organised crime stands in open contradiction to the state-guaranteed forms of bourgeois freedom and is an affront to bourgeois consciousness. The universal forms are transgressed consistently without being righted by the state, which thereby can have sunken to a debased level no longer corresponding to its concept. In the present analysis, the state is systematically dealt with only insofar as it corresponds to its concept within the bourgeois form of society. Other phenomena, such as those discussed above, are mentioned as deviations of empirical reality from the concept which are well-known to everyday consciousness.

b) The judges in a court of law are not merely executives of the state's decisions, but are guaranteed an independence from the state in the administration of justice. This independence corresponds to the laws of state as universal forms having general validity and suffering no individual exceptions. The judge has also to interpret the law in applying it to the concrete case. The legal system can be based on codified law, as on the Continent, or may be based on precedence, as in England. As *Franz Neumann* has shown in his 1936 dissertation at the London School of Economics (*Die Herrschaft des Gesetzes* Frankfurt/Main 1980), whether the judge in a court of law is bound by a codified law or by precedents makes no essential difference to the form of law or to the functioning of the legal system:

Then it is evident that a quite definite type of law corresponds to the competitive economy, in fact, that type which is characterised by generality and rationality of the law and the purely declarative function of the judge. (ibid. p. 281)

In the case of the present work, the point to be made is that the determinations of right and law given here are claimed to characterise the general form of bourgeois society at a level beyond the many differences between the various capitalist countries. Even where the institutional structure of the state contradicts in reality the content of bourgeois freedoms, as in some South American countries for example, this divergence is measured on the level /267> of consciousness and political action against the concept of bourgeois freedom. To provide a critique of the latter is a task exceeding that of comparing empirical circumstances with conceptions of bourgeois freedom.

c) The relation of the state to civil society mediated by the repressive apparatus calls a new profession within civil society to life, that of the *solicitor* or the *lawyer*. The solicitor's profession is to defend his/her client in cases heard by a court of law. The codification of right by the state as law engenders some complications as to the transparency of legal procedure. The formalities of law, which become part of the tradition of juridical practice, weave themselves into a complicated web, whose task

it is for the solicitor to master so as to successfully represent his/her client. The solicitor earns his/her income precisely through this activity, which arises in the necessary mediation between civil society and state. The profession of solicitor however does not constitute a new class of society, in the sense of the concept of class valid for the capital- and competition-analysis. Solicitors are a necessary appendage to, but are not subjects of competitive society and do not actively participate in its material reproduction, as the other classes do, if only by placing factors of production at the economy's disposal. A cheap and easy type of critique of bourgeois society is to point out that solicitors make money out of other people's woes, that through their monopolisation of specialised legal knowledge, they hold their clients to ransom with high legal fees, and that the process of justice is so complicated, costly and time-consuming, that justice is inverted into its direct opposite. All this may be true in hard reality, but as defenders of the legal profession can convincingly argue, all these phenomena are necessarily a part, or by-product of civil society's relation to the state. To make money out of others' troubles is no sin, but a self-evident justified feature of civil society. The client can be thankful that s/he finds a competent solicitor. That the solicitors follow their self-interest in the pursuit of their profession and turn their monopoly position to advantage is a basic right and freedom of civil society which is holy. Only when solicitors indulge in dubious and devious practices do they overstep the boundary of freedom as person. Through embezzlement and other irregularities, solicitors themselves can and often do land before the courts, which merely offers a proof to consciousness that the bourgeois state is a wonderful invention. That the system of justice is complicated and often shoddy is a critique which legal reformers take seriously. They attempt to simplify legal proceedings and to provide for legal consultation of those who cannot afford it. Justice costs a heap of money, and sometimes, in the state's attempt to economise, the result can be cheap and nasty, especially where the sums involved are relatively miniscule. One can be sure that for as long as the bourgeois system of justice exists, the reformers of this system will have their hands full. Consciousness consoles itself with the saying: nothing's perfect! The positive features of the judicial system are balanced against its negative features, and normally a positive balance is drawn. So long as consciousness conceives its world from this frame of reference, then this seems a thoroughly sensible point of view. Consciousness first has to allow its frame of reference to be broadened and deepened if it is ever to see the system of justice in a more radically critical light.

### **§78 The Rule of Law and the Process of Valorization**

The guaranteeing of right through law is the form in which the state preserves and upholds the essential framework of the capitalist mode of

production. The freedom of person corresponds to and arises from the domination of the members of society by a process which has been willed by none of them – the total process of valorization of capital. This value-process is furthered and maintained by the subjective strivings of the individuals within the forms of freedom guaranteed by the state. Subjection to a process whose contradictions rule and affect all the particular members of society on this level takes on the objective form of appearance of freedom of the particular individual, set free from all restraint by any conscious universal organisation of economic activity (cf. however §§84ff).

Hegel emphasises that the state is not to be conceived merely as an organ to protect property and life, which would therefore arise on the basis of the particular interests of the individuals. /269>

If the state is confused with civil society and its determination is set in the security and the protection of property and of personal freedom, then the *interest of the individuals as such* is the final purpose for which they are united... (Rph §258A)

Instead, he points out that the state must be conceived as the

unity of universality and singularity ... in the unity of objective freedom, i.e. of the universal substantial will, and subjective freedom... (ibid.)

Objective freedom is the rational form of freedom arising from the concept:

Against the principle of the individual will, the fundamental concept is to be remembered: that the objective will is that which is rational *an sich* in its concept, whether it be recognised by the individuals and willed by their inclination or not. (ibid.)

The forms of competition, treated by Hegel under the heading of abstract right, are, according to him, derived from the concept of free will and therefore have an existence objectively justified by this concept. Similarly, the state is in accordance with the realisation of the concept of free will. The critique of Hegel consists in the demonstration that the objective forms of freedom which he develops from the concept of free will are in fact forms of freedom arising from the unfree process of capital. The value- and revenue-forms are conceptualised independently of human subjectivity and hence independently of any considerations of freedom. These objectively given value-form relations – relations of human social labour in reified form – nevertheless leave room for a modicum of subjective freedom, which is then

represented by Hegel as absolute, necessary, although abstract freedom, arising from the concept of freedom as such.

In the capital-analysis (App.) we have investigated the value-forms as objective forms of appearance of capitalistically organised social labour. Starting with the value-form of the commodity, the value-form, money, and then further value-forms such as wages, surplus-value, rent, profit and interest were developed. The revenue-form of the various value-forms then presented a form of appearance of value which provided the transition to the category of income-source and the subjective action of income-earning. The income-source is the basic form of property. In reaching the level of competitive freedom with property, the analysis captures Hegel's level of abstract right in the *Philosophy of Right*, but now on an entirely different basis: no concept of freedom forms the fundament of the analysis, but rather a concept of reified social labour, value, and the process of capital which is the movement of processing value.

### §79 The Successful and the Unsuccessful

The state in its repressive function is the guarantor of the forms of competitive freedom within which bourgeois individuals pursue their income-earning activities. In the paragraphs intervening between the analysis of the free competitive economy and the present analytic level, the subjectivity of the member of society has been extended in that the only means for earning income is no longer to be seen in the exercise of property rights. Income, or at least money, can also be got by infringing the universal forms, so that the particular aim and actions of the individual come into contradiction with the universal forms. Constrained by the state to move within these forms, wrong becomes a phenomenon with only an accidental ground for existence. Wrong is subject to the power of state and can exist only when the individual eludes this power. The state brings the individual's particularity forcefully back to the universal, when it strays too far. Given this constraint, the individual strives to earn income just as in the preceding analysis of the sphere of competition (Part III). Here as there, success in the achievement of this aim is not guaranteed. In fact, in Part IV f) §70 it has been shown that unsuccessful bourgeois subjects fulfil a necessary function for the reproduction of capitalist competitive economy as a whole. Civil society thus consists of *SUCCESSFUL* as well as *UNSUCCESSFUL* bourgeois

individuals, winners and losers. Lack of success is not restricted only to those individuals who fail to earn income at all, but extends to those individuals who fail to earn income enough to materially support life at a socially recognised adequate standard of living. /271>

One should note that we here desist from identifying the unsuccessful, the casualties of competition, with the labourer. In the Marxist tradition it has become usual to identify the dichotomy labourer/capitalist with that of poor/rich, as this makes for an easy formula for agitation (cf. §74Ae): the capitalists are to be criticised for amassing wealth and turning the labourers into paupers. This kind of agitation runs up against the hindrance that many a labourer is thoroughly satisfied with his/her material standard of living and some even find enjoyment in the work they do to support this standard of living. Such a labourer cannot be won for a socialist cause through being told s/he is poor. The critique of consciousness has to be more wily and feel out lived contradictions in other aspects of the labourer's life if any change of consciousness at all is to be provoked. The concept of the unsuccessful is not restricted to labourers, which is another reason for not identifying the poor with the working class. Subjects from all social classes can fail in the competition and become losers. A few, of course, are so well-heeled that the danger of failure could only arise through a grossly perverse inattention to self-interest, which has its ground in quirks of the individual's subjectivity. One should not expect from the dichotomy between successful and unsuccessful, winner and loser, that herewith the problem of the designation of the potential revolutionary subject has been solved. Plenty of unsuccessful find their solace, in spite of all, in quietistic attitudes; or they feel themselves incapable of doing anything to alter their situation. Being an unsuccessful subject of competition is by no means the worst fate which can befall an individual. Experienced negativity cannot be tied unequivocally to the necessity of having to make ends meet. Only a total analysis can provide insight into the various points at which the girth chafes, so as to make the experienced contradictoriness *conscious* and *demonstrated* in its inner connection with the social forms.

### **§80 Income as Universal Means of Existence. The Consumer**

The quantitative level of income marking off success in civil society from failure derives from a further qualitative determination /272> of income as the *UNIVERSAL (MATERIAL) MEANS OF EXISTENCE* of the individual. Income is spent on commodities that support the individual's life at a certain material standard of living. The

determination of life is thereby extended from being something which can be destroyed or impaired in competition (§61) to a state of being requiring the material consumption of commodities purchased with earned income. Strictly speaking, material life is supported not only by the consumption of commodities but also by non-commodity aspects of the environment (which are not considered here) and the use of land. Land provides the *PLACE* on which the individual can live and is an essential component of housing. Income is spent also in paying ground-rent (or in purchasing land outright) for the purpose of material life. The quantitative level of income thus determines the material standard of living. A certain level of this standard of living at any given period and within a given society is viewed as adequate, although this level itself is highly elastic. Nevertheless, below a certain level of income a socially adequate level of material comfort cannot be supported. The determination of the individual is thereby extended to the *SPENDER OF INCOME* and *CONSUMER OF COMMODITIES* for the support of life. The *UNSUCCESSFUL* or *POOR* bourgeois individual is s/he who does not earn enough in competitive life in order to support the socially adequate material standard of living, whatever this may be in a given period. The economic process of civil society produces unsuccessful individuals not only through the contingency of the value- and revenue-forms in general, but through the changing concrete structure of the total reproduction process and the necessity of periodically creating unemployment as a way of alleviating relative overaccumulation. The individuals can strive to earn income in any of its four forms: wages, interest, rent and profit of enterprise (or the derived form, dividends). With the latter three incomes, the earning of income is dependent upon ownership of a property external to the individual. The individual may or may not own external property. As opposed to this, the individual's bodily and mental capacities are a necessary and inseparable attribute. If income from external property does not suffice to provide an adequate material standard of living, the individual has the opportunity of attempting – as a 'last /273> resort' – to hire out his/her labour-power to a company. (To sell alienable property in order to gain money to live, is only a stop-gap measure, because the money got from sale will be



consumed in individual consumption, and the individual will sooner or later be faced with the problem of how to earn an income. An exception is old age, where death eventually solves the problem of having to earn income.) So long as the individual has some labouring capacities, a place in the labour market can be striven for when attempts to earn income by other external means are insufficiently fruitful. In this sense, wages are the *FUNDAMENTAL INCOME* because they are, in principle, the universalisable income. Total failure in income-earning is thus to be equated with unemployment, since the labour market stands open to competition for all mediocre landowners, money-capitalists and entrepreneurs (and shareholders). It may be the case that the individual has to work for wages to supplement an insufficient income from other kinds of property. Money-capital, in particular, including savings, can always be invested to earn some interest, no matter how meagre.

### **§81 The Positive Right to Existence**

With the determination of income as universal means of existence, the previous universal aim of the subject of competition (§13) becomes demoted to the status of a universal means. With this change in the determination of income, namely, its connection with the supporting of existence, the ground is given for a further development of the (negative) right to existence (§61). Through the exercise of freedom of property, there is no guarantee that enough income will be earned to adequately support existence. Without an adequate material existence, individual's life is negated by the purely formal freedom of property. Property, however, is now determined as a means to be utilised to gain income to support existence. The freedom of existence stands higher than the freedom of property, just as in the struggle between labourers and the company's functionaries over conditions of labour. Here, however, the generation of poverty is a necessary result of civil society that cannot be avoided through restraint in the settlement of contracts. The *RIGHT TO EXISTENCE* here /274> becomes *POSITIVE*, as a right to an *ADEQUATE INCOME* to support a minimum social existence. Within civil society itself, this right can have no existence, because

income-earning is subject to the contingent freedom of property. The necessary mutual acknowledgement of individuals as persons precludes that a poor individual steals from another in order to gain adequate means of existence. Conversely, the exclusiveness of property precludes that the successful must use his/her income voluntarily to support the poor. If this happens, it has only a *CONTINGENT, UNNECESSARY* existence in civil society based on *MORAL CONSCIENCE*. The positive right to existence is, however, a *NECESSARY RIGHT*, belonging to the concept of bourgeois freedom.<sup>8</sup> Within civil society itself, this right can find no universal realisation. Even in times of economic prosperity, there is always a number of unsuccessful individuals.

The problem of poverty in civil society is one that has occupied and still occupies bourgeois consciousness intensively. The consistent no-holds-barred application of the rule of private property inevitably produces poverty. On the other hand, a chief ground of legitimation of property is that it provides the best possible opportunity for all members of society to gain a share of the social wealth. Where civil society fails to fulfil its implicit promise of material prosperity, consciousness is posed with a moral dilemma; the result of the competition is not what it ought to be, measured against the norm of general material support of life of all members of society. As such, the contradiction posed by the existence of unsuccessful individuals in civil society is above all a contradiction *in consciousness*, and forms an aspect of moral consciousness, in that the diremption between is and ought comes to the fore. As will be seen in the next paragraph, the resolution of this contradiction on the ontological level can be achieved, in the name of social justice, by the state's welfare activities. Another resolution, springing more directly out of moral consciousness, is the charitable work in civil society organised by private individuals. This theme will not be treated further in the present work. /275>

## §82 The Welfare State

Assuming that the effects of moral conscience in civil society through charitable work are insufficient to realise adequately a positive right to existence, an intervention from outside civil society is necessary for its realisation. The subject standing outside civil society is the state. As universal subject to which civil society is subordinated, it falls to it to attempt to realise the positive right to existence. Since the right to existence stands higher than property right (§§81, 61), the state is

rightfully entitled to restrict property right for the sake of the right to existence. The property rights of the person are thereby relativized to the right to existence, both positive and negative. In the first place, it is a matter of *PROVIDING INCOME* to the unsuccessful. This can only be done if the distribution of income, and thus of the material wealth of society, is varied from the distribution brought about through the competitive struggle alone. The state has the right to appropriate income from the successful individuals for *REDISTRIBUTION* to the unsuccessful. Although this right of appropriation by the state can be qualitatively conceptually grounded, the quantitative determination of how income is to be redistributed by the state is left open to the state's assessment of how it can best attempt to realise the right to existence. In this decision, the state acts as universal subject for the sake of the universal at the expense of the particular rights of property. Only a universal subject, which subjugates civil society to itself, can attempt this redistribution of Income . The state in this function is *WELFARE STATE*, providing *WELFARE* either directly in material form or in money-form. Its actions contribute to the welfare of the members of civil society in the name of social justice. The well-being constituting the substance of the positive right to existence is the satisfaction of certain *BASIC WANTS* that are acknowledged by the state as belonging to an adequate social existence and for which groups within civil society have struggled. The standard of material living over and above this level of material well-being is left to the caprice of the individuals' economic struggle. Redistribution of income may not suffice for the realisation of the positive existence right. It may be that conditions of valorization in the economy do not allow that /276> private enterprise successfully (i.e. as a profit-making activity) undertakes the provision of certain sorts of production (above all, economic infrastructure § 86) essential for an adequate social existence. In this case, the state itself must undertake productive activity, and since the production is not a successful valorization process, it must subsidise it with income appropriated from the members of civil society. The state is hampered in its attempts to redistribute income by the resistance of groups within civil society.

a) It may be objected that the positive right to existence is not always realised in bourgeois society, i.e. that poverty is never totally abolished. On the one hand, it is to be noted that what is regarded socially as poverty changes from place to place and over time. There is a social relativity in the phenomenon of poverty. Moreover, poverty is further relativized in the contrast between rich and poor, which again varies over time and place. It is inappropriate to apply a fixed standard of poverty to the assessment of whether the positive right to existence is realised. On the other hand, the empirical reality of bourgeois societies is nowhere so harsh that the state provides no welfare at all for its citizens. At least qualitatively, the concept of the bourgeois state gains an existence, even if the quantitative level of welfare provided leaves a large proportion of the population in dire straits as compared with the socially average standard of living. The state in reality fulfils the determinations of its concept to a greater or lesser extent. As necessary *form of consciousness*, the existence right is a powerful incentive to action. When social groups struggle for more social welfare, it is within the form of consciousness of the existence right. When the state can or wants to see no way of providing sufficient welfare, it nevertheless acknowledges that it has to strive to achieve an adequate level of material consumption, in the name of the existence right. Where charities strive for the alleviation of misery, the state is relieved of its responsibility to provide welfare. Which sections of the population are protected from material misery is a result, at least in part, of their attempts to draw the state's attention to their plight and to exert pressure on it to provide welfare. Within bourgeois consciousness it is acknowledged /277> that the freedom of bourgeois society cannot be realised where extensive poverty exists. The unblushing representative of the naked rights of private property is criticised by this form of consciousness of freedom. As partaker of this consciousness, the state strives in the name of freedom to abolish poverty, with greater or lesser success, and in response to social struggles. The recognition of basic wants by the state is always a matter of political and sometimes also of economic struggle. Above all, it is the struggle of working class organisations which achieves a level of social security, especially of unemployment benefits. Although these benefits are designed to cater for situations of unemployment, when unemployment becomes massive, the state starts to dismantle its welfare benefits, giving in general priority to an investment revival in the economy. The state argues that it cannot afford to provide welfare to the same extent in a tight conjuncture. And the existence of mass unemployment weakens the labour movement's position to maintain its hard-won social security benefits. The actual system of social benefits depends largely upon the effectivity with which groups in civil society organise to fight for their interests. What counts as a basic social need is itself a result of political struggle. The way in which this struggle is organised in public life and parliamentary institutions will be discussed below (§§100ff). Some social

groups which are in fact needy may receive little or no welfare assistance because they are unable to organise their own interest grouping. The benefits provided by the welfare state are thus highly particularised and fit the contours of social pressure.

b) The systematic order followed here of: society of competitive subjects – wrong – administration of justice – positive right to existence – welfare apparatus, is not simply a convenience. The first determination of the state is to uphold the necessary forms of civil society contained in abstract right (the rights of property and the negative existence right). This maintenance of abstract form is however insufficient to guarantee freedom as the life of the person and calls forth from the state its second determination of welfare for the unsuccessful. Hegel follows the same systematic ordering in both the *Philosophy of Right* and the *Encyclopaedia* and with similar arguments to those provided here. The transition to the welfare apparatus in the *Encyclopaedia* is made on the basis of the deficiency of abstract right in civil society:

The administration of justice has the determination to activate to necessity only the abstract side of the freedom of the person in civil society. ...the blind necessity of the system of needs is not yet raised to the consciousness of the universal and activated from its standpoint. (E §532)

This transition is completed in the following paragraph:

The administration of justice excludes from itself that which belongs only to the particularity of actions and interests and gives over to contingency not only the occurrence of crime but also the consideration of welfare.

With this sentence, the double content of the title of this section (The Police and the Corporation) is addressed. The police are concerned in particular with the prevention of crime (as well as with welfare, in Hegel's usage of the term). In our presentation prevention of crime has not been singled out from the general administration of justice (§77). The corporation is concerned with the welfare of its members and stands midway between the society of individual interests of individuals and the universal standpoint of the state. For us, the provision of welfare is a task of the universal and is thus undertaken by the state. Hegel's argument for "the conditioned capacity of the individual to acquire something for him/herself from this universal wealth" (E §533) is based on the contingency of success in civil society. The failure of Hegel to analyse the underlying economic structure of civil society more deeply accounts for his inability to give systematically necessary grounds for the exclusion from success in competition. There must be some unsuccessful individuals, and the competition is in part about which particular subjects they will be. This systematic ground is to be found in the problematic of

overaccumulation (cf. §§66ff) and subjectless material reproduction (§65) not conceptualised by Hegel. /279>

c) The system of welfare provided to employees of Japanese firms, to the extent to which it actually exists, represents a modification of the naked system of private property rights, by providing *paternalistic* care for labourers. This phenomenon is similar to that of the corporation discussed by Hegel. The enjoyment of these benefits, especially of job-security, is of course bound to obligations of the employee to be docile and obedient, like all systems of dependency. Otherwise, the job-security provided by (Japanese or other) enterprises is to be regarded as a result of economic class struggle, whereby trade unions have won certain benefits for their members. Such gains were made for example from 1969 onwards by the Italian working class. A major part of trade union struggle with employers and with the state is over the provision of welfare services, thus acknowledging the precariousness of existence in civil society. With companies a major bone of contention in some countries is the amount of unemployment insurance paid by the company. This amount is in effect a supplement to the wage which is determined for a specific purpose, to wit, for the situation where the labourer is laid off. Just as much as wage-rate and working conditions, social security of the working class is a central object of competitive class struggle.

### **§83 Taxation and the Autonomous Material Existence of the State**

The state is rightfully entitled to appropriate the property of individuals by virtue of the superiority of the right to existence over property right. Since money is the universal form of wealth in bourgeois society, the state appropriates property in the form of money (occasionally directly in the form of land). As universal equivalent (App. §7) money gives the state the greatest degree of freedom in how to employ appropriated property. Money appropriated by the state from bourgeois individuals are *TAXES*. The taxes are necessary not only for redistribution of income to welfare recipients or to provide them with welfare services, but also for the *MATERIAL EXISTENCE OF THE STATE AS SUCH*. The state in its determinations as repressive and welfare apparatus has been derived in accordance with forms of consciousness of bourgeois freedom. This freedom therefore also demands that the state have its /280> necessary material existence. Taxes are thus rightfully employed to support the state's existence. The fact

that the material existence of the state is supported by a deduction from social wealth provides a major ground for the state's vital interest in the functioning and growth of the economy. Apart from what functions the state has to perform for civil society through its various repressive and welfare apparatuses, the interest in the material maintenance and expansion of *ITSELF* is a powerful motive for its attempts to steer the economy (§84). The doubling of society into society and state already implies that the state, as universal subject over and above society, has to cater for its own material existence, and thus leads to an *AUTONOMISATION* of the state's interests vis-à-vis civil society's. For consciousness this autonomisation can provoke a critique of the state, according to which the state should restrict itself to the minimum necessary to allow civil society to flourish. Critics of the state refer to a bloating of the state's bureaucratic apparatus, and to the fact that this parasitic growth is supported by taxpayers' money. The doubling of society into society and state, and the superiority of the latter, ensures however that the state need only patiently wait till the rantings of taxpayers have ceased, and then explain paternalistically to civil society why its material expenditures are necessary, and how it undertakes every effort, in its own estimation, to economise on taxpayers' money. The raising of taxes at all goes against the grain of the particular interests of the bourgeois individual. Even if s/he recognises that the state is necessary for civil society, his/her self-interested particularity would rather that taxes be raised from anyone else's income than his/her own. On the issue of taxation, particularity and universality are lamentably diametrically opposed. Nevertheless, since the universality of the state is a necessary consequence arising on the basis of bourgeois freedom, it asserts itself against the unwilling particularity of individuals and social groups.

The state's taxation measures, whose quantitative levels have no rational measure and are determined only by what the state can get away with in the name of a nebulous 'well-being of society', can be and are opposed by self-interested groupings within society who see their income being attacked. Groupings can exert pressure on the state by disturbing /281> the economic process, whose smooth functioning is a principal aim of the state's economic policy (§84). The other way in

which the state can be put under pressure is through the institutions of bourgeois democracy. A concept of the latter has on this level not yet been developed. Nevertheless, the following anticipatory remark can be made. The pressure on the state exerted through democracy is the threatening of the position of the governing political party. Governments, knowing all too well the unpopularity of taxation, endeavour to raise taxes at times not coinciding with elections. A particularly unpopular form of taxation is wealth tax. The more usual form of taxation is a tax on income, on the money-form of new commodity wealth, either as it is earned or as it is spent (e.g. sales tax and excise). A tax on income leaves the income-source (disregarding inflation) intact; only that money earned in addition to the money-price of the income-source (if it has one) is taxed. A wealth tax, on the other hand, takes a slice from existing income-sources and is directed only against the possessing classes. Wealth tax is a direct means of redistributing wealth by directly appropriating a portion of income-earning potential from the wealthier classes. All forms of wealth tax are thus vigorously opposed by the capitalist and landowning classes. A tax on income, by contrast, can do nothing to alter the distribution of means of production, land and money-capital in favour of the working class, since it does nothing to alter the foundation of differences in wealth: the distribution of income-sources.

#### **§84 State Economic Policy. The Positing of Universal Well-Being**

The provision of welfare to unsuccessful losers by the state stands in conflict with the competitive principle of autonomy of civil society, where each has to earn his/her income to support their material existence. When the state provides welfare in any case for the eventuality that an individual lacks income, his/her incentive to earn income through competitive struggle can be thereby easily thwarted and blunted. If the will to earn income is satisfied in another way, the individual ceases to want to be a member of civil society in its determination as competitive economy. Since participation in civil society has only the status /282> of a means for providing the necessary material basis for its life, the individual readily surrenders efforts to slog through in the competition if income can be got from some other source with less trouble. The state must therefore devise some means for getting the unsuccessful back into activity so that they contribute to social material wealth as well as taking something from it. The individual must



contribute to universal well-being (see below) if at all possible. (The state is not Santa Claus!) A first means is to only provide a bare minimum of existence, so that the incentive for the individual to compete to earn more is greater. A second means is the requirement that the individual attempt to get back into competitive life if s/he is at all able to. These attempts can prove to be in vain if economic conditions are inopportune. Unemployment, for instance, cannot be got rid of simply through the unemployed trying harder to find jobs. A basic precondition for alleviating the problem of poverty is that the economy as a whole prospers. A prosperous economy offers the best possibilities for the earning of income by the individuals themselves, and also allows the state to more easily appropriate and redistribute a superfluity of wealth as welfare. The state therefore attempts to *INTERVENE* in the economic process on the basis of an *ECONOMIC POLICY*, with the aim of creating prosperous conditions. Economic policy is implemented within the framework of law and bureaucratic regulations. The totally non-conscious nature of the total social economic process is thereby modified by a universal social subject who attempts to implement conscious aims. The process without a conscious social subject receives from the outside the intervention of a social subject. Insofar as the state acts in accordance with the concept of bourgeois freedom, i.e. respects the individuals as persons, it has to leave the form of civil society untouched. State intervention is not to go so far as to dissolve the freedom of private property, the kernel freedom of bourgeois economic activity. Indeed, the state must strive to enhance the possibilities of this freedom as much as possible. The state aims to regulate the concrete material reproduction of the economy for the fulfilment of particular conscious aims set by *THE STATE* as belonging to the *UNIVERSAL WELL-BEING* of civil society. In certain conjunctures, /283> it is consonant with the state's conception of universal well-being that it demand sacrifices from the working class for the sake of an improvement of economic conditions.

a) The state's task of striving to create universal well-being for civil society has universal and particular aspects and also aspects of form and content. It can be said that the state, in upholding through law the forms of competitive freedom, secures at

least the framework within which civil society can strive to achieve its material well-being. The preservation of forms, however, does not secure the material well-being of the totality of individuals, which must be complemented by state action with definite contents. The more universal of these contents do not have to be redefined by the state according to the economic conjuncture, whereas particular measures must be decided upon continually in response to changed economic conditions. The conceptual analysis cannot here further determine what these particular measures may be; they lie outside the scope of a form-analysis and do not detract from its character as critique. Flatow and Huisken express this with respect to *universal interests* of private property-owners:

... empirically, the process of administration of universal interests is executed only in a very contradictory way displaced by deviations and contingent measures... (F&H 1973 p. 130)

The state itself decides what belongs to universal well-being, although this is often amounts to arbitrariness of state power and is contested by bourgeois consciousness. When the state starts to restrict the universal freedom of property, the legitimacy of its functioning for civil society is called rudely into question. The discussion of the most effective and just economic policy of the state is one of the principal themes of bourgeois public life (cf. §112). The government is constantly assessed and criticised by the newspapers and other media which in turn are supposed to represent, at least partially, broad popular opinion. The owners of private media of course pursue their own interests in criticising state economic policy. These themes will be dealt with in more detail below (cf. §§106, 111f). /284>

b) *Karl Polanyi* was an eminent moralist of bourgeois *freedom* and historian. His work, *The Great Transformation*, concentrates on the rise and fall of the liberal Utopia of a self-regulating market economy. Here we are not concerned with his historical account but with his illusions and conceptual inadequacies. He defines a market economy as:

an economic system which is exclusively controlled, regulated and steered by markets; the order of commodity production and distribution is left to this self-regulating mechanism. ... There must not only be markets for all economic elements (products of labour, labour-power, land, money-capital ME) but also no measure or policy is to be allowed which would influence the happenings on these markets. (Polanyi op. cit. German edition 1977 pp. 94, 95)

Polanyi includes under disturbance of the market trade unions, which struggle to better the lot of labourers. It is peculiar that such a coalition of interests is excluded from the definition of a market economy; the trade unions are merely one way of organising the market competition. After defining commodities as “objects

produced for sale on the market” (ibid. p. 98) he launches a critique of the fictitious nature of the commodities labour-power, land and money-capital, of which he claims “none is produced in order to be sold. The designation of labour, land and money as commodities is thus completely fictitious”. (ibid. p. 99) He emphasises in a footnote (ibid. p. 99 n. 3) that this fictitious character of the commodities named has nothing to do with the Marxian concept of commodity fetishism. In this he is doubtless correct. He morally criticises this fictitious character because it leads to the “destruction of society” (p. 100) by undermining the “substance” of the labourers and of nature.

According to Polanyi, the 19<sup>th</sup> century saw the attempt to erect a self-regulating market system in all factors of production. “Society” defended itself against “the dangers immanent in a self-regulating market-system” (ibid. p. 104) In the 20<sup>th</sup> century, Polanyi claims, this experiment led to bankruptcy and dissolved in Fascism. As a result of this ‘great transformation’ so he writes in the concluding chapter: /285>

The market system will no longer be self-regulating, not even in principle, since it will no longer encompass labour (-power ME) land and money(-capital ME). (ibid. p. 309)

Does Polanyi mean here that these three commodities will cease to be subsumed under the value-form? That would be for him an excessive phantasy. He means simply that the (benevolent) state, trade unions and other institutions will regulate these markets. He does not mention the state’s intervention in the markets for industrial commodities. Of course,

wage differentials naturally should and must also in future play an essential role in the economic system. (ibid. p. 310)

This system of management of markets, or in other words, the struggle of bourgeois competition under state supervision, is said by Polanyi to provide the basis for freedom in “industrial society”. We have had forty years’ more historical experience since Polanyi wrote his book. In this period his illusions of freedom through regulated markets have had time to ripen and turn sour. As the American state was in the process of erecting their world imperialist system based on their ‘world economic order’ and massive superiority in military strength, Polanyi wrote the idyllically grandiose nonsense:

This may well be the true sense of today’s world-wide exertions: the securing of peace and freedom. (ibid. p. 314)

In his thoughts on freedom in “industrial society”, Polanyi did not come so far as to question the domination of labour by capital, the fetishised freedom of commodity production under the abstract universality of the market, the competitive struggle

based on private property, the subjugation of society to an external subject, the international competition on the world market, the pursuit of national interest with all available economic, diplomatic and military means... Like many an exile from Eastern Europe, Polanyi's critical intentions were moulded by the experience of Stalinism, to the detriment of his readiness to perceive essential negativity in bourgeois social forms.

### §85 State Monetary Policy

The most general measure of the state's economic policy is *MONETARY POLICY*. In order to consciously influence the role of money as money-capital and as means of circulation in the economy, the state cannot make do with commodity-money (gold-money<sup>9</sup>) which, since it is produced as a commodity by private industry, escapes its full control and in addition is subject to limitation of material and natural wealth, e.g. the richness of gold mines. The state implements its power to displace gold-money from its role as universal equivalent and measure of value, and sets in its place *STATE PAPER MONEY*, whose quantity can be consciously regulated.<sup>10</sup> State paper money, or *FIAT-MONEY*, has the determinations of *LEGAL TENDER* (which must be accepted in civil society as definitive means of payment), *MEANS OF CIRCULATION*, *(NATIONAL) MEASURE OF VALUE*, and *(NATIONAL) ABSOLUTE VALUE* (cf. App. §9Aa). In regulating the money supply, the state can – at least in a gross fashion – influence the availability of an essential factor of economic activity. The freedom of banks and other financial institutions is thus subjugated to state control, but in the name of universal economic well-being. Interest rates can be influenced, thereby stimulating or braking investment activity. The state must take care that the amount of money available is appropriate for the lubrication of the economy. Too much money leads to a disproportion between money supply and total commodity wealth, with a resulting *INFLATION OF PRICES*. Too little money can lead to a choking of economic activity, a 'credit squeeze', where investment cannot be undertaken, not because of a shortage of material wealth, but because of a lack of lubricating credit funds. Monetary policy, as a general instrument, lacks the ability to control the economy in detail. Because of

the *a posteriori* nature of the capitalist process, whereby the result of total social economic activity cannot be foreseen, monetary policy can only *REACT* to the given conditions and has post factum effects that operate without predictive certainty and only with considerable time lag. The state's pure monetary policy, i.e. the control of the money supply, is connected with the question of the state's material existence (§83) on the point of *STATE LOANS*. Money required by the state for its activities can be raised via the money market. State loans are an alternative to taxation (§83). In contrast to taxation, state loans are not a form of direct appropriation, but make of the state a competitor on the money-capital market. The gigantic size of the modern state apparatus and the consequent requirements have an impact on the money market, even to the extent of influencing interest rates. Two aspects of the state here become mixed: the state's loan activity for purposes of financing its concrete plans (and, subsequently, to finance the national debt) is combined with the state's economic policy (§84). These two aspects may come into conflict. If used as a tool of economic policy, the state's loan activity may exceed or fall short of its money requirements to finance its activities. An anti-inflationary policy, for example, may dictate that the state lop off some of its administrative arms, regardless of their beneficial effects for civil society. (Figuratively: cutting off one's nose to spite one's face.) Or conversely, a policy of strong loan activity may simply bloat the size of the state bureaucracy and the national debt without bringing any sensible material benefits for civil society. *KEYNESIAN* economic policy is based on the use of state loan activity as an instrument of economic policy, and suffers from its weaknesses. On the loan market, the state demotes itself to a subject of competition, albeit a mighty one. The state can influence but cannot set the interest rates ruling on the money-capital market. The state thereby subordinates itself to the abstract-universality of the competitive economy, in spite of its character as the concrete universal, with definite, concrete aims. The attempt to intervene in and influence the abstract-universal process of the economy through loan activity compromises the state's power vis-à-vis civil society. Conversely, if the state ignores the economic effects of its loan activity, it may wreak such havoc in the economy, that all other

economic tools of management remain without effect. The state, too, must respect the abstract-universal process of capital.

a) Professional economists employed in high positions in the West-German state express the clumsiness of monetary policy thus:

The central bank will at first extend the free liquidity reserves of the banks. ... The banks respond by reducing the loan interest-rates, which works tendentially as a stimulation to the demand for credit. How quickly the bank interest-rates react and the extent to which the reduction of interest-rates encourages private demand for credit and thus an expansion /288> of investment to the desired extent, however, cannot be safely judged from the start. (Obst/Hintner 1980 p. 24)

b) The concept of state power, and in particular, of state sovereignty (§90), is essential for full conceptualisation of state fiat-money. Within its own territory, the state is able, by virtue of its sovereignty as sole supervisor of society, to proclaim, by fiat, paper notes as money and even to displace commodity money from its status as money (App. §9Aa). Some theories of money have seized upon the concept of state power to erect a state theory of money (cf. esp. G.F. Knapp *Staatliche Theorie des Geldes* 2<sup>nd</sup> Aufl. 1918), to the exclusion or subordination of other types of money. The anomalies of such theories have been investigated by Backhaus ('Materialien 4', 'Das Rätsel des Geldes...'). Here the concern is only with the state's monetary policy. Other aspects of this policy include the state's loan activity. For a form-analytic critique, the technical details of state monetary policy are irrelevant (not to say soporific).

### **§86 State Subsidies and State Enterprises**

The inadequacy of fiscal policy is to be ameliorated by the more direct intervention of the state in the economy. Some branches of industry produce commodities that are essential means of existence, while others produce commodities which provide the essential *INFRASTRUCTURE* of economic activity. If these branches, or branches supplying means of production to these branches, run into difficulties of valorization of capital, the state intervenes in order to support these activities, even though, permanently or temporarily, they cannot continue according to the principle of valorization. In extreme cases, the state must undertake these economic activities itself to guarantee their provision. The former measures are *SUBSIDIES*; the latter are *STATE ENTERPRISES*. The

companies operating in branches which are experiencing valorization difficulties will be quick to draw the state's attention to their plight, and will attempt to argue that their industry is essential to the well-being of the economy, even if only to the extent of providing employment. In accordance with the valorization principle of the free competitive economy, the state will strive as far as possible to return subsidised industries to competitive health.<sup>11</sup> Similarly, state enterprises are an exception in the competitive economy and are justified to consciousness in terms of their necessity for economic well-being or other universal considerations. Subsidisation and the running of non-valorizing state enterprises are financed through taxation. Bourgeois consciousness may complain bitterly that its taxes are used to support an industry which does not pay its way, or affirm an appropriation of social wealth through taxation for services deemed essential for the public good. The state need not only undertake enterprises requiring subsidisation. It becomes thereby an economic subject of competition which only contingently carries an ownership title held by the state, and which could be sold to a private person or company. The state as subject of competition is not a necessary but merely a contingent, accidental attribution not belonging to its concept. Only when the productive activity undertaken by the state enterprise is deemed to belong to essential, infrastructure industry necessary for economic well-being, which should not be exposed to the vicissitudes of competition, is state enterprise justified to consciousness as a necessary adjunct to private enterprise.

*Elmar Altvater* describes the necessity of state intervention in the provision of infrastructure:

Capital of itself therefore cannot produce in the actions of the many individual capitals on one another the socialness of its existence invested in it; it requires at its foundation a particular institution which is not subjugated to its limits as capital, whose action is not determined by the necessity of surplus-value production, which in this sense is a particular institution, 'alongside and outside bourgeois society' and which simultaneously on the untouched foundation of capital fulfils the immanent necessities which capital neglects. (Altvater 1972 p. 5; H&P 1978 p. 41)

On this understanding of the state (which quotes from Marx's famous remarks on doubling), civil society consists of individual capitals whose totality cannot provide of itself all the material prerequisites for the reproduction of the total social capital. The individuation of all the character-masks of the capital-analysis /290> into subjects and the social connection resulting from their individual strivings is not performed by Altvater, with the result that the state cannot be conceived as a subject which strives to realise a conception of well-being encompassing all of civil society, but, as Flatow and Huisken put it, as an "appendage of total capital" (F&H 1973 p. 92). With Altvater, civil society is truncated to the society of capital. This view of the state as a service agency for total social capital cannot throw light on the forms of bourgeois freedom on which the state is based, and therefore cannot critically enlighten consciousness as to the connection between these forms of freedom and the functioning of capital. The two aspects remain conceptually unreconciled with one another. Altvater repeats the error of many other Marxists in concentrating on the causal, functional relation between society and state to the neglect of form considerations, which throw up completely different questions for consciousness.

### **§87 State as Promoter of Capital Accumulation**

Since the company (or firm) is the prime agent of economic activity, which initiates, organises and runs a capitalist labour process, its economic health has a key role in the economy overall. The successful valorization of capital advanced, its production of a net profit of enterprise over and above the contractual payments of wages, rent and interest (or of a dividend in excess of market-rate interest) is an essential prerequisite in the long run for the company's continued operation. The economic prosperity of labourers, landowners and money-capitalists depends on the prosperity of the company employing their property. The state can enhance the income-earning possibilities of all kinds of economic subjects, under certain circumstances, by enhancing the economic conditions of the private enterprise. The material wealth produced in civil society is the foundation of the material well-being of society's members. This material wealth is produced under capitalist conditions, i.e. by private companies employing wage-labour. Private investment (accumulation) generates economic activity which, in turn, generates commodity wealth on the one hand and incomes on the other. The accumulation of capital forced on the companies by the conditions of competition /291> is a precondition for a rise in social productivity



and consequently also provides the material possibility that all members of society share in an increased material product for individual consumption. It is merely a possibility because i) accumulation of capital occurs in branches producing means of production as well as commodities for individual consumption and ii) the distribution of the increased material wealth depends solely on the competitive struggle over incomes, which does not exclude that accumulation has the consequence that some labourers suffer a reduction in material consumption. To the extent that the state seeks to further the growth of total social material wealth (in which it has its self-interest also in mind), as well as stimulate economic activity in general, it becomes an *AGENT* for promoting the *ACCUMULATION OF CAPITAL*, although this accumulation has the form of appearance of an advancement of economic prosperity from which, hypothetically speaking, all could potentially benefit. On the other hand, it can happen that, in order to engender economic activity (a renewed accumulation of capital), the private income aims of individuals, meaning above all the mass of labourers, are ‘temporarily’ sacrificed. Whether such an economic policy of austerity actually bears fruit cannot be assessed with certainty in advance. Short-term economic hardship is supposed to be traded off against long-term economic recovery. Those on whom the brunt of enforced abstinence should fall are well-trained in self-sacrifice, and accept hard times as their ineluctable fate. Without knowing conceptually what the fundamental contradictions of the process of capital are, the state, without being hindered by this lack of knowledge, in practice endeavours to contain the intractable contradictions of overaccumulation and structural dislocation. The activity of the state for the universal well-being of civil society is necessarily contradictory. This contradictoriness stems from the indirect relation of production to consumption and problems of overaccumulation (§66). The flourishing of the economy is made synonymous with the increase in production of material wealth, which does not necessarily coincide with the increase in personal consumption of the members of society. On the contrary, individual consumption may be sacrificed to stimulate production of means of production through accumulation of capital. /292> The state’s

attempts to solve problems of unemployment can be predicated on the fall of wages to a level compatible with profitable new investment. The state thereby acts as non-conscious agent striving to resolve the contradiction of relative overaccumulation (§67).

The classical Marxist thesis of the state as agent of the capitalist class would be more correctly expressed as the state's role in furthering capital accumulation. This role also includes the state's function in resisting wage rises or enforcing wage reductions on the working class through the process of arbitration and restrictive legislation. So long as the economy is capitalist, the state is bound by its logic in its attempts to maintain and promote the social connection of capitalist labour. The capitalist entrepreneurial class of course supports all actions of the state aimed at furthering the functioning of capital, for this provides – if successful – an economic climate in which profits of enterprise can be increased. Such state action however is not merely the state acting as the agent of the whole or of sections of the capitalist classes. The state guarantees class domination in the economy by preserving the forms of private property. It also indirectly furthers capitalist class interests by furthering capital accumulation. But it does this in a form which can be justified to consciousness as imposed by the logic of the system of capitalist economy. The furthering of capital accumulation, or the resolution of problems of overaccumulation, stands in contradiction with the state's role in providing welfare for the unsuccessful. The class character of the state is expressed above all in the contradictoriness of these two roles: welfare on the one hand, and promoter of the activity of capital on the other. Although the state is formally sovereign, and stands in fact above the conflicting interests of civil society, it must pay heed to the balance of social forces, and its concrete policy is, in large part, the result of a compromise between class forces.

### **§88 State as Promoter of Science and Education**

Developments in the natural sciences are a precondition for the invention of many types of new productivity-increasing technology. /293> New technology has a central place in the competitive struggle between companies (§28) and against the labourers (§§67, 68). Research in the natural sciences does not have by any means a direct link with its applicability in capitalist labour processes. The financing of such research is beyond the means of all but the largest companies because it does not have any immediate pay-off. Private investment in research is difficult to protect because of the universal character of knowledge (cf.

App. §19Ab; Eldred/Roth 1978 pp. 89f). Privatised knowledge depends on an elaborate system of *PATENTING, ADMINISTERED BY THE STATE* which has the aim of making social knowledge into private property. The state, mainly through universities and institutes of technology, undertakes its own research in the natural sciences which, because of the very mediated connection between natural scientific research and technological application, can appear as the support of the progress of knowledge for the sake of knowledge. Since however the members of society have to financially support research, the state is quick to publicise any scientific advance which could offer profit-making chances to the competitive economy. The other aspect of the state's activity in relation to knowledge is its role as organiser of the *EDUCATION SYSTEM*. The labour-power required by capitalist industry has to be trained, which takes place through the schooling system from elementary school to university. The labour-power has to be differentiated not only according to particular skills, whose learning is performed on the basis of a general education, but also according to its role in the hierarchy of capitalist enterprises. Learning managerial and psychological techniques today form an indispensable part of the training of adequate managers and executives in a company.

The education of a labour force tightly trimmed to the requirements of a capitalist economy stands in contradiction with the aim of a broader, cultural education. The latter has no direct import for economic activity, costs considerable resources to the state, and on top of it, may give the educated strange ideas which make them dissatisfied. Nevertheless, *Bildung* plays an important role in the cultural and political spheres, and thus is an essential part of the *forms of reconciliation* with the totality. /294>

### **§89 State Intervention in Industrial Strife**

A central struggle affecting the accumulation of capital and thereby the stimulation of economic growth is that between the labourers and the companies. Wage costs usually represent a major cost of the labour process, so that their containment is essential if sufficient profit of enterprise or dividends are to remain to finance further accumulation. The strength of large trade unions can impair the ability in certain

branches to accumulate by forcing through high wage demands. This is advantageous for the labourers receiving the higher wages but may impair the profitability of the branch to such an extent that some companies go to the wall, with a resultant loss of jobs. Without sufficient accumulation, companies are unable to finance the introduction of new technology essential for maintaining a competitive position on the market and for increasing the productivity of labour. Furthermore, the disputes between wage-labour and capita], when they erupt into strikes, bring economic activity in the branch concerned, and in related branches or perhaps even in the economy as a whole, partially or wholly to a standstill. Material production is interrupted to a greater or lesser extent with a resultant reduction in the total commodity sum of material wealth for distribution amongst the members of civil society and the state. Such disruptions are thus detrimental to the universal well-being of civil society, although they may achieve significant gains (or result in significant losses, in the event of a defeat) in living standard for some labouring sections of the population. For the state the interruption of economic activity through strikes or lock-outs is anathema. It seeks to limit the exercise of the freedom of property of labourers and companies to dispute wage contracts (including working conditions and welfare provisions). Since the companies are the positive agents of economic activity, the state is inclined to view their interests in achieving smooth operation of their labour processes with favour. The settling of a dispute amounts to trying as quickly as possible to get the labourers back to work with the least possible wage rise. In the interest of industrial peace and the smooth functioning of the economy, the state promulgates laws for restricting and encumbering the right of trade unions to call and organise a strike, so that /295> as far as possible disputes can be settled by negotiation without strike action. The exercise of the right to strike can be presented to bourgeois consciousness as the pursuit of particular interests at the expense of the universal well-being of civil society. As such it is portrayed as reprehensible and this form of consciousness is employed by the state and companies as a weapon to weaken striking workers' positions. Loss of sympathy from other groups in society, in particular, from other labourers, which can easily happen if the struggle

over wages and conditions can be represented as not being 'fair and just', i.e. a defence of justifiable living standards or conditions of labour, allows the state to all the more easily employ directly repressive measures against strikers. The attempt by the state to outlaw or curtail strikes by restrictive legislation can only succeed when the organised labour movement (and the labourers active within it) is sufficiently weak, beguiled or docile. Otherwise, even the repressive apparatus of the state can be ineffectual against the collective, decisive militancy of striking trade union members. The intervention of the repressive apparatus against striking workers may have only the effect of escalating the disruption of economic activity. In the last instance, strike action can call the state's power itself into question. Such a calling into question would depend on a labourers' consciousness going considerably beyond the immediate aims of competitive struggle. Normally, the labourers' conciliatory consciousness does not let events come to such an impasse. At the other extreme, labourers who belong to small or disorganised trade unions are liable to get a beating at the hands of their employers, with the result that they are unable to achieve through means of competition alone an adequate level of wages. This weakness in competition usually means that the labourers are also weak in gaining protection of their interests by the state. The organised labour movement as a whole, however, can in certain conjunctures win from the state a guarantee of enforcement of wages, so that even weak trade unions and non-unionised, easily exploitable labourers are afforded a degree of protection. /296>

### **§90 State Sovereignty, National Interest, Foreign Politics**

The state's attempt to realise a conception of universal well-being (§84) in civil society rests on its monopoly of legitimate force vis-à-vis society. The state itself formulates the contents of universal well-being, and thereby does not neglect its *OWN* material interest in a flourishing economy to bolster its own power. The realm of the state's power does not encompass the whole globe; there is a *MULTIPLICITY OF STATES*, each with its limited *TERRITORIAL DOMAIN OF SOVEREIGNTY*,

within which the state's power brooks no other subject endowed with force. The territory under the domination of a single state is a *COUNTRY*, usually a single *NATION*. This multiplicity of (nation-)states has far-reaching consequences for the effectivity of the state's measures to realise its conception of universal well-being. Its *UNIVERSAL* well-being turns out to be the *PARTICULAR* well-being of a single nation in the context of a multiplicity of nation-states. Thus qualified, the concept of universal well-being, when considered externally, in relation to other states, gains the determination of *NATIONAL INTEREST*. The state tolerates no other power within its territory and demands recognition of its sovereignty from all other states. The *WORLD SYSTEM OF STATES* is based upon *FORMAL* mutual recognition of sovereignty. The aim of each state within this system is the *ADVANCEMENT OF THE NATIONAL INTEREST*, which it itself defines and pursues vis-à-vis other states. The other states are *MEANS* to the aim of advancing the national interest. The extent to which the state realises the national interest is expressed externally in the *POWER OF COERCION* which one state can bring to bear on others. The world system of bourgeois states corresponds to the Hobbesian *STATE OF NATURE*. The formal recognition of sovereignty amongst states is indeed purely formal. The various states can communicate with one another through their *DIPLOMATIC REPRESENTATIVES*, who make their state's wishes known and negotiate for the state in foreign lands. These *DIPLOMATIC RELATIONS* are the basis of the *WORLD ORDER* of states, with an established peck order. Through the means of *EQUAL* formal recognition of sovereignty, very *UNEQUAL* contents concerning national interest are represented and forced through by diplomatic means. The states are not subjected to a superior subject who possesses a monopoly of force, as in the case /297> of civil society vis-à-vis the state. Instead, each state is equipped with its own apparatus of *MILITARY FORCE TO DEFEND AND FURTHER* its national interest in case another state threatens or impedes it. This defence of national interest can consist in defence of the state's territory from invasion by another state, or in the defence of interests in far corners of the globe. The state itself decides when and where its national interest is impeded.

The success with which a state can defend and further the self-defined national interest depends ultimately on its *MILITARY STRENGTH*, which in turn depends ultimately on the *ECONOMIC POTENCY* of its national economy. The state thus has a burning interest in the strength of its economy, as the basis of its military influence in the world. The interest in defence of national interest externally may become a dominant moment of the state's conception of universal well-being, to the detriment of the state's concern with providing welfare to the unsuccessful. Civil society has to remind the state of its interest when it feels that the state has become too absorbed in foreign politics. Military force and the threat of military force, in infinite gradations, are the prime means with which the state pursues the national interest. The employment of military force against another state is by no means an infringement of the freedom of the state of nature, but belongs to it, so long as, even in *WAR*, the enemy state is granted a certain recognition of its sovereignty. War between nation-states is based on a mutual recognition of sovereignty, and does not aim at annihilation of the other nation. Even when a war leads to changes in territory, it belongs to the rights of war, which is one aspect of *INTERNATIONAL LAW*. The latter is not enforced by any superior world-subject. Consciousness is often perturbed by infringements of international law, especially when they arise as atrocities of war. In the state of nature, however, there can be no final arbitrator of international justice. In the defence of the national interest, the state also has the right – for consciousness – to sacrifice the lives of its citizens. The individuals are citizens of a particular state and enjoy the protection afforded by this state as well as the fruits – insofar as there are any – of the state's realisation of universal well-being. For this privilege, the citizen should be prepared to die /298> if the state's national interest is endangered by a foreign power. (On this level national interest is defined solely by the state; cf. however below on the inner state). A citizen who accedes to and identifies with its state's foreign policy is *NATIONALISTIC*. Such a citizen can with good conscience enjoy the fruits of successes of foreign politics, or join in the bewailing at their state's defeat in some aspect of its foreign policy, especially in a war.

a) The modern bourgeois state is *territorial*, with fixed borders within which it claims its sovereignty vis-à-vis the population. This territoriality, as *Max Weber* has emphasised, is a peculiarly modern product. Similarly, the nation state is a modern historical phenomenon, which in Europe resulted from the unification of disparate feudal dukedoms, etc. into a single (sometimes federated) nation. Switzerland is a peculiar federation of different nationalities, and represents an exception to the rule with its *Eidgenossenschaft* system. The German nation, since the Second World War, consists of two states, one of which cannot be characterised as bourgeois. In recent times, national unity has been put into question by specific groups within a nation, e.g. Quebec in Canada, Jura in the French part of Switzerland, Belgium, the Basques in Spain. There are countries in the third world which have a unified state, but are by no means based on a purely capitalist organisation of social labour. The socio-philosophical form-analysis undertaken here does not go into the peculiarities of particular nations or multi-nation states, nor has it anything to say about a non-capitalist organisation of social labour and the state based upon it. For the purposes of the analysis pursued here, the character of the state as nation-state is of no import. Only the division of the globe into separate countries, each with its own state, is relevant. The concept of nation as a people with a cultural and historical unity is not developed on this level of analysis.

b) *Carl Schmitt* (1950) writes of the conception of the relations between states as a state of nature:

From Hobbes and Leibniz to Kant, from Rachel to Klüber, all famous authors maintain that the states, according to /299> international law (*Völkerrecht*), live with one another in a state of nature, that is, that the bearers of the right to war, without an institutional, common, higher authority, face one another as sovereign persons with equal rights and equally right. One can observe this as an anarchical state of affairs, but by no means as a lawless state. ... Because the sovereign persons are 'naturally', i.e. in this state of nature, equal, namely, are sovereign persons of the same quality, they have neither a common law nor a common judge above them. ... Since each of them is judge of its own affairs, each is bound only by its own treaties, whose formulation is also its own affair. Since each is equally sovereign with every other, each has an equal right to wage war, an equal *jus ad bellum*. (Schmitt 1950 p. 119)

Hegel provides some sharp insights into the relations between states in few words in the *Rechtsphilosophie* §§330-340, e.g.:

The principle of international law (*Völkerrecht*; literally: the right of peoples) as the *universal* right which should hold *an und für sich* between states, in distinction from the particular content of positive treaties, is that the treaties, on which the reciprocal commitments between states are based, should *be kept* to.



However, because their relation has their sovereignty as principle, they are in a state of nature with one another, and their rights do not have their reality (*Wirklichkeit*) in a universal will constituted as a power over them, but in their particular will. Each universal determination thus remains an ought, and the state of affairs becomes a to and fro between relations according to treaties and dissolution of the same. (Rph §333)

In the Anmerkung to this paragraph, Hegel goes on to criticise Kant's notion of "eternal peace", which "is supposed to make war impossible", since the state of peace would depend on the "particular sovereign will and thus would remain captive to contingency". Today, one thinks of the impotency of the United Nations to prevent war.

c) A recent West-German book analyses imperialism in a way which falls outside the usual Marxist treatment of this topic. The authors distance themselves from the usual economism prevalent /300> in Marxist theories of imperialism. On the autonomy of the state from capitalist interests they write:

That imperialistic politics serves the business interests of powerful capitals of a nation means anything but that politics and its makers were *subservient* to capitalist wheeling and dealing. The power of a bourgeois state is useful to its society precisely because of the sovereignty with which it acts externally, quite independently of all criteria of profitability for the business world, for which the state paves the way. (Held and Ebel 1983 p. 11)

This point is of extreme importance. The state is not simply the agent of capital abroad. It sets its own aims according to its conception of the national interest. This interest includes the state's interest in its own maintenance and the enhancement of its power internationally. The national economy is a *means* for this end. The state wants a strong economy as the basis of its own activities in foreign politics (and also domestically). The state's success in pursuit of the national interest can have positive consequences not only for the national capital *but also for the working class*. A prospering national economy with a competitive advantage on the world market (cf. §§91, 92) may provide the working class with better material conditions of life. Held and Ebel do not discuss this possibility in that they identify the state's national interest too closely with the interests of the national capital. This has a deeper ground: the authors are intent on painting the situation of the worker as bleakly as possible, so that even aspects of the realised universal well-being positive for the working class are ironically presented as meagre concessions to the state's subjects.

The authors point out a paradox in the difference between the conditions of competition and those of the state of nature:

That which within their state is denied to every individual – namely, the use of force to achieve an advantage – and which is prosecuted by the public power as a crime, holds for the intercourse between states as good political ethics. (ibid. p. 20) /301>

### **§91 International Competition and Foreign Investment**

The various national economies compete with one another on a *WORLD MARKET*. Each national economy, no matter how powerful, is subjugated to the vicissitudes of the abstract-universality of the world market. Each state has to *APPROVE* the participation of national companies in international business, both in general and in particular deals. The possibility of completing transactions externally depends on the mutual formal recognition of state sovereignty (§90), so that international contracts can have binding force. The economy is not a closed system in which the state can intervene at will. There is *TRADE* between countries and a world market in almost all commodities. Whole industries in one nation are in competition with the corresponding industry in others. Consequently, accumulation as a whole within an industry, to keep pace with new, more productive methods of production, is enforced by an *INTERNATIONAL COMPETITION*. The situation of the national economy in the world economy to a great extent takes the power to regulate the national economy for national well-being out of the state's hands. The extent depends of course on the relative strength of the national economy in the world system (cf. §92). The state too must bend to the force of the world market and must endeavour to enhance the national economy's competitive position in the world economy in whatever branches of production it can. National accumulation is thus an externally imposed compulsion. The ability of the various nations to accumulate of course varies. Those nations which have accumulated an over-abundance of capital can export it to other countries in search of a more profitable sphere of investment. With *FOREIGN INVESTMENT*, the natural resources and labour-force of another country are viewed as a field of exploitation for national capital. Conversely, the labour-force of a foreign country can be set into motion by national capital, as long as this is profitable, by importing this

population holus bolus into the national territory. The more developed the system of international trade and investment, the more mutually dependent are national economies. This mutual dependence has two aspects: i) the abstract aim of *VALORIZATION* of individual companies is dependent on international /302> relations and ii) foreign economies produce particular *USE-VALUES* which have a significance for the domestic economy. The greater the mutual dependence between national economies, the more opportunities for mutual *BLACKMAIL* between states. The greater the strength of a national economy, the more it can afford to sacrifice the valorization interest of individual companies or the access to particular use-values for political aims, and thus the less is that state open to blackmail through economic means.

Up to this point, we have developed a concept of state paper money (§85) which displaces, by state fiat, gold-money from the inner circulation. In the international context, this state paper money is relegated to the status of one *national currency* among others, with validity only within the territory of the state's borders. Money as a universal equivalent nationally becomes merely a *particular equivalent internationally*. For international trade and investment to be possible, one currency must be convertible through exchange with another. The exporter must be paid in his/her national currency in order to once again advance money-capital in the national economy. A foreign company must obtain the national currency of the country in which it operates in order to function there as capital. Gold-money is a kind of international money, or world-money, which can be used for purchases in all national economies. Every national currency can be purchased with gold (no matter what the exchange-rate for gold may be). But can one speak unequivocally about gold as world-money? Every commodity has *two* prices, as national price in the national, fiat currency, and an international price in gold. For a totality of commodities to exist as world totality of one universal exchange relation (cf. App. §§2ff), there can be only one money, i.e. one singular thing which represents adequately the world totality of commodities. Otherwise the universal exchange relation of commodities *does not exist* on a world scale. We have seen (App. §6) that the exchange relation is real only through the existence of a unified, unique money. The problem for the world economic system, if it exists really as one universal system, is that of a world-money. This problem in turn devolves on the relation of the various national currencies to gold-money. So long as each national currency is only a paper symbol for gold, then gold remains the measure of value and thus the unique *world money*. That is, so long as state /303> paper money is convertible into gold at a fixed rate (1 oz. gold = x dollars, where x is fixed), the

paper money is nothing other than a gold symbol, and thus not genuinely money; the determinations of measure of value and absolute value remain the province of gold, even within the national borders. The other possibility for a world money, i.e. apart from a gold standard, is a paper money which by fiat of a superior subject subjugates all individual national currencies to itself at a fixed rate. This superior subject would have to be akin to a *world state* in order to be able to enforce the absolute universal validity of a world legal tender, to which the individual currencies would relate as mere promissory notes. Such a world-money is not in view, especially in the present phase of capitalism, where the gold standard has been dissolved and the U.S. dollar has a floating relationship to other currencies. For the U.S. dollar to become world-money, the United States would have to establish an absolute hegemony under which it could dictate that the U.S. dollar was the absolute measure of value, and all national currencies were merely symbols for U.S. dollars. As it now stands, the U.S. dollar is not gold-convertible at a fixed rate, and the relation of the various national currencies to one another is quantitatively variable. The world trade system took leave of the gold standard, whereby gold was declared *de facto* to be world-money, and was accepted by all nations as money, for political reasons; the state does not want to be tied in its national and international monetary dealings by a natural substance whose availability is not under its control and which can hinder commodity exchange through its scarcity. The U.S. declared its departure from gold backing for the U.S. dollar in 1971 after it had become clear that the U.S. dollar was no longer practically a gold symbol. As it is, there is presently no world-money. This implies that the exchange relation of commodities *cannot and does not exist as a world-encompassing relation*. Whether a commodity is saleable on the world market depends on the exchange rate of the national currency, which fluctuates continually. In the absence of any world measure of value, there is no possibility of forming *uniform* world market prices. Each national commodity, to express itself in a world price say, in gold, has to convert its national price tag into a gold price tag via the price of the national /304> currency in gold. There is no guarantee whatever that the various national commodities in one branch of industry could achieve a uniform gold price. And even if by chance a uniform gold-price were realised in one branch, this would then exclude the possibility of a uniform gold price in another branch of commodity production. Some national commodities thus are not and cannot be sold on the world market because, depending on the level of the exchange rate of the national currency, they are relatively expensive. There is no world measure of value in this situation, and no universal exchange relation by which every commodity stands in exchange relation (App. §2) with every other commodity.

## §92 Imperialism: First World and Third World

Each state seeks to gain influence with other states in economic, diplomatic and military affairs, and each has different chances of success, depending in the last instance on its economic potency. The competition between national economies mediated by the competition of national companies leads namely to marked *DIFFERENCES IN NATIONAL ECONOMIC WEALTH*. These differences are in turn the basis on which they are perpetuated. An economy with an advantage in national wealth employs this wealth (at least in part) for capital accumulation, which guarantees that also in future it maintains its advantage over other national economies. This is the basis of the difference in economic wealth between the *FIRST* and the *THIRD WORLD*, between the rich and poor nations. Historically speaking, those capitalist nations which had accumulated enough capital to be able to export it, and incorporate other parts of the world into the world system by force, have always maintained their head start in accumulation vis-à-vis the third world countries (which doesn't mean that amongst the first world national economies there haven't been marked changes in the relative wealth of national economies). The relations between rich and poor nations are nevertheless based on the mutual formal recognition of sovereignty, as befits a realised state of nature. Capital import and export, since it depends on converting one national currency into another, is subject to the state's approval. The formal sovereignty of a state however does not count for much when the national economy is enmeshed in the world market and /305> when foreign capital can call the tune in the determination of national economic policy. Within a national economy, the state can enforce measures to equalise inequalities arising from the free competitive struggle between economic subjects. In particular, regional differences in economic prosperity can be at least ameliorated by state welfare measures and by direct intervention in economic activity. Individual regions attempt to preserve their advantage vis-à-vis the state's efforts at equalisation. Nevertheless, the state's sovereignty over civil society gives it considerable power to implement economic policy for universal well-being where differences are not

gross. In international trade and investment, the state suffers a loss of power to implement economic policy and thereby to overcome inequalities brought about by competition on a world scale. Its sovereignty does not extend so far as to be able to redress national differences in wealth (measured as differences in the socially recognised minimum standard of living). Consequently, the level of the minimum material standard of living acknowledged by the state in its conception of the realisation of a right to existence varies enormously from country to country. In poor countries, the state may be powerless to give any adequate realisation to this right in comparison with the minimum standard of living acknowledged in other countries, and it remains in consciousness as an ideal of freedom which has yet to be realised. Consciousness forms an opinion of an adequate material living standard by observing the differences in living standards between countries. Gross differences are viewed as an infringement of the positive right of existence, a fundamental human right, in poorer countries. Richer countries are accused of taking more than their fair share of the world's commodity wealth. Moral consciousness in the first world can be moved to sympathy for the poor in the third world, and may donate some money for the alleviation of poverty there. The pricks of conscience can be thereby appeased. A much more practical method of developing third world countries is that undertaken by companies, which far outstrip the effects of charitable work undertaken by well-meaning humanitarians. Companies, namely, invest in foreign lands, thus setting an unemployed labour-force into motion. A condition for this kind of development aid is that a profit results from the investment. This depends on the labouring population in the country concerned being modest enough in its wage demands to entice foreign capital to invest there. Left-wing consciousness recognises the extreme inequality between rich and poor countries as unjust, and sees, mostly vaguely, the connection between this poverty and the activity of capital. Its understanding stops short of seeing that the activity of capital is just one aspect of private property, which exists also in its own backyard. Its radicalism is highly conditional: it wants to alleviate misery in some regions of the world without wanting to grapple with the problem of understanding that it is

universal relations of private property which lead inevitably to the difference between rich and poor. Within the world state of nature there is little hope of significantly evening out these differences. Just as the freedom of private property is the basic freedom of the bourgeois individual, the economic competition between nation states is the prerogative of free *GREAT SUBJECTS*. The world system of states, based upon a world economy, is an *IMPERIALIST SYSTEM*. Imperialism, the analogue on an inter-state level of the competition between individual subjects, means the domination of one state over another, so that the latter is amenable to the former's will. The ultimate basis for the state's power to coerce another state in accordance with its national interest is the superior potency of the national economy. This coercion proceeds by way of economic, diplomatic and military blackmail which formally acknowledges the sovereignty of foreign states. Each state is free to regard the other states as means to its own (national) ends. The differences in wealth between nations allow some states to call the tune in world affairs. So long as the weaker countries play their role in the world economy, they remain useful for the first world nations by providing specific commodities and a profitable field of investment for capital. The trade in commodities and the investment of capital are based on relations of abstract equality between great subjects. Imperialism is thus perfectly consonant with bourgeois freedom and is in fact one of its necessary results. Besides providing 'economic aid' in the garb of capital investment to the third world, first world countries directly guarantee the free functioning /307> of capital on foreign soil by bolstering the repressive apparatus of friendly third world states, so that the population remains docile, or at least controlled by massive force, even when the freedom of private property for it means extreme poverty. The third world state thereby becomes subservient to the interests of foreign nations in preserving the functioning of the economy without regard for the right to existence of the population. Such states do not correspond to the concept of bourgeois state because of the failure to strive to ameliorate poverty through a redistribution of wealth, often as a result of the corruption of political elites. The differences in wealth and economic power between

nations is the basis for differences in political power on the international level. Those nations which have accumulated most successfully have also the most capital to export to countries where, for lack of available capital, large resources of labour-power and/or natural resources lie idle. The political relations between nations of the first world (with capital to export) and the third world (which import capital) are premised on the freedom of capital of the first world, when it so chooses, to exploit a foreign population. All possible means of blackmail are employed by a first world state to ensure favourable conditions for its capital. Apart from investment in foreign climes, a first world state has also an interest in obtaining certain raw materials and other commodities. The ultimate means of blackmail are *MILITARY*: the threat or the actual use of arms to attain political ends. The first world nations employ part of their superior wealth for military purposes. This portion of the nation's wealth is appropriated by the state from civil society. The state decides through taxation policy which portions of the costs of weapons, and related military costs, have to be borne by the working class, and which by those with external income-producing property. With military and diplomatic means, the first world states pursue their national interests in all corners of the world where they can get a foothold. The developed industrial capitalist nations compete with one another for the freedom of their national capital in various regions of the world. This may lead to (diplomatic) tension and (military) conflict between first world nations. Third world nations too have their interests in their own region and vie for political, economic and military hegemony there /308> (necessarily under the aegis of the interests of first world nations in the region).

A closer discussion of the world system of states involves an understanding of the relations between the first world and the second: the conflict between East and (Free) West. (cf. §115).

### **§93 International Competition and Ecological Destruction**

The multiplicity of nation-states and the competition between national economies on the world market results in the ineffectiveness of the state in controlling a further contradiction of free competitive economy: *DESTRUCTION OF THE EARTH AS A TOTAL ECOLOGICAL*



*SYSTEM.* Natural resources and the environment provide the absolute basis of all capitalist productive activity. Extreme exploitation of the earth's resources and destabilisation of natural processes do not imply an end to bourgeois forms (which are indifferent to quantities) but certainly impair the absolute ability to produce and maintain an adequate material standard of existence. The particular income-earning aims of bourgeois individuals lead to a disregard of the ravages wrought on nature (§51) with a consequent impairment of the capacity to produce certain means of existence or an impairment of the population's health. The state acts through legislation to restrict the exploitation of nature by private property for the sake of the universal well-being of civil society. The concept of adequate means of existence is hereby extended to cover not only the individual consumption of industrial commodities but also the enjoyment of the environment in general.<sup>12</sup> As in the restriction of state sovereignty in the face of the world economy, competition on the world market can compel a national economy to sacrifice its natural resources and environment in order to maintain a competitive level of productivity. Dependency on the importation of essential means of existence or means of production can force or entice a nation-state to allow its natural resources to be exploited for export. The inability of the nation state to subordinate international competition to its will places a restriction on the conscious social measures which can be undertaken to alleviate the plunder of nature and to prevent a disastrous disintegration of ecological systems. Even /309> within a country and independently of compulsions of international competition, the state, insofar as it preserves the form of private property in land, only imposes an external, legal compulsion on the owner or user of land which stands opposed to their immediate interests of gaining rent or profit of enterprise. The universal subject has to reinforce its repressive apparatus to ensure the subsumption of particular interests under its laws. The state's attempt to regulate and restrict the arbitrary use of private landed property is commonly resisted by landowners and companies following their particular interests. This contradiction between private interest and universal well-being is necessarily borne within bourgeois society, and must be held in check by (state-guaranteed) force.

The destruction of the environment by capitalist industry (and by negligent use of the environment in leisure time) has become a concern of political consciousness in advanced capitalist countries. The destruction of nature in some countries has reached alarming, in some places, disastrous proportions, to the extent that irretrievable damage has been done to ecological systems. Especially the effects of industrial waste and chemicals on the air, soil and water have become noticeable and dangerous. The effects of a deterioration of the environment on health have only begun to be studied by medicine, and many of the ill-effects can only be surmised, due to the complexity of the interactions, difficulty of isolating causal factors and the vested interests involved. To the problems of ecological destruction and poisoning of the environment, the bourgeois form of society offers the avenues of political protest, which aim at forcing the state to restrict the deleterious effects of private enterprises and individuals. Elements of ecological politics engage in a campaign for restrictive legislation. Ecological politics, for as long as the bourgeois form of society exists, is an interminable struggle whereby a somewhat rosier conception of universal well-being has to be forced through against the interests of private property. This is another form of appearance of the diremption of the particular and the universal. /310>

#### **§94 Execution of the Universal Will of State: The Bureaucracy**

The state posits its will in laws and policy to be pursued within the framework of law. The state's will only becomes effective in relation to civil society through its gaining the concrete form of a many-sided subject capable of executing the laws preserving the form of civil society (§74) as well as executing its functions of welfare (§82), taxation (§83) and economic policy (§§84, 85) within the framework of specific laws. The preceding analysis is based on the presupposition that the state becomes a materially effective subject. All the state's functions are material labour processes which must be organised with labourers and means of labour. The will controlling these labour processes is the will of the state as expressed in law and policy, and the functionaries are not simply wage-labourers, but *STATE OFFICIALS, EXECUTORS OF THE UNIVERSAL WILL OF THE STATE*. The state is a collective subject composed of many officials divided into the various apparatuses of the state's activities, but nevertheless subject to a unified state will. The apparatuses are therefore *HIERARCHICALLY ORGANISED*, with each official having definite duties to execute an aspect of law or policy, and

a delimited scope for initiative in fulfilling these duties. At the head of each apparatus stands a *MINISTER* who is responsible for the implementation of the legislation and deciding policy applicable to that apparatus. Whereas the legislation is not determined by the minister, the particular state policy pursued within the framework of the particular legislation is. The state also has legislation to ensure that the state officials are obedient and conscientious. Their labour should be the *PERFORMANCE OF THE UNIVERSAL TASKS OF STATE*. The executive functions of the bureaucracy are to be distinguished from the administration of justice performed by the police, courts and prisons. The courts are concerned first and foremost with dealing with infringements of the law by persons. The bureaucracy, by contrast, intervenes in civil society regardless of breach of law, to implement the state's will in civil society. The concrete administrative commands of the bureaucracy (say, in collecting taxation) are to be distinguished from general laws, which are formulated in the abstract and are applicable to all persons without distinction or favour. The actions of the bureaucracy, even though within the framework of laws (as particularistic measures), are direct interventions, whereas the judiciary is occupied with upholding a specific law-given form of civil society.

### **§95 Corruption of State Officials**

Since the official is entrusted with a power to execute his/her official tasks, wrong can arise where the official uses this power to further his/her particular aim of making money. As a bearer of state power, the official is open to *BRIBERY* and other forms of *CORRUPTION* by members of civil society. Furthermore, the apparatus as a whole can implement legislation in a questionable way, i.e. it is disputed by interests affected by the legislation that the law is being properly executed. Both kinds of phenomena bring the universal will of the state into question. With bribery and corruption, the state's will is undermined from within. With disputes over the execution and enforcement of legislation, it is challenged by civil society (or even another part of the state's apparatus) to act according to its own laws. These challenges to

the state's universality have to be met by the state itself. This can only be done if an additional, separate part of the state is entrusted with the guaranteeing of the state's laws. A *DIVISION OF POWERS* (cf. §118) within the state enables the *JUDICIAL APPARATUS TO OVERSEE THE EXECUTIVE APPARATUS*. The judiciary is charged with the task not only of enforcing the individual's conformity to justice, but also with that of maintaining the state's apparatuses fit for the execution of its universal will.

### **§96 Assured Income and Career Path of State Officials**

Apart from the hierarchization of the state apparatuses and the surveillance by the judiciary, a further method of ensuring that the state officials act to execute the state's laws and policies without fear nor favour is to diminish the extent to which their particular interests diverge from the universal will. The state official is supposed to be made a true servant of the universal will by guaranteeing his/her particular interests within the state itself. In contrast to the uncertainties of civil society, the state official is provided with an *ASSURED INCOME* and *CAREER PATH* as a way of meeting his/her income expectations. The state /312> officials may be dissatisfied with the incomes and career paths assured by the state. Like the individuals in civil society, they have an interest in earning income to support their material existence, even if the way they earn it is in a state apparatus rather than a company's factory. The self-interested consciousness of the competitive individual comes into conflict with the conscientiousness and dutifulness demanded in the tasks of the universal will. The fact that the state official is also called a civil servant does not mean that s/he is a servant of civil society, but of the state. This paid servitude to the state carries obligations with it which are firmly anchored in the state official's consciousness. The state's functionaries may nevertheless take up the methods of struggle of the competition, no matter how much the state may attempt to guard against this by restrictive and punitive legislation. The combined will of state officials seeking to improve their *SALARIES* or *WORKING AND PENSION CONDITIONS* is a force which the state has to reckon with

and to an extent bow to. As in its confrontations with civil society, the state's repressive power is shown to be not absolute vis-à-vis the combined unified will of social groupings. The boundary between the posited universality of the state's will and the ruthless pursuit of particular interests in civil society dissolves when state officials struggle against the employing state itself. Depending on the consciousness of state officials, the state may be able to successfully implement legislation preventing state officials from taking industrial action. Even when state officials do take industrial action, by organising strikes, the state tries to mobilise against them the form of consciousness of the state official's obligatory loyalty to the state, and their supposed servitude to society.

### **§97 Recapitulation: The State's Attempt to Reconcile Universality with Particularity**

The state is the universal will outside civil society subjugating the latter to itself. Civil society is the system of particularity set loose in pursuit of individual interest. The universal forms of freedom of this system cannot be guaranteed within civil society itself from the excesses of particularity. The universal process of valorization has no conscious subject within civil society /313> and makes its effects felt on the members of society only in an indirect way. The state attempts to bring the system of particularity into consonance with the universal non-conscious process of capital, which asserts itself in the individuals' conscious actions, by preserving the forms of appearance of this process in the person and by consciously intervening in the non-conscious material social reproduction. As we have seen in the preceding analysis of the state, this attempted unity of particularity and universality is fraught with contradictions which are experienced by the members of civil society and state officials with greater or lesser severity and with enormous variation from individual to individual. The state strives to create a unity, to overcome a diremption in an identity, which civil society itself cannot achieve. In doing so, it preserves the forms of social intercourse (the right of the person to its abstract particularity) which

ensures that the particularity of the members of society can never be brought into conscious relation with the universal process of the material reproduction of society. This latter is the concrete process of reproduction of total social capital accomplished, if at all, within the abstract-universal value-forms, and unfathomed by naive consciousness.

### **§98 The Doubled Doubling: Private Universality**

The embodiment of the universal in the state as superior social subject stands over against the particularisation of the members of civil society. Whereas the state concerns itself with the maintenance of the universal forms and results of the economic process, correcting the results brought forward by the competition and providing for damaged individuals, the bourgeois individual is set free to pursue its particular aims within the external framework of laws laid down by the state. The income-earning aim of the individual has significance, however, only as universal means for providing a material existence (§80) which the individual lives outside the social realm: in the private sphere. In this realm of life, constituted by the freedom remaining to the individual after its subjection to the realities of civil society and the state, a fulfilment of personal, individual freedom and a compensation for the subjective negativity of social life are sought. The individual attempts to constitute his/her own *PRIVATE UNIVERSALITY* alongside the *SOCIAL UNIVERSAL*. This attempt involves the construction of free relations of concrete acknowledgement among individuals, as expressions of the individuals' *FREE CONCRETE PARTICULARITY* (or rather, *UNIQUE SINGULARITY*) which contrast to and are to compensate for the abstract acknowledgement of particularity between persons in civil society. Love, friendship and the striving for a substance of private universality in children are some of the aims of this private sphere of life, which are thwarted by external contradictions in the relation to the society outside, and poisoned by the inner contradictions of hate, anxiety, incapacity to feel, isolation, among others. The private sphere does not overcome the individual's subjection to the state, but only exists in the space guaranteed for it by the state. The state is not the product of the freedom

of the members of society either in their social or private capacity. Even though the *EXPEDIENCY* of the state for guaranteeing the forms, and materially supporting the life of society can be appreciated by naive bourgeois consciousness, the rift which exists between the universal on the one hand and the bourgeois individuals on the other remains a contradiction for the consciousness of their freedom as unique, singular, social beings. In the following paragraphs, this rift and the attempts in consciousness and institutionally to overcome it will be investigated. Other names for this rift are *CONTRADICTION* and *DIREMPTION OF THE UNIVERSAL FROM PARTICULARITY*. The contradiction is that which *DRIVES THE PRESENTATION FORWARD*. The social institutions to be investigated are moments of an attempted resolution of this contradiction, which are to appease the *CONSCIOUSNESS OF SOCIAL FREEDOM*. How can the existence of the state and state power be reconciled with the concept of freedom? (How) can the subjugation of individuals to the state be reconciled in consciousness?

### **§99 Subjugation of Civil Society and Private Life to the State**

The outer state is the concrete universal subject of bourgeois society (here referring to the whole of civil society, private sphere and outer state). It sets itself its own aims in the name of the universal well-being and executes them through its bureaucratic apparatuses. Civil society is subjected to the state's /315> monopoly of legitimate force. The particular subjects must bow to the state's superior power. In the systematic presentation the point is now reached where the private sphere could be conceptualised. The subject seeks a way out of the competitive contest in civil society and its subjugation to the state, and attempts, in the free space left to it by the state, to constitute its own substantial universality as a singular *PRIVATE REALM*. The analysis of this realm is however beyond the scope of the present work.<sup>13</sup> Remark here is only the following: The conjugality of the private sphere proves for consciousness to be insufficient to block out the conflict in the outer society. Even though the private subjects strive to satisfy their gregariousness in their private lives, they remain subject to the state's

power, have to regularly participate in the abstract society, and cannot, without a loss of sensibility, barricade themselves against the lived contradictions in the society outside. In private life, as in civil society, the subjects possess the freedom to pursue their own aims, although their achievement is not guaranteed, and even if achieved, can prove to be defective. This freedom is dependent on the outer state, which guarantees the form of civil society and the private sphere, as well as restricting these forms. Even when the state acts according to the rule of law, and guarantees the forms of property and the privacy of the private sphere, it remains for the person an external, powerful will, which becomes the object of political struggles.

### **§100 Pressure of Coalitions on the Outer State**

The subjects of competition organise themselves into various types of coalition to achieve their interests in the competition struggle against one another. In this way trade unions, industry associations, cartels, associations of landowners, banking associations and the like arise. These struggles do not remain restricted to competition between social groupings. The state intervenes in, restricts and guarantees the form of civil society. It can be influenced by the struggles of coalitions. State actions result, among other things, from the pressure organised by social groupings through their coalitions. The state strives to maintain the universal connection of social labour in civil society, and /316> is therefore sensitive to any actions of coalitions which might put this connection into question. The might of capital, and the collective power of the trade unions, are both able to exert considerable economic pressure on the state in order to win their demands. In this way, the state's power shows itself to be relative, and the state's will to be not omnipotent. The power of social groupings outside of civil society, i.e. in the private sphere, is considerably less. Since the private sphere is in any case cut off from society, it contains no means with which to threaten the universal social connection. Initiatives of private persons must reach for external means of intervention, in civil society, to achieve



their ends. (This does not take account of the influence of public opinion, which will be treated below; cf. §§111ff.)

The sovereign state exists independently of the various interest groups which struggle with one another in society. (Franz Neumann 1980 p. 15)

The independence of the state from society embodies the conception of the outer state. In contrast to this conception, there is the inner state (§§102ff), which is supposed to represent the identity of state and society.

### **§101 The Gulf between State and Society**

Even when coalitions are successful in influencing the state in their favour, the gulf between civil society and the private sphere on the one hand, and the state on the other, remains. Through the exercise of social power against the state, no *IDENTITY* is constituted. The outcome is the result of a balance of forces between social groupings and the state (especially its repressive apparatuses). Insofar, the state has to pursue a pragmatic politics which takes into account that its power is not absolute. On the side of the person, the state is experienced as a powerful agency to be reckoned with, which stands in the way of their particular interests. The private person namely, is set free from consideration of the universal connection (which is undertaken by the state) and pursues merely their own ends, in private life, as well as in the competition. The state represents the will to universal well-being (cf. §84) and pursues, through economic, welfare and foreign policy, its freely decided version of social well-being. /317> This conception of universal well-being, despite all considerations of munificence or otherwise, remains a will imposed on bourgeois society (comprising now civil society and the private sphere) from without.

### **§102 Bridging the Gulf: the Inner or Bourgeois-Democratic State**

The rift between civil society (the private sphere will be no longer considered in the present work) and the state, corresponding to the rift between the person and the state, arises necessarily from the dissociation constitutive of the forms of competitive society. The various forms of

private property, and the corresponding dissociated forms of private labour which only become social through the value-forms, are the basis of the diremption of society and state; this diremption cannot be overcome so long as the double character of bourgeois labour holds sway. This diremption, whose ground is not known by everyday consciousness, however, poses a problem for the bourgeois consciousness of freedom. If freedom is the principal category of bourgeois society, consciousness cannot remain content with the gulf existing between society and state. The person should not remain subject to a mighty, external subject. Since the gulf itself cannot be dissolved within the bourgeois totality, the most that can be achieved is that a *MEDIATION BETWEEN STATE AND SOCIETY* be constituted – in consciousness and institutionally. The remainder of the presentation will explore how this mediation is constructed, in the attempt to build an *IDENTITY* between society and state. This formation of an identity goes under the name of *BOURGEOIS DEMOCRACY*. Democracy, and all that belongs to it, constitutes the *INNER* or *BOURGEOIS-DEMOCRATIC STATE*.

a) The analysis of this mediation follows the general intentions of the present work: a general form-analytic conceptualisation that concentrates on the universal contradictory features of the bourgeois-democratic state. We do not dispute the obvious differences existing between developed bourgeois states. Comparative sociology, for example, makes a never-ending profession out of the exploration of the differences between the Continental, British and American political systems. The features common to the bourgeois states and to bourgeois political consciousness, /318> although perhaps taking various institutional forms, have a socio-philosophical interest which could have relevance to our contemporary life. Franz Neumann (1980) touches on general questions of form-analytic interest in his sociological investigations. He poses the following task, which he solves in the affirmative:

Should we however be able to show that the structure of English law, in spite of many differences, has much in common with Continental law, that the essential characteristics are even identical, then that is a confirmation of our argumentation so far. Then it is evident that a quite definite type of law corresponds to the competitive economy, and indeed a type which is characterised by the generality and rationality of the law and the purely declaratory function of the judge. (Neumann 1980 pp. 280f)

Neumann then proceeds to show that the English system of precedents and the Continental system of application of a statute book are basically the same in their operation and impact on civil society.

b) The distinction between outer and inner state comes from Hegel. He uses the former term to designate the whole of the system of civil society and the state in its moments of administration of justice, police and corporation:

The self-seeking aim in its realisation, so conditioned by universality, founds a system of all-round dependency, so that the subsistence and well-being of the individual and his/her rightful existence, interwoven with the subsistence, well-being and right of all, is grounded on it and is only actual and secured in this connection. One can at first view this system as the *outer state – state of neediness and the understanding*. (Rph §183)

The subject matter of the inner state, although not named as such by Hegel, is contained in the third section of ethical life under the heading ‘The inner right of state’ (as opposed to ‘The outer right of state’ in the relations between states).

c) *Carl Schmitt (Die geistesgeschichtliche Lage des heutigen Parlamentarismus* 4. Aufl. Berlin 1969), emphasises the concept of democracy as an identity:

All democratic arguments rest on a series of identities. /319> To this series belong: identity of ruler and ruled, governor and governed, identity of subject and object of state authority, identity of the people with its representation in parliament, identity of the state and the people in referenda, identity of state and law, finally, identity of the quantitative (numerical majority or unanimity) with the qualitative (correctness of the law). *All such identities however are not palpable reality, but rest on an acknowledgement of the identity*. (Schmitt loc. cit. p. 35 my emphasis)

To be emphasised here is that the identities constituting democracy are first and foremost *forms of consciousness* (or, more rudely expressed, figments of imagination, in any case, modes of everyday thinking about the world). In the following paragraphs we will discuss various aspects of these identities.

### **§103 State Will as Will of the People. The Citizen**

The state has an interest in a democratic identity as a way of reconciling the conflicts (§§100, 101) in civil society. The confrontation between the state and society can be ameliorated if society becomes part of the state and assumes co-responsibility for the universal affairs of the state. This incorporation of society into the state remains illusory insofar

as we have seen (§102) that the gulf is indissoluble. Nevertheless, through the appearance of identity, the state can better achieve its aim of maintaining a functioning social connection. The individuals in civil society have an interest in establishing an identity with the state in order to reconcile their subjugation to the state with their freedom. In the formation of an identity, both the state and the person are transformed, i.e. gain new determinations. The state is no longer the outer state, set apart from society and superior to it, but becomes the *EXPRESSION OF THE WILL OF THE PEOPLE*. The many individuals constituting civil society overcome their particularity and are formed to a *PEOPLE* worthy of the *UNIVERSAL LIFE OF THE STATE*; the person is transformed into a *CITIZEN*. These transformations are above all *TRANSFORMATIONS IN CONSCIOUSNESS WHICH ATTEMPT TO RECONCILE THE DIREMPTION OF THE UNIVERSAL FROM THE PARTICULAR*. The citizen is the adequate subject of the inner state, who participates in and informs him/herself about the affairs of the universal. S/he is the /320> bearer of the rights and obligations relating to the inner state: suffrage, freedom of opinion, of assembly, etc. (cf. following §§). To the extent that the people participate in the universal life of the state, it becomes for them *THEIR* state. Their subjugation becomes reconciled with freedom. The formation of an identity in the consciousness of citizens works to smooth the conflicts within civil society. The democratic right of the citizen to feel him/herself a part of the democratic identity with the state, to participate in the formation of the state's will, brings certain obligations with it: namely, that the citizen raise him/herself above the level of mere self-interest. In civil society, where self-interest is rife, the state can always employ the argument against an interest group, that it shows no consideration for the state's universal tasks and merely pursues naked self-interest. According to the state's interest, whether it be a conflict between social groupings, or a campaign which presents demands to the state, the state has one last argument which it can bring forward as often as required: the state is after all the expression of the will of the people, and all social groupings, in the name of democratic freedom, should bow to its superior might. The effort which the state devotes to the formation of a democratic

identity in the people's consciousness is ultimately a question of *REINFORCING ITS POWER AS LEGITIMATE POWER*. If the state succeeds in presenting itself to society as its legitimate power based on the will of the people, it has simultaneously created an immeasurably powerful weapon with which to isolate and weaken the resistance of any social grouping that pursues action contradicting the state's will. The state thus not only has a legitimate monopoly of force but is also the only social subject who can legitimately (i.e. for consciousness) speak in the name of society.

### **§104 Election of Members of Civil Society to the Universal**

The first step in the formation of the democratic identity is the *ELECTION* of members of civil society who are to take an active part in the life of the state. A part of civil society is thereby incorporated into the state. (It is here inconsequential whether numerically only a portion of civil society is elected, or if /321> occasionally and systematically all parts of society regularly take part in the life of the universal. Below however we will see why practically politics becomes a specialised occupation; cf. §108.) The election of representatives must be free. All those recognised as persons by the state must be guaranteed the freedom of expression of their choice of representative. The *RIGHT TO VOTE (SUFFRAGE)* is a further determination of the person's freedom. The right to vote is formal: all are regarded as *ABSTRACT EQUALS* who equally co-determine who will be elected as representative in the state. The right is an individual right, exercised without restriction by any group or individual. To guarantee the right to vote (freely), elections are conducted generally under secret ballot. The external form of elections reflects the isolation and fragmentation of the individuals in civil society. In order to organise elections by abstract equals, there is no criterion to hand except the abstract principle of geographical location which could be employed to arrange the election of the specified number of representatives. The abstractness of the person extinguishes all trace of the individual's place in civil society, an abstraction already achieved in the formal equality of property-owners (cf. §24). The election of

representatives is a *MOMENTARY ACT* of citizens that empowers the elected representatives to exercise an *UNRESTRICTED MANDATE* for a certain period, until the next election.

The struggle within bourgeois society for the right to vote forms an often-mentioned, glorified chapter of its history. Suffrage has been progressively extended. Women, who in the 19<sup>th</sup> century were relegated almost entirely to the family, were correspondingly not regarded as part of civil society, nor as citizens. Only with the strengthening of their position through greater participation in civil society did women win the right to vote. Systematically speaking, the question of universal suffrage can be viewed as follows: Suffrage is the basis on which the democratic identity of state and society is built. All the groupings in society which can organise themselves as a political force can exert pressure on the state. To be a political force, a grouping must represent a link in the total social connection of civil society, /322> so that their disenchantment with the state's decisions can find an effective form of protest by tendentially endangering a link in the social connection. This means that all members of civil society must have suffrage if their protest against the state is to be contained within the forms of legitimacy. The private sphere is the realm where individuals follow their singular aims independently of society, which is protected from capricious interventions from society and which, by the same token, has no direct impact on the social connection nor the state. Those individuals who do not take part in civil society thus have no social weight as a political force, are not accepted in consciousness as full members of society. This explains why women only won the vote once their participation in civil society became substantial and why children are self-evidently excluded from suffrage. That old people, who have retired from life in civil society, retain the right to vote speaks not for their political muscle but is a token gesture to those who have already done their bit for society and the state.

### **§105 Parliament: The Legislative Arm of the State**

The state has to this point been analysed only in its executive function, through the bureaucratic apparatuses and the judiciary. The ministers have been treated only as the heads of their respective bureaucratic apparatuses (cf. §94). This analysis has presupposed that the state's willed aim already exists. It is now to be investigated how the state's will is concretely formed. The state's will exists in two forms: laws and decisions of government. The latter are taken usually within the framework of the former. Rule of law means that the members of society

are equally subject to general decrees of state without fear nor favour. The concrete actions of government heads however intervene directly in civil society. The legislative function of state is the primary aspect of the formation of the state's will. The governing function derives from and is performed within the bounds of the rule of law. The constitution of an identity (institutionally and in consciousness) between civil society and state occurs via its legislative function, which is formally superior to the executive and judiciary functions. The representatives elected by civil society build a *PARLIAMENT*, which is the *LEGISLATIVE BODY* of the state. For the moment it is of no consequence what the form of parliament is, whether a federation balanced by regional parliaments, a two-tiered system, a presidential system, or what have you (cf. however below §119). The parliament, in its first determination, is the law-giving body of bourgeois society. Legislation is the business of determining the concrete universal character of society. The elected *MEMBERS OF PARLIAMENT* are entrusted by the citizens with determining the laws which, formally speaking, are the ultimate expression of the state's will. The existence of parliament and its power to legislate constitute the *FIRST FORM OF RECONCILIATION FOR CONSCIOUSNESS* of the subjugation of civil society to the state. The source of state power is formally in the hands of the people's representatives. Since the people *ELECT* their representatives through a formal act of will on election day, the ultimate source of state power is seen by consciousness to lie with the people themselves. The existence of parliament is a ground for legitimation not only of the state's laws, but also of the state's existence per se. We have seen (§83) that the state requires taxes to support its material existence. For consciousness, this appropriation of wealth from civil society becomes acceptable when the people are entitled to elect their representatives in parliament. They can then console themselves that they have had their say in the state's will and in particular in *HOW* the taxes raised are spent by the state. The people can think that if their representatives do not spend their taxes the way they want, then they can be thrown out at the next election. This consolation has the hitch that an alternative representative must be found who will pay more heed to the people's wishes concerning taxation, or other matters. Once elected,

however, the representatives are free to follow their own consciences in parliamentary affairs, and so prove their *RELATIVE AUTONOMY* from the people. Around election time, the representatives make an effort to find favour with the electorate, and often succeed, through skilful electioneering (§108), in being re-elected. Since the elected representatives have no interest whatsoever in being dictated to by the electorate in questions concerning state finances, election campaigning concentrates on issues where the state's ability to tax and to spend taxes how it thinks fit are pushed as far as possible to the side. /324>

Some more idealistic parliamentarians may announce their readiness to follow the people's wishes regarding taxation very closely, and may even tie themselves with restricted mandates by their electorate. Such idealistic self-restriction sets up an obstacle for itself in the parliamentary contest, both in electioneering and in parliamentary procedure. Such parliamentarians burn themselves out for their ideals, or, when they notice that these ideals are not practicable, reduce their efforts and content themselves with the self-satisfaction of sticking to their principles. With a parliament of elected representatives, the form of appearance arises that social freedom consists in a mediation between the state's will and the people's will, to the detriment of a deeper-lying concept of freedom.

### **§106 Public Discussion and Parliamentary Proceedings**

The business of the universal affairs of state cannot be given due credit in the formal procedures of election. The elected representatives in parliament, if they are to perform the business of state, cannot be restricted by any direct mandate of the voters. On the contrary, the parliament is the place where, through *PUBLIC DISCUSSION*, the laws of state are deliberated. In order to come to an unrestricted result through discussion, the members of parliament cannot be hemmed by any predetermined mandate. The parliamentary discussion, ideally speaking, is concerned with the universal well-being as posited by a collective will. The to and fro of argument in parliament aims at a convincing case for legislative decisions. The *PUBLICNESS OF PARLIAMENTARY PROCEEDINGS* is above all to allow the citizens to gain insight into the universal affairs of state. The citizen may even participate in the debate around parliamentary issues (cf. §111). The discussion in parliament



cannot be simply a matter of a compromise of the interests of opposed groupings, but has to argue in terms of the universal well-being, with arguments possessing general persuasiveness. Pointing out self-interest can be used as an argument in parliament to discredit the arguments of an opponent. As we will see in following paragraphs, the ideal of parliament through open public discussion is somewhat blemished when confronted with the reality of political power.

The citizen thus never expresses agreement with a concrete content, but with the result in *abstracto*, with the general will which results from voting, and s/he only votes to enable the calculation of votes out of which the general will is established. (Carl Schmitt 1969 p. 34) /325>

The logic of parliament consists ... in a process of discussion of contrary views and opinions, from which the correct will of state results. The essential point of parliament is thus public negotiation of argument and counter-argument, public debate and public discussion, parliamentary debate, whereby initially one does not have to think of democracy. (ibid. p. 43)

In this passage Schmitt makes a useful distinction between democracy and parliamentarism. Both institutions, however, are based on the illusion that freedom resides in a collective subjectivity of sheer will.

### **§107 Government and Ministers. Deliberation and Action**

The law-making performed in parliament does not solve the problem of who is to govern the state's apparatuses. The laws have to be executed and enforced by the bureaucracies and the judiciary. In addition, concrete decisions have to be taken and executed with the executive arms of state. The *GOVERNMENT*, which has the legitimate power of the state's apparatuses in its hand, is formed also on the basis of election by the people. Election is the only way of reconciling the concrete power of government over the people with the people's freedom. If the elected parliament is the first step in the formation of the democratic identity of people and state, then elected government is the second. The two steps may coincide: the elected parliament may elect a government. Or, the government may be directly elected by the people. Or a mixture of the two systems may apply (with or without the ratification of a titular head of state). The aim however is the same: the gulf between society and

state is to be bridged through a congruence of wills. In the modern democracies, the government has to achieve a majority in parliament, in order to be able to legislate. Without the power to legislate, the power to govern, i.e. to command the state apparatuses, remains void. The government consists therefore of a majority in parliament plus the ministers who are the heads of the various arms of the state apparatuses. The ministers, under the headship of a *PRIME MINISTER* or *PRESIDENT*, constitute the government in the narrow sense. The necessity of a single prime minister is given by the necessity of the state to be a unified subject with a single, unified, final governing will. The two institutions, parliament and government, can be distinguished by the two principles: *DELIBERATION* and *ACTION*. Parliament is the institution of deliberation over the laws which are to prevail in civil society. Government is the agency of state action, of the decisive execution of the will of state. As opposed to the numerous members of parliament necessary for the airing of all sides of legislative problems in debate, the government has to be unified under an incisive single will. The two principles, parliament and elected government, build the cornerstones of the *LEGITIMACY* of the state vis-à-vis society.

On the question of the distinction between the deliberation of parliament and the action of government, Schmitt quotes *The Federalist*:

The executive must lie in the hand of a single man, because its energy and activity depends on it. It is a principle recognised by the best politicians and statesmen that legislation is deliberation and therefore must take place in a larger gathering, whereas decisiveness and preservation of state secrets belong to the executive, things which diminish to the extent that numbers increase. (Schmitt 1969 p. 56)

### **§108 Political Parties, the Opposition, Professional Politics**

The majority in parliament is organised on the basis of *POLITICAL PARTIES*. A party or coalition of parties which commands a majority of elected parliamentarians in parliament can form a government (§107). The remaining parties and individual parliamentarians constitute the *OPPOSITION*, whose task it is to offer *CONSTRUCTIVE CRITICISM* of the government. The parties vie with one another in elections to win

votes on the basis of party programs, i.e. elaborated versions of the universal well-being. The citizens vote as individuals who are assumed to have insight into the machinery of the universal. On the one hand, they are supposed to be able to abstract from their narrow self-interest when partaking in elections. On the other, in the practice of parliamentary elections, campaigns are waged which to a greater or lesser extent appeal to self-interest. The parties attempt to win votes by offering financial and other incentives to voters. In spite of the attempt to raise the voter to the level of the universal, their private property interests necessarily cannot be abstracted from. The individual is in fact split: a private property-owner with his/her own interests on the one hand, and a citizen (ideally) versed in the affairs of parliament and government on the other. This dual existence of the individual cannot be abolished through democratic institutions or an act of good faith on the part of the individual. The mass democratic parties set a vast machinery into motion in order to catch votes. Bourgeois consciousness cynically registers the advertising efforts of the party machines, and chooses largely according to self-interest. Democracy is therefore a system of conflicting mass egoisms. The dual existence of the individual and the massiveness of the machinery of democratic institutions leads to a business-like approach to elections. The parties employ advertising techniques and mass media to skilfully 'sell' their version of the universal well-being to the voter. In this, well-considered, many-sided arguments play a minimal role. Psychological tricks of motivation and simplified arguments are used to manipulate the elector, and the mass character of democratic elections necessitates that political arguments are entirely simple. Commercial advertising techniques, apparently pandering to market demand, and demand manipulation, are rampant in the area of electoral politics. Just as in competitive society, it is not a matter of a sober discussion of 'use-value' qualities, but rather one of consumer enticement for the sake of profit-making. In politics it is not a matter of the informed discussion of universal affairs but rather of the competition over votes among political parties. The electors take the easy way out at election time, and let themselves be hoodwinked by superficial presentations which are all that is possible in a mass medium.

By and large, they do not give themselves the effort of a closer consideration of the political issues involved. The people thus gets the government it deserves on the basis of suitably simplified electoral alternatives. The modern mass political parties provide *CAREER OPPORTUNITIES* for would-be parliamentarians. Experience with the workings of the vote-catching party machine is the presupposition for becoming a party candidate and eventually an elected parliamentarian. The politician learns how his/her party, parliament and government operate and how s/he has to present him/herself to the media (§111) and the public in the ongoing political power struggle. Every politician knows that politics is a tendentious business which rests on a numbers game. A politician who wants to survive in the 'machine' (a power-play-thing) cannot afford the luxury of following only his/her moral conscience, but must pay attention to the balance of power within the party, in parliament and in public life. S/he must /328> adapt him/herself to media techniques of presentation and must everywhere make certain compromises in order to gain a foothold in the machinery of power. A professional politician is characterised by the fact that s/he makes a living out of the ideally universal affairs of state. Particular-personal interests are in an unholy alliance with universal-social affairs. The separation of state from society and the subjugation of the latter to the former creates a *LOCUS OF POWER* in the state, separate from society, which can and must be *OCCUPIED BY AMBITIOUS INDIVIDUALS*. These individuals can then regard a position of power within the state apparatus as an *END-IN-ITSELF*, regardless of the content of the concrete-universal affairs of state. It is not only the individuals who are self-seeking and power-hungry, but above all it is a form of society which presents particular interests in a form necessarily sundered from universal interests, even when it is a matter of universal considerations, and which erects a universal institution of power alongside society, which produces self-interested, power-mongering politicians.

*Otto Kirchheimer* writes of the conditions of functioning of the parliamentary system:

With regard to economic and social questions, there reigns a consensus about desirable aims or at least about the set of reforms which on all sides are

regarded as admissible ... In an age when foreign politics is able to decide the fate of a nation, this system presupposes furthermore a considerable trust of the opposition in the ability of the government to achieve the best possible solutions. It rests at least on a sincere trust of the opposition in the government's integrity, in the case where the latter has decided to introduce grave changes which in its estimation are unavoidable ... The government-opposition game rests further on an unconditional loyalty vis-à-vis the army and the government. Both must ban any thought of building a bloc with other political or social forces which would disturb the often sensitive balance between government and opposition. If all these conditions are fulfilled then the mutual roles of government and opposition anchored through constitutional convention will be one /329> of the principal regulators of political life. (Otto Kirchheimer, 'Wandlungen der politischen Opposition' (1957) in *Politik und Verfassung* Frankfurt/Main 1964 pp. 125f)

And if these conditions are not fulfilled?

### **§109 The Compromise of Class Forces and the Government**

Coalitions of interests have a decisive effect on the viability of a government. Even when a party or coalition of parties has won government through election, it does not become immune to the pressure of coalitions in civil society. Historically speaking, there have been parties which represented the interests of capital and the possessing classes, and ones that represented workers' interests. The modern party does not one-sidedly represent class interests, but rather – less blatantly – a policy of universal well-being which tendentially favours one class or social grouping at the expense of another. The successful democratic government is usually built upon a *COMPROMISE OF CLASS FORCES* which do not appear on the surface of capitalist economy in their pure character-mask determinations, but as hybrids and mixtures. Above all it is the conflict of interests between capital and the working class which must be contained for any workable government. A policy of confrontation with either one or the other class invariably leads to the government's weakening and downfall. The government has to be a good economic manager, which nevertheless does not entirely neglect its welfare functions for the sake of enhancing the prospects of capital. A realisable conception of universal well-being has to be based on a

compromise of class forces. The government seeks to strike a deal with the main coalitions of capitalists and of the working class. Regardless of the state of the economy, whether in boom or bust, the working class has to be conceded a modicum of social wealth, corresponding to its political strength. On the other hand, incentives have to be provided to the capitalists with the (sometimes disappointed) aim of maintaining or stimulating a flourishing economy for capitals' gainful activity. The government must be committed to a policy of growth. If the government is unable to stage a compromise between the interests of functioning capital and those of the working class, its downfall is imminent. A new government capable of taming the class antagonism to a workable degree of industrial peace must be formed. /330>

### **§110 Disinterest and Apathy: the Apolitical Citizen**

Bourgeois democracy cannot overcome the diremption between particular interests and universal affairs (although it may gloss it over for consciousness). The formality of the parliamentary process, the factual isolation of the particular individuals in civil society, their formal participation in elections, the ultimate unbridgeability of the gap between state and society, the autonomisation of the political process vis-à-vis society, can lead to *DISINTEREST* and *APATHY* in the citizen's consciousness. The individuals then view the attempt to educate them in the affairs of state, to *MAKE THEM INTO CITIZENS*, as a sham. According to this politically apathetic consciousness, the state pursues its own will in spite of all the talk of democracy; the bureaucracy and the judiciary follow their own interests, in spite of their formal subsumption under the government. The apathetic individual is not interested in the affairs of the universal, but stays voluntarily captive to his/her interests in the private sphere. Vis-à-vis the state s/he behaves more or less cynically (according to the degree of insight achieved into the nature of the state), remains nonetheless powerless against the state. S/he regards politics as the business of power-broking, played out in institutions remote from his/her vital everyday concerns. S/he attempts to salvage his/her sacred private world and does not want to know about

politics. S/he withdraws from the public life surrounding the state and becomes, through a free decision, *APOLITICAL*, so restricting him/herself to his/her own particularity and the restricted substantial universality of the private sphere. The attempt to enlighten this subject in the ways of the universal has failed.

### **§111 Political Public Life. The Media**

For the non-apatetic citizen there are several avenues for participating in the life of the universal: Some become members of political parties. The major political parties run a professional show to win elections. The grass-roots party member has little say in determining the party's political course, and must accept the tendentious side of power-broking. Politics necessarily turns into a business of professionals (cf. §108). The private citizen /331> can inform him/herself and perhaps even intervene in the universal affairs. The events of parliament and government are to a large extent public. Parliament especially is based on a *PRINCIPLE OF PUBLIC DISCUSSION* (§106). Around the affairs of state, the sphere of *POLITICAL PUBLIC LIFE* develops. Political public life consists almost entirely of *MASS COMMUNICATION MEDIA*. Modern technology has developed means of mass media. Traditionally, the newspapers have played the major role in political public life. This role is today shared with television and radio. Parliamentarians and government ministers have to suit their political style to the media which form their image. *JOURNALISTS* are employed by the media to report the happenings of government and parliament. Because the media to a great extent *CREATE THE EVENTS* in political public life, they have considerable influence. The political parties must be concerned to receive (favourable) coverage in the media. The citizen is informed in the media of state affairs, and forms his/her own *FREE POLITICAL OPINION*. This participation in the media is part of the building of the *CONSCIOUSNESS OF THE CITIZEN*. This opinion may even gain access to the media through letters to the editor and the like. Proportionately very few citizens take an active part in the media (which is taken up by naive left consciousness to formulate a critique of the

media from the standpoint of communicative freedom). Since the media, like other companies, have to 'sell' their message, generally people well-known in public life are given preferential access to the media (the listener of free-access political talk-back shows is invariably bored to the point of switching off). In order to gain media coverage, citizens may organise *MASS ACTIONS* (exhibitions, demonstrations, street theatre, etc.) which are more likely to be taken notice of than individual opinions. Whether these actions gain coverage is left to the free decision of the media company. By selection of coverage and through the story reported, the media mould public opinion. The private media companies have owners with their own political interests. The massive power concentrated in the hands of media barons can make or break a government by influencing public opinion. Private media, influenced as they are by particular interests, can be highly selective and biased in their coverage. There is no neutral ground in the sphere of the media. Some citizens propose /332> that *STATE-CONTROLLED MEDIA* provide a more 'objective and balanced' coverage of political events. Although in this way control of a medium may be taken out of the hands of powerful capitalists – thus representing a victory for the forces of democracy – the political line of state-run media is also (perhaps more subtly) laid down by means of selective appointments, with the aim of allowing only a certain latitude of criticism of state actions. Progressive political forces once again mount the barricades to guarantee an 'objective' coverage of the 'facts' in the state and in society. The media themselves become an object of political struggle. Those groupings who feel excluded or misrepresented in the media demand their own channels to voice their political opinion. Sometimes they succeed. The *FORM OF CONSCIOUSNESS* within which the media operate is the *RIGHT TO FREE EXPRESSION OF OPINION*. All political actions of citizens must be oriented towards the media, the communicative medium of political public life. Even massive demonstrations have negligible effect without media coverage. The media as media of political public life must communicate messages conformable with the nature of a mass medium, i.e. they must be easy to understand and accessible, and therefore immediate, that is, without mediations of thinking that would get lost in



the medium. Media coverage and opinion are therefore limited largely to factual reporting and short-winded political commentaries.

### **§112 Freedom of the Press. Expression of Political Opinion**

Political public life is the second type of bridge constructed between the state and civil society (the first is democratic elections). The right to the free expression of (political) opinion has several aspects: Firstly, because of the crucial influence of the media on the course of political events, a *FREEDOM OF THE PRESS* must be guaranteed by the state. This freedom consists largely in the right of access to and the right to publish on the affairs of parliament and government. Both institutions have to allow the media to criticise them. Freedom of the press brings with it certain obligations. Biased and selective coverage can itself become a topic in the media, as a way of forcing a medium to institute another system of reporting. Most citizens take cognisance of the facts of power of the media in their participation in public political discussion. The problem of state control arises with state-owned media. The public officials working in the media have to be guaranteed a degree of autonomy from government directives if their reporting is to have any worth and be taken seriously. Independence of journalists is as essential as independence of judges (§118). /333> The second aspect is the right of citizens to express their political opinions through demonstrations, pamphlets, books, theatre, letters to the editor, newspaper articles, public meetings, etc. This expression of course must not infringe the laws of state (especially the laws regarding private property). The state *LAYS DOWN THE FRAMEWORK IN WHICH POLITICAL OPINION MAY BE EXPRESSED*, and thus also restricts the right of expression of political opinion. This restriction itself may become the object of contestation between social groupings and the state. The state threatens the use of force against groups which do not adhere to the set channels for the expression of political opinion. Because of the enormous inertia of the machinery of parliament and bureaucracies, some frustrated groupings turn to *ILLEGAL MEANS OF PROTEST* to exert more immediate pressure on the state. They thus step outside the *SYSTEM OF*

*REPRESSIVE TOLERANCE* of the legal forms of political protest. They thereby incur the wrath of offended democratic consciousness. The state and the opponents of the aims of such illegal actions need not argue against the content of these aims, but solely against their illegal form. The media, as an institution devoted to democratic public life, also react sharply against groups which don't hold to the democratic rules of play. They are banned from the bourgeois-democratic discourse. Since such actions are undertaken by a group with less than 50% of the population, one can always try to write them off as the actions of an undemocratic minority. A further problem arises for the figure of the democratic identity of the people with the state in the case of *EXTRA-PARLIAMENTARY MOVEMENTS*. The paradigmatic form of democratic identity is realised (for consciousness) through elections, parliament and the public discussion of parliamentary events. Everything that happens in parliament happens in the name of the people, thus forming a congruence of state will with the people's will which promotes the confusing of the expression of collective political will with freedom. Outside of parliament, other opinions may of course be expressed in the media and public events, and even sharp criticism of government policy formulated. An extra-parliamentary movement, however, has the tendency in addition to present *DEMANDS* to the state, that it change its course. The government in such circumstances can always claim that it is the democratically elected government of the people and that the demands of an extra-parliamentary movement can only legitimately /334> come to expression through the ballot box. The extra-parliamentary movement is rejected as not expressing the democratic will of the people, the docile majority. The government claims exclusive representation of the people, and thereby convinces many a citizen. It listens to the protest with an eye on its effects on the electorate and the next election, but insists on its mandate to *BE* the will of the people until the next election. The next move of an extra-parliamentary movement in this democratic power-game is to demand a *PLEBISCITE* so that the *TRUE* will of the people can democratically come to expression, with binding power on the government. The voice of this protest may become so loud as to gain support in parliament.

Some parliamentarians may then speak in favour of a plebiscite; or the government may bow to pressure and alter its stance so as to satisfy the movement, or at least to break the point off its critique. An extra-parliamentary movement is thus a form of expression of the citizens' opinion *COMPLEMENTARY* to the paradigmatic, accepted and normal channels of parliamentary democracy. An extra-parliamentary movement merely wants to create extra wind by visibly mobilising public opinion. The lapse into apathy (§110) is always open to the individual for whom political struggle appears ineffective. The inertia of the existing structures can appear insurmountable. The political power of some groupings can be insignificant compared with the political clout of established political parties, lobbies of influential capitalists and industries, and of other coalitions. Apathy is one response to the *IMPATIENCE* experienced when confronted with a situation of negligible effectiveness in bourgeois political life. The disappointment at having no perceptible effects on the course of politics can lead to resignation and cynicism. On the other hand, the successes of extra-parliamentary movements must be in terms of easily communicable political goals.

### **§113 Competition between Political Opinions in Parliament**

The parliamentary system operates on a *PRINCIPLE OF COMPETITION* implicitly adopted from competitive society. Whereas in competitive society it is paradigmatically the case of an offer of commodities on the market, in the parliamentary system it is a matter of a *COMPETITION BETWEEN POLITICAL OPINIONS*, often organised in party programs. Each of these opinions is regarded as being in principle of equal standing. /335> The contest of opinion should lead to the victory of the best opinion, or to a synthesis of several opinions. Thereby, no opinion is invalidated as false, and the resultant opinion is not regarded as true; the public debate should lead to the best possible compromise decision for all democratic forces. This is the *PRINCIPLE OF POLITICAL PLURALISM*. In order to take part in this contest of opinion, the participants have to accept some basic conditions: they have

to abide by the rules of parliamentary and public debate. Parliament is praised in consciousness as a bastion of democratic freedom, as a point of confluence between the people and the state. Those putting this aura of freedom in a questionable light are disqualified from taking part. Certain rules of debate are instituted in parliament with the aim of ensuring respect for the institution. Parliament is a talking shop. Through the competition between opinions a rational version of the universal well-being is assumed to result. The task of the opposition in parliament is to scrutinise and criticise the government's policies and propose legislation with a view to influencing them. All political parties have one eye on the electorate. They work out their parliamentary strategies with a view to winning votes at the next election.

Schmitt gives the following account of the principle of competition:

How can there be any guarantee that precisely in parliament the bearers of reason are to be found? The answer lies in the idea of free competition and pre-established harmony, which however in the institution of parliament, and elsewhere in politics, often come forward in scarcely recognisable form. (Schmitt 1969 p. 45)

And further:

It is one and the same thing whether truth springs from the free struggle of opinions or harmony results from itself out of competition. Herein lies the intellectual kernel of the idea, its specific relation to truth, which becomes a mere function of an eternal competition of opinions. Vis-à-vis the truth, it signifies the sacrifice of a definitive result. (ibid.) /336>

Wherein lies the truth? Is truth something that can be implemented politically through political power struggles? Or is truth only viable outside the stark illumination under which politics must be played out?

### **§114 Political Bribes and Scandals. Legitimacy Crisis**

The parliamentary contest has as its ultimate aim the *CONQUEST OF STATE POWER*. The governing party has the executive power of state in its hands and the power to promulgate new laws. Even when the state bureaucracy proves to be intransigent, the government has considerable power to break this intransigence. The governing party represents a concrete version of the people's universal well-being. The concreteness

of this version inevitably will favour some social groupings at the expense of others. Groupings in civil society are therefore oriented towards exerting influence on government and towards getting a party sympathetic to their interests into government. Parties can be influenced by lobbies, and by financial support. Those most in a position to employ the power of money to political ends are the capitalists, of whatever shade. Individual companies as well as industry and employer associations wield, by virtue of their financial power, considerable influence with chosen political parties. In the extreme case, politicians can be bought. Parliamentarians are exposed to the temptation of *POLITICAL BRIBES*. In spite of ethical rules for parliamentarians, which prescribe that they remain uncompromised by financial interests, and the impressive moral integrity of some individual parliamentarians who read Kant in their quiet hours, parliamentary life is riddled by *SCANDALS* and all parliamentarians are under constant media surveillance. A corrupt political party may be effective in smothering potential scandals, and may even exert undue influence on the media. In spite of all measures to ensure that the government concern itself exclusively with the affairs of universal well-being, the power of private property cannot be banished from the workings of parliament. Once established, a corrupt party machine, with its links to influential associations (companies, trade unions, media, arms of the state) may prove almost impervious to attempts to root out corruption. When a success against corruption is notched up, democratic consciousness celebrates a solemn victory for its guaranteed forms of freedom. The ever-present tendency towards corruption, and the indisputable influence of powerful lobbies on government throw the principle of free discussion in parliament into question. The gulf between private interests and universal affairs comes once more into focus in the workings of the political machinery. The citizen may be repelled, and lapse into cynicism (§110), with the revelation of the odious side of politics. Powerful associations may cynically regard state power as an object to be bought, thus infecting democracy with plutocracy. A widespread consciousness of the power struggles among and within political parties, or of corruption, leads to a *LEGITIMACY CRISIS OF THE*

*STATE*. The ideals of bourgeois freedom as the expression of democratic will, of government through free discussion, are seen to be perverted and drawn through the mud. The democratic identity of the people and the state in consciousness collapses.

### **§115 The Free West and the Unfree East**

The *FREE WORLD* is the world system of states (§§90-92) in which the freedom of private property and the free struggle between nation-states with all available economic, diplomatic and military means is given full sway. This kernel of freedom of the free world is supplemented, at least in consciousness as ideal, and in some countries also in social reality, with other freedoms. We have seen in the preceding development that the person is a bearer of various rights apart from property rights, to wit, the *NEGATIVE AND POSITIVE EXISTENCE RIGHTS*, and the *RIGHTS OF DEMOCRATIC FREEDOM* flanking the *BOURGEOIS-DEMOCRATIC STATE*. Ideally speaking, these supplementary rights should be valid in all member nation-states of the free world. In reality, however, there are lamentable lapses in various nations, especially in the third world (§92), which however do not disqualify these nations from membership of this free world. So long as these nations maintain their usefulness in the world system of imperialism (§§91, 92), they are gladly accepted into the fold. The leading nations of the free world regret the absence of adequate welfare (positive right to existence; §81), sufficient protection of labourers' working conditions (negative right to existence; §62), and bourgeois-democratic freedoms (constituting the inner state; §102), and claim to support these third-world nations on their way to democracy to realise these ideals of freedom. The national interest of leading world states makes them blind to the disregard of human rights in many a useful dictatorship. The principal consideration is whether the activity of capital and the assimilation of the (third world) country into the world economic order is guaranteed. The leading capitalist nations, if they had /338> their way, would like to be able to claim that the free world really were the entire globe. As it is, the movement of history has deemed that

the free world is (only) the *FREE WEST*. As negative counterpart to the Free West is the (*UNFREE*) *EAST*, where private property, and thus the process of capital, has been, to all intents and purposes, eliminated. The East represents a *BARRIER* (sometimes referred to as the Iron Curtain) to the West, in that the former does not form a part of the world capitalist economic order, in which the might of capital can unfold its persuasive power. (Money talks.) For the Free West, and its leading capitalist nation, the United States, the Soviet Union, together with its Eastern Bloc countries, is a blot in the sight of this Free World. For the U.S. state, the USSR possesses this *PURELY NEGATIVE DETERMINATION*, and so also for *BOURGEOIS CONSCIOUSNESS*. The USSR embodies a social system different from that based on capitalist economy and in which the bourgeois freedoms (as ideals and as realised) do not exist as bourgeois forms. For form-analysis, which carries on a dialogue with bourgeois consciousness, the analysis of the social system instantiated by the USSR is *NOT THE POINT*. The point is rather, that the social system in the East is that which bourgeois consciousness *DOES NOT WANT TO SEE REALISED* in the West. The United States, if it could, would like to even *ELIMINATE* the system in the East to establish a truly global Free World. The USSR is significant for the Free West in these purely negative determinations. For consciousness, this negativity means that one seems *POSED WITH A CHOICE* between East and West, in which bourgeois consciousness invariably chooses the latter. The unreality of this choice does not prevent it from having an immeasurably useful function, namely, that of *AFFIRMATION OF THE BOURGEOIS TOTALITY* as it exists as Free West, with all its admitted defects. The USSR, in its purely negative determination, has an extremely valuable *POSITIVE SIGNIFICANCE* in the Free West. For the United States, the USSR is a hindrance and thorn in the side to the former's world-hegemonic pretensions. In the state of nature (§90), each state is equipped with a military apparatus, with which it can pursue its national interest in the world. The USSR is the *ONLY* military power on earth with which the United States seriously has to reckon as an opponent. The USSR thus hinders United States'

aims by /339> meddling in the affairs between states and attempting to win allies or at least friends in the world system of states.

Essential stimulation for this § came from a reading of Held and Ebel (1983). I have however significantly curtailed and modified their considerations to insights relevant to a form-analytic critique of consciousness. The authors in some respects cast their net too wide in trying to explain, in the manner of an empirical *Erfahrungswissenschaft*, the actual course of world events since World War II. The reference to an historical-empirical state of the world goes beyond form-analysis. The interesting form-analytic question is to interrogate doggedly on a philosophical-conceptual level what the Free West understands by freedom, and not to point out the deficiencies of the USSR measured against wide-spread conceptions of freedom in the West.

### **§116 Statesmen and the Citizen's Opinion in Foreign Politics**

The relationship of the citizens to their state's foreign policy is a special case of the relation of the citizen to the state achieved in the inner state. As for the inner state in general, the gulf between society and the state cannot be dissolved in the realm of foreign politics. The bridge of identity-formation is rickety. The elected representatives in the state who represent the nation-state towards the outer world, i.e. the *PRIME MINISTER* (or president) and the *FOREIGN MINISTER* are modelled as *STATESMEN*. They *PERSONIFY* the state as a *GREAT SUBJECT* (§92) in relations between states constituting the world state of nature (§90). As in all democratic affairs, the citizen can *VOICE HIS/HER OPINION* also in matters of foreign policy. Thereby, the fact that it is the statesmen who make foreign politics, who decide the strategy to further and defend the national interest, is not in the least altered. The citizen is a *SMALL SUBJECT*, one among many, without influence on world affairs. Opposition to the state's foreign policy can be organised and expressed through the democratic institutions, within the terms of the inner state proper. Demonstrations may be organised which should take place within the framework of the right to demonstrate. Those citizens who protest outside this framework are threatened with the state's mighty repressive forces. Parallel to repression, the inner state organises an ideological campaign against dissenters, accusing them of undermining



democratic freedoms and jeopardising the national interest. One response to the factual gulf between him/herself and world affairs is that the citizen feels him/herself insignificant and does not preoccupy him/herself any longer with foreign affairs. Instead, s/he retires to the private sphere /340> (§110). Alternatively, the citizen can *IDENTIFY* with his/her statesmen, and consider how *S/HE* would act, were s/he in their position. Thereby, s/he may even come to a strong criticism of the statesmen's foreign policy. The citizen imagines him/herself to be a great Subject in the realm of the state of nature, who pursues a self-defined national interest. In this phantasy, which can become a favourite diversion of everyday life, the citizen may imagine that s/he would behave very differently from the usual great Subject, e.g. that s/he would pursue unswervingly the aim of world peace, and not merely pay lip-service to it like the real statesmen. The thought-experiment has drawbacks: either the citizen identifies him/herself with his/her state, and calculates like a world power; or s/he tries to imagine how it would be if truly peace-loving, non-egotistical, humanitarian subjects made world politics according to strictly *HUMANITARIAN IDEALS*. Since the existing state of world politics is living counter-proof of the hopes of realising a real world peace, the citizen exits once more in disgust, stage right, into an apolitical attitude. Everyday consciousness does not see, and does not usually want to trouble itself with understanding, the connection between the world state of nature and the world imperialist system (§92). It remains seething with moral outrage at an unjust world, and does not, even in consciousness, put the world political system radically into question. This latter it could not do without some insight into the inner connection, which is lacking also among committed, radical, political activists. Instead, it regards the existing state of affairs as a "stroke of fate" which overpowers the wishes of all the (peace-loving) small subjects.

a) In his highly influential essay of 1927, *Carl Schmitt* gives a definition of the political entirely in terms of the determination of friend and foe:

To the state as an essentially political unity belongs the *jus belli*, i.e. the real possibility, in the given circumstances, through its own decision, to determine and to struggle against the enemy. It is here of no account with which technical

means the struggle is waged, which military organisation exists, what the prospects of winning the war are, as long as the people building the political unity is /341> prepared to struggle for its existence and its independence, whereby it determines through its own decision what its independence and freedom consist in. The development of military technology (one could think of nuclear weapons ME) seems to lead to a state where only a few peoples are still in the position of industrial power to wage a war with promise of success, whereas smaller peoples voluntarily or out of necessity relinquish the *jus belli*, when they do not succeed in preserving their independence through an adequate politics of alignment. (Carl Schmitt 'Der Begriff des Politischen' in *Positionen und Begriffe : im Kampf mit Weimar – Genf – Versailles 1923-1939* Hamburg 1940 p. 69)

Schmitt maintains that the *jus belli* is a characteristic of the state which distinguishes it from all other social institutions. He claims, “a human association which wanted to abstain from the *jus belli* would not be a political association”. (ibid. p. 70) From Schmitt’s standpoint, and from most other considered scientifico-historical standpoints, the world state of nature and its attendant *jus belli* are fixed, eternal features of the human predicament. The deeper-lying insight is that a plurality of political subjects, whether within a nation or outside on the stage of world politics, can never achieve a final, stable unity, but is always engaged in a power struggle which, in the absence of a world-state, can manifest itself as war.

b) The democratic identity of state and people has palpable consequences in international politics:

The national ‘we’ is classless. It unites state and people in that it makes the sheer fact that all the citizens of a nation are subjugated to their state and are treated according to the state’s criteria of success (they are exposed to the conjunctures of its foreign-political tribulations) felt in an ineluctable identity of interests of state and citizen. (Held/Ebel 1983 p. 24)

The national ‘we’ is an identity-formation that can paper over some of the divisions running through civil society and democratic politics. People can rise above their particularity to participate in the universal, if only intermittently.

### **§117 Protection of Civil Society from State Power**

The discussion in parliament leads to the promulgation of laws. The government party or parties have the power to bring legislation through parliament. The laws determine the relation between state and society. Civil and criminal law is to lay down how the private citizens are to have

intercourse with one another. These are universal laws which apply abstractly to all citizens. The parliament also promulgates laws of another type, which directly /342> intervene in civil society in a particular manner. The state's budget is a prime example of such a particularistic law or measure. Under such laws, citizens and groups of citizens are not treated as abstract equals, but are differentiated according to their economic or other situation. The budget is not only the principal means whereby the state finances its material existence. It is also a tool of economic policy. With this tool the state can make decisive, differential interventions in the economy based not on any deeper-lying principles, but on its sheer political will. On the other hand, there are also laws which regulate the relation of state and society. These laws guarantee certain rights of the citizen vis-à-vis the state. For example, the state guarantees through law a certain private realm for the citizen which the state itself may not infringe. The bureaucratic apparatuses operate within the framework of such laws. The concrete decisions and actions of the bureaucracy must not overstep certain law-prescribed bounds. The question arises: *HOW IS CIVIL SOCIETY TO BE PROTECTED AGAINST STATE POWER?* This question involves two kinds of considerations. Firstly, what guarantees are there that the state enforces its own laws adequately and acts within the framework of its own laws? Secondly, what guarantee is there that the laws themselves, as a positing of the state's political will, provide for the freedom of civil society, and how is a criterion erected with which the legality of laws can be judged? We deal with each aspect in turn.

The distinction between the general rule of law and the concrete actions of the state within the framework of law, is underlined by Neumann:

There exists a general consensus that we can always speak of administration when 'the executive arm of government extends to individuals on its own account, before and without there being a conflict between them' (Dickinson *Administrative Justice...* p. 11). It is likewise recognised that the administrative action of the state includes the organisation of an administrative body. ... But the state is not only occupied with the relations between itself and the citizens, but also with the conflicts between the citizens. Problems of this kind as a rule are brought to court for a decision; they are an object of legal pronouncements. (Neumann 1980 p. 278) /343>

Civil disputes before the judiciary always involve the state's role in upholding personhood, whereas, in the state's direct administrative relation to its citizens, there is a tendency for the state itself to overstep the bounds and infringe personhood, e.g. by surveilling its citizens, thus infringing their *private* property rights for the sake of extracting taxation from them.

### **§118 Separation of Powers. Independence of Judges**

The basic principle of bourgeois-democratic thinking for preserving civil society from an excess of state power is the mechanism of *SEPARATION OF POWERS*. This principle is applied everywhere in the structure of the state to bridle the state's will through division. The coarsest separation is between the legislative, judicial and executive functions of state. The judiciary has the task of surveilling the execution of laws through the state bureaucracy. Criminal and civil law, however, do not represent a direct intervention in civil society but are rather laid down to guarantee the latter's form, thus upholding competitive freedom. The judicial apparatus is entrusted with the enforcement of law. It is vested with legitimate state power for this enforcement. The courts have power, in the name of justice, to appropriate property from persons and even to directly restrict their freedom through prison sentences. This concentration of power must be legitimated to consciousness, if the consciousness of freedom of citizens is not to be impaired. The first step in this legitimation is that the laws themselves are promulgated elsewhere in the state, through democratic procedure. The laws of the land, according to the democratic identity, are seen to be a product of the people's will itself. This form of legitimacy suffers from all the forms of discrediting already investigated in the above paragraphs. The judiciary is there only to uphold a pre-given law posited by democratically legitimated, legislative will. Its independence from the legislative and executive arm of state is institutionally and constitutionally (cf. §119) guaranteed. The *JUDGES* are guaranteed *INDEPENDENCE FROM GOVERNMENT INFLUENCE AND BUREAUCRATIC INTERFERENCE*. The independence of the judges is especially crucial in any action between an individual or company and an arm of the state. In such cases, the judge has to determine whether the

state itself has breached its own law in its execution. As with all other arms of state, the judiciary is also open to corruption. Judges can be bought by political parties, companies, or individuals for political and private ends. The police force and prison system, which are agencies of direct repressive state power, are constantly tempted to a misuse of force. The police, especially in criminal cases, can turn the compromised situation of the accused criminal to their own personal benefit. Sentenced criminals, delivered into the hands of the prison system, are treated as second-rate citizens /344> and accordingly mistreated, bashed or even murdered by state officials. In these instances, the state does not correspond to its concept. The separation of powers within the state is supposed to guard against such abuses of legitimate power. The ministers of the justice and prison departments are accountable to parliament. The minister and/or his/her department can be criticised in the press. A minister may be forced to resign, a judge or state official can be dismissed or sentenced by a court of law. Through these means, the people and other parts of the state apparatus are to maintain a vigilance over their state. Despite the device of separation of powers and the surveillance of the state by the public, the opportunities for the abuse of power (also: for private gain) are immense. The model of separation of powers seems to be a good idea (to-consciousness), but in practice it doesn't seem to work. In any case, there is an interminable struggle against abuses of political power both intentionally and unintentionally. According to democratic consciousness, each part of the state should be surveilled and checked by another to prevent abuses of power. The necessity of a state as superior subject vis-à-vis society is accepted as axiomatic; the state also has to be allowed to act as a unified subject, but this alien power has to be *SPLIT AND BALANCED* so as to limit the possibility of its misuse against society.

Carl Schmitt points to a contradiction between the idea of separation of powers and that of democratic identity:

Division of powers into three, substantial differentiation of legislature and executive, rejection of the idea that the entire power of state may concentrate in one point. All this indeed contains a contradiction with the conception of democratic identity. (Schmitt 1969 p. 47)

To point out such a contradiction is not necessarily a counter-argument. Rather the contradiction between the unity and division of political power indicates the motor of interminable political power struggle which finds a manifestation institutionally with the separation of powers within the state itself.

### **§119 The Constitution. The Upper and Lower House**

We come now to the laws themselves. What guarantees the freedom of civil society from Draconian legislation? The freedom of society consists in its essential form of the rights of private property, of privacy and of existence (more or less guaranteed by the welfare apparatus). The right to privacy is intimately linked to the right of free disposal of private property without interference from others. To this basis comes a host of democratic rights of the inner state. The state, through /345> parliament, legislates these rights into the form of law (§75). This legislation is always a concrete definitive interpretation of the rights, and sets them within more or less definite boundaries to be enforced by the judiciary. The laws are made democratically, and insofar are legitimated in consciousness. The mere democratic *PROCEDURE* however is no guarantee of any particular content of laws which can express arbitrary contents of democratically institutionalised will. This guarantee must be provided by another state institution, the (written or traditional) *CONSTITUTION*. The constitution is to enshrine the inalienable rights of citizens that are beyond the positing of mere political will. A principal function of the constitution is to set down the relation between state and society, and to set limits to state power vis-à-vis its citizens. The kernel of all bourgeois constitutions is the freedom of private property. This freedom ensures the freedom to strive and compete for income and also the freedom of capital and its economic domination. To this freedom of private property come the usual *HUMAN RIGHTS* consisting of the right to life and the democratic rights of citizens. The state is only to promulgate laws within the framework of the constitution that enshrines freedoms. Parliament is to be bound by a traditional or written constitution in making laws. The constitution also lays down the inner structure of the (outer and inner) state and the formal democratic procedures for the formation of the state's political will. How is the

promulgation of laws within the framework of the constitution to be guaranteed? First of all, the principle of separation of powers is again applied. The legislative is generally split into two: an *UPPER* and a *LOWER HOUSE*. The lower house has the right and duty to introduce legislation and to promulgate it. The legislation is then sent to the upper house for ratification. The watch-dog role of the upper house is meant to provide a check to the power of the lower house, so that legislation truly expressing the people's will results. The whole procedure of legislation is part of public life: the legislation is debated in both houses, the media report and provide their commentary. Part of the debate may concern even the constitutionality of the new law, i.e. whether it violates constitutionally guaranteed freedoms. The legislation may have to be read and ratified several times in both houses. Through a prolongation of the discussion more democratic, reasonable laws corresponding to the spirit of the constitution and the well-being of civil society are meant to result. /346>

Parliament however should be not only a weight in the balance but, precisely because it is legislative, again be balanced within itself. This rests on a mode of thinking which everywhere creates a multitude, in order to replace, in a system of mediations, a balance resulting from an immanent dynamic for an absolute unity. (Schmitt 1969 p. 51)

The ground underlying why political powers must always be divided is that society itself is composed of a plurality of individuals each with its own particular strivings as an expression of its individual freedom which can never be raised to an enduring, totally unified state will.

## **§120 The Constitutional Court**

A second way in which the principle of separation of powers is employed as constitutional guarantee is through the *CONSTITUTIONAL COURT (HIGH or SUPREME COURT)*. When citizens regard a law as unconstitutional they may, if they fulfil certain procedural requirements, eventually get their case heard in the constitutional court. The constitutional court is an institution of independent judges (although their appointment is generally made by the government), with the task of surveilling and assessing the constitutionality of the state's laws. The

problems of constitutional law are notorious, and it is no wonder, for it is in the constitutional court that core freedoms of bourgeois society are at stake. The constitution is formulated in a general language to capture general principles of freedom deemed inviolable. Vague as it is, the constitution is open to interpretation by the constitutional court. This body of (mainly) men is to set down through *PRECEDENTS* what is valid law and what not. The fact that the constitutional court can declare a law promulgated by a majority, or even unanimously, in parliament to be unconstitutional and therefore invalid, can lead to a critique of the court as having too much power, which it can wield to annul democratically passed legislation, thus denying the people's will. Due to the vagueness of constitutional law, it is open to a large degree of influence by the media and public opinion. The latter form an input into the judicial process. The decisions handed down by the constitutional court, if they are to have any legitimacy, have to pay heed also to the ground-swell of opinion, and not just to the complex history of precedents over which the learned justices argue. Political organisation (distribution of information, demonstrations, etc.), if on a large enough scale, can have a decisive effect on certain 'social' decisions of the constitutional-court (as on other activities of the state). The constitutional court itself is thus subjected to a *POLITICAL CONTESTATION OF POWER* from all kinds of social groupings: of private interests, industry associations, trade unions, 'concerned' citizens. The court must therefore endeavour to maintain its dignity as a preserver of core freedoms and thus also a distance from politics. /347>

### **§121 Referenda. The Citizen's Affirmation of the Diremption of Universality from Particularity**

The constitution is said to serve as guarantee of the people's freedom. It is the ultimate institution of identity between the state and the people's will. If the constitution is to be in fact an expression of the people's will, however, it must also be *ALTERABLE THROUGH AN ACT OF THE PEOPLE'S WILL*, with the danger that core constitutional freedoms become mere expressions of democratic will. Constitutional changes are



organised through *REFERENDA*, organised along the same lines as elections. Each citizen is asked, as an abstract equal, to express his/her opinion on a certain issue. The issue itself is formulated and aired in public life. Such referenda rarely concern the basic rights of citizens, but are concerned usually with details of the inner structure of the state, e.g. the period between elections, the number of parliamentarians, etc. Some opinions in constitutional law have it that there is an *UNALTERABLE PART* of the constitution, corresponding to the essential incongruence between freedom as such and freedom as the expression of (political or collective) will. Social groupings can campaign for changes in the constitution through a referendum. For this they must gain support of influential political organisations. The inertia of the state machinery is matched by the ponderousness (in normal times) of public opinion. Constitutional changes have to be based on a ground-swell change in the public consciousness of freedom, which also has enough conviction to politically organise around the issue. It is unthinkable that the kernel of the constitution, i.e. the rights of private property, could be altered through constitutional amendment, since the free individual *as such* depends upon them. The constitution as well as the entire apparatus of state, the entire democratic machinery, is premised upon the diremption of the universal from the particular instituted in private property. The state cannot be expected to dissolve itself through a referendum. The rights of private property corresponding to competitive freedom are coupled in political consciousness with 'human rights' per se. Any critique of private property rights is set equal in consciousness with an attack on individual rights. The entire realm of bourgeois political life is based on the melding of rights of the individual (democratic rights) with the rights of private property. Bourgeois consciousness does not concern itself with the question as to why the freedom of particularity has to be guaranteed in the bourgeois form of society by force. A revolutionising of the form of social labour could not proceed within the institutions and forms of consciousness erected on its basis and which serve to guarantee /348> and affirm the sundered double-character of bourgeois labour. A new historical form of relationship between the particular and the universal, which would put the abstract-universality of bourgeois forms

into question, would have to throw doubt upon the bourgeois political institutions. The way of consciousness to this critical standpoint, which would revolutionise the whole, is long and demands the patience of reflection and discussion to bring the ultimate, crucial issues to light. Bourgeois consciousness which is satisfied with the existing order points with self-satisfaction to the obstacles which lie on this way, and consoles itself with the conviction: Consciousness will never learn to think with this radical clarity. How we thinkingly act *NOW, IN OUR GIVEN SITUATION*, determines whether this conviction remains eternally unshaken or not.

a) The absurdity of some socialist thinking reaches its height in the conception of some socialist governments of introducing socialist property by buying out the capitalist class (the erection of state enterprises with compensation). This is at best the way to a state-organised capitalism, at worst to the state's bankruptcy. What does such a socialist government think the capitalists would do with the money-capital received from the sale of their companies? This is a conception of socialism on time-payment, which is supposed to accomplish a transition without the necessary radicality of undermining the forms: state and competitive economy. The extent of state enterprises is merely increased. In vulgar consciousness, the socialist question has reduced to the alternative: 'state-socialism', yes or no?

A cultural pessimist of the stature of Max Weber provides unambiguous evidence of his profoundly crude understanding of socialism:

Theoretically speaking, ... without changing even a single paragraph of our (sic!) laws, a 'socialist' order of production could be introduced, when one thinks through a successive acquisition of means of production by the political power via free contracts – certainly a highly improbable (!), but ... in no way senseless (debatable ME) thought. (Weber 1980 p. 196)

The thought itself is not improbable, but belongs to the working stock of vulgar socialist thinking. Its realisation is not merely improbable, but impossible. The issue is whether there is an historical alternative to reified social synthesis that preserves freedom. /349>

b) Franz Neumann writes on the subject of an unalterable part of the constitution:

Not only in the German literature (Carl Schmitt, Richard Thoma, Franz Neumann) but also in the American literature (C. Groves Haines, W.A. Marburg, W.W. Willoughby) it has been claimed that certain basic rights are inalienable even when the constitution leaves their alteration open. ... Here we

cannot discuss the political functions attributable to such a category of inalienable human rights – it may suffice to say that in America as well as in Germany great exertion has been made to maintain the bourgeois property order by means of such freedoms. (Neumann 1980 p. 58)

Max Weber obviously has another opinion in these matters from his sociological ‘ideal-typical’ standpoint. At the core of the constitution lie private private rights with an intimate relationship to freedom per se. Is there a higher form of ‘socialist’ freedom?

Even granted an unalterable part of the constitution, it is nonetheless necessarily open to interpretation by social political consciousness and therefore can in fact be given substantially new content in differing social contexts at different times. This feature of interpretability of the constitution, and the dependence of this interpretation on contemporary political consciousness, nourishes hope in progressive thinkers. For those who propagate a program of permanent reform within an unchanging underlying bourgeois form-totality, this feature has a shine of optimistic plausibility. For others, who direct their thinking to the whole, the interpretability of the constitution is just one more aspect in which the contradictoriness of the social forms can be lived out in unceasing antagonistic social struggles. Is there an historical prospect for overcoming such antagonisms?  
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# Appendix

## A Value-Form Analytic Reconstruction of *Capital*

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### a) The Analysis of Commodities and Money

#### §1 Industrial Commodity-Products of Labour

A characteristic of our present form of society is that an overwhelming proportion of products is produced industrially and assumes the form of commodities. The systematic analysis of the bourgeois form of society and, in particular, of the capitalist economy begins by focusing on the industrial commodity-products of labour.

The wealth of those societies in which the capitalist mode of production dominates appears as an ‘enormous collection of commodities’, the single commodity as its elementary form. Our investigation begins therefore with the analysis of the commodity. (CI 43;KI 49).

We see the systematic significance of Marx’s analysis of commodities and money in a conceptualisation of the *VALUE-FORM*. It thus seems misleading to us to mark off “the single commodity” as the starting-point of the analysis. “Where is the analysis to begin? At the beginning of the analysis of capitalism, ‘the whole’ must be referred to, but at the beginning it can only be referred to as it appears: capitalist wealth as a collection of commodities. Starting from this, Marx can articulate his first task as the analysis of the commodity.”<sup>2</sup> How wide is the circle of industrial commodities which constitutes the start of the analysis drawn? It comprises objective products (e.g. a jet plane), processual products (e.g. a ferry trip), raw materials (e.g. oil) and processed products (e.g. plastic bags) as well as products of modern agricultural industry which employs machinery (cf. §§21, 22).

## §2 The Universal Exchange-Relation of Commodities; Bracketing of Money Mediation; Premonetary Commodities; Expanded Exchange Schema; Exchange-Values

We focus on industrial commodities as they appear on the market with their price tags. Mediated by these potential sales, the industrial commodities stand in exchange-relation. The first /352> step of the analysis is to *REFLECT* on the universal exchange relation of commodities. The mediation of exchange by money is thus blended out (*ausgeblendet*), or bracketed off (*ausgeklammert*), and only the combination of potential sale and purchase relations is at first considered, through which the commodity shows its membership of the world of commodities. The commodities are thus at first viewed systematically as *PREMONETARY COMMODITIES*. This relation of commodities to one another can be written as the *EXPANDED EXCHANGE SCHEMA*:

		Y <sub>1</sub> Commodity B <sub>1</sub>
		Y <sub>2</sub> Commodity B <sub>2</sub>
	is in exchange	.
x Commodity A	relation	.
	with	.
		Y <sub>n</sub> Commodity B <sub>n</sub>

For a given Commodity A, the rest of the world of commodities for which it can be exchanged (Commodity B<sub>1</sub>, Commodity B<sub>2</sub>, ... ) are its *EXCHANGE-VALUES*.  $x, y_1, y_2, \dots$  denote quantities, measured in suitable units, of commodities A, B<sub>1</sub>, B<sub>2</sub>, ... respectively. For the analysis of the value-form, however, these definite quantities of commodities are of no import and the exchange relation could, for convenience, just as well be written without them.

In §1, together with the theoretical operation of *INCORPORATING* objects of everyday consciousness into the presentation, there occurs a *RESTRICTION* of the analytic focus, namely, to industrial commodity-products of labour. *OMNIS DETERMINATIO EST NEGATIO* (Spinoza *Epist.* 59). Similarly, the mediation of

exchange by money is blended out, or abstracted from, to arrive at the first *CONCEPT* of the analysis: the *EXCHANGE RELATION*. The systematic origin of the concept 'exchange relation' (via the bracketing of money) means that this concept diverges from the everyday (often historicising) understanding of exchange. In the everyday understanding of exchange, the things which are exchanged reciprocally change their possessors. The everyday notion of /353> exchange thus includes the relation of two definite exchangers throughout the whole exchange process. The exchange is so to speak a two-place and, in particular, symmetrical relation between exchangers. This understanding does not, however, apply to the systematic concept of exchange:

1. An exchange relation is not constituted via a fixed pair of exchangers but systematically via money. This means, in particular, that the exchangers are without significance for this relation (indifference vis-à-vis the commodity guardians) and that
2. it is never simply two commodities that stand in such a (conceptual) exchange relation, but always all priced commodities on the market at one time.

The exchange relation thus refers firstly to the totality of the commodity world and secondly also – and this justifies the use of the concept 'exchange' – to the structure of this totality, which in regard to each single commodity belonging to it, is encompassed in a two-place relation, the expanded exchange schema. This two-place relation determines a social relation in which every member of the (premonetary) commodity world appears on each side of the relation either as the single commodity A on the one side or as one of the many commodities B on the other side. This relation is, however, in no way symmetrical. The membership of the commodity world for a given commodity is always expressed through all other commodities. Conversely, in an isolated position, the single commodity can never express the membership of the other commodities to the commodity world. This asymmetry, which Marx treats on the one hand as the difference value/exchange-value and, on the other, as the difference relative value-form/equivalent value-form, is the foundation of the value-form analysis (cf. §5).

### **§3 Abstract Associating of Concrete Dissociated Labours**

The specific character of the labour embodied in commodities which is stamped upon it by the universal exchange relation has now to be determined. The various kinds of commodities are produced by /354> different kinds of *CONCRETE LABOUR* performed in productive units that are independent and therefore *DISSOCIATED* from one another.

The *ASSOCIATING* of these dissociated labours is first accomplished through the universal exchange relation. The exchange relation is, however, an *ABSTRACT* relation between commodities in that the products of qualitatively different concrete labours are practically set equivalent to one another in a way that neglects their particularity. By virtue of the *UNIVERSALITY* of the exchange relation *ALL* the products of labour are associated with one another in the same abstract relation, no matter what the concrete labour may be. We can speak of an *ABSTRACT ASSOCIATING* of *CONCRETE DISSOCIATED* labours through the *UNIVERSALITY* of the exchange relation.

The revelation of the secret of the exchange relation for us does not consist in pointing out that the commodities are simply products of labour. This is indeed presupposed. (Marx, too, implicitly makes the same assumption.) It consists rather in grasping the specific *character* of this labour. The capitalist *social synthesising* of the product of labour in the exchange relation cannot be reduced to any ‘simple’ concept of labour but rather reveals a double-character of the same which we can initially uncover in the difference of the form of production and the form of the product. To be on the one hand, *dissociated concrete labour* and on the other, *abstract associated labour* constitutes the specific character of capitalist form-determinate labour. This double character manifests itself, however, not only in the difference between production and product, but also in production as well as in the relation of production to consumption. The former is the topic in the investigation of the capitalist production process as valorization process (cf. §§14ff), the latter in the analysis of the social reproduction process (cf. §§57ff). In our view – as opposed to Marx – it is first in connection with the investigation of social material reproduction that the significance of the character of the commodity to be on the one hand value and on the other object of consumption (use-value), can be fully grasped. /355>

#### **§4 The Value Substance: Abstractly Associated Labour; Social Form of Labour; Universality and Particularity**

As an objectification of *ABSTRACTLY ASSOCIATED LABOUR*, the commodity is constituted by virtue of the universal exchange relation as a *VALUE*. Value is the specific *SOCIAL FORM OF LABOUR* in the bourgeois epoch. As a product of abstractly associated labour, the commodity is referred to as a *UNIVERSAL*, as a member of the universe



of industrial commodity-products of labour. By contrast, the commodity as a product of dissociated concrete labour is a *PARTICULARITY*.

a) The concept of value developed here results from posing the question: ‘What takes place in the exchange relation?’ This question is to be distinguished from that singled out by orthodox interpreters of Marx, both Marxist and non-Marxist, as to the quantitative proportions of the exchanging commodities and their causes: ‘In what relation do the various commodities exchange?’ These two questions point up the difference between the value-form analytic way of proceeding and the traditional *labour theory of value*, which latter can be designated as (classical or neo-) Ricardian. Even where the neo-Ricardians explicitly reject the (Ricardian) labour theory of value (e.g. Steedman), they cannot make anything out of Marx’s form-analysis. Although Marx, especially in his dispute with Bailey and Ricardo (cf. TSV2 164; TM2 169), criticises Ricardo for not investigating the form of value-producing labour, he himself in *Capital* attempts to retain both questions and offers answers to both. Our reconstruction results in the first place from dismissing the second question and concentrating on the first. In our view, it is the unsatisfactory treatment of this second question that is a principal weakness of the Marxian capital-analysis.

b) A queer paradox! To the qualitative question as to what comes to pass in the universal exchange relation comes the answer: “social (value-creating) labour”. But is not labour performed already in production and a ready result when products are exchanged? In our present form of society, social labour is not given as living labour but as dead, coagulated, abstractly associated labour. Society on this abstract level of the /356> presentation is nothing other than the world of commodities. If labour were already social as living labour then there would be no commodities.

c) *Cutler et al.* in their two volume work, *Marx’s ‘Capital’ and Capitalism Today* (RKP London 1977 and 1978), claim to make “a radical departure from all previous interpretations of Marx’s *Capital*”. Here we shall restrict ourselves to an investigation of their refutation of Marx’s value theory and the theory of money (§9Ab) upon which it is based. The authors admit that “there is no simple, comprehensive treatment of ‘value’ or of the ‘law of value’ ... in *Capital*” (Vol. 1, pp. 9f) and therefore restrict themselves to criticising “a definite conception of value and the law of value which is present in the discourse of *Capital*” (ibid. p. 10). From the *RESTRICTION* of their focus to one value theory drawn from the ambiguous treatment of value in *Capital*, they conclude: “In consequence we regard a comprehensive review of Marx’s references to value redundant”. (ibid.) A strange logic. If it is admitted that in Marx there is more than one line of argumentation, and even that contradictory versions of the value theory can be distinguished, then a critique of only one version, the orthodox labour theory of value, by no means

disposes of the potentialities of Marx's value theory for reconstruction. By and large, we can agree that Cutler et al. have picked on a sore point of Marx's presentation of the value theory, namely, the assertion that in the exchange of commodities equal *quantities* of labour are equated, the so-called quantitative 'law of value'. Cutler et al. understand by value something purely quantitative, that is, amounts of labour-time, and therefore entirely conflate the Marxian concept of value with that of magnitude of value. This conflation leads to a total misrepresentation of Marx's value theory, culminating in the absurd statement that "labour-time is the substance of value" (ibid. p. 35). At another place they speak of "labour or labour-time as the measure of 'value'" (ibid. p. 20), thus confusing "labour" with "labour-time" and "substance" with "measure". The Marxian category of "abstractly universal labour" (*abstrakt allgemeine Arbeit*) which constitutes the "value /357> substance" is given no discussion whatever. The authors see the sole use of the value theory "as a theoretical device to analyse the distribution of the social product between the agents" (ibid. pp. 11f) and hence overlook that the concept of value is the theoretical foundation for concepts of money and capital. They only see that a "concept of value ... is necessary to the theory of *surplus value*" (ibid. 16) where both are conceived in purely quantitative terms.

In their discussion of classical political economy and Marx's relation to it (ibid. pp. 20ff), Cutler et al. claim that "Ricardo concentrates exclusively on the magnitude of value and ignores the question of why the distribution of the product takes this form" (ibid. p. 25). Marx's analysis of the value-form, however, cannot be viewed as an investigation of the form of "distribution of the product", as the following quote from the *Theories of Surplus-Value*, itself cited by Cutler et al., shows:

But Ricardo *does not examine* the form – the peculiar characteristic of labour that creates exchange-value or manifests itself in exchange-values – the *nature* of this labour. Hence he does not grasp the connection of *this* labour with *money* or that it must assume the form of *money*. (TSV2 164 quoted in ibid. p. 26)

The authors must have read this passage with complete incomprehension, for they interpret it as a criticism of Ricardo which complains that "he does not explain why the exchange of goods in ratios proportional to the labour-times necessary for their production should be the form of regulation of the distribution of the social product" (ibid.). The form-analysis is thus (mis-)interpreted in the following way:

In *Capital* the form of value (value-in-exchange) is one particular type of solution to a universal economic problem, the allocation of social labour in proportions necessary for a certain composition (?) of the product. (ibid. p. 27)

This “incomprehension on the part of Marx’s interpreters” (as Backhaus /358> puts it) is all the more bewildering, since the passage explicitly states the significance of the value-form analysis: “the connection of *this* labour with *money*”. Cutler et al. concern themselves neither with the specific “*nature* of this labour” nor with the claim of the Marxian theory “to inaugurate a specific theory of money” (Backhaus).

A further misinterpretation of Marx follows from the authors’ purely quantitative interpretation of the value theory as a theory of distribution of the social product. In this they attribute the Engelsian interpretation of “the first part of the first volume of *Capital*” (CIII 899;KIII 908) as an “explanatory mirroring in thought” (CIII 900;KIII 909) to Marx. It was Engels who introduced the notion of “simple commodity production” into Marxism, not Marx. Cutler et al. thereby perpetuate a widespread misinterpretation of Marx when they speak of “Marx’s concept of simple commodity production” (Cutler et. al. Vol.1, p. 32), a misinterpretation moreover which blocks off access to the logically conceived value-form analysis of the *Critique*.

## **§5 The Expanded Expression of Value; Relative Value-Form and Equivalent Form of Value; Value as Potentiality**

How does a commodity express itself as value? This is equivalent to the question: How does concrete, dissociated labour manifest itself as *SOCIAL* labour, i.e. as abstractly associated labour? The answer is already provided by the preceding development: The expanded exchange schema (§2) simultaneously *CONSTITUTES* and *EXPRESSES* the commodity as a value. The expanded exchange schema can thus be designated as the *EXPANDED EXPRESSION OF VALUE*. In this value-expression, the commodity on the left plays a different role from the commodities on the right-hand side of the expression. The former is the commodity whose value is being expressed and is in the position of the *RELATIVE VALUE-FORM*; Commodity A expresses itself as value relative to the commodity world in commodities different from itself, in its exchange-values (§2). The value expression consists in the *POTENTIALITY* possessed by Commodity A to exchange against *ANY* other commodity. The other commodities, by serving as the material in which /359> Commodity A’s value is expressed, are in the position of the *EQUIVALENT FORM OF VALUE*. They are Commodity A’s equivalents.

a) Kleiber and Roth take the view that, already on this level of the categorial development, *WITHOUT A FURTHER ARGUMENT*, money as value-form can be treated (cf. however the alternative development in §6, the view of Eldred and Hanlon). Money is familiar to everyday knowledge and the fact that commodities are sold is brought into the analysis as a necessary step toward the exchange-relation (this is our interpretation of §2). At the same time, however, there (§2) the further treatment of money was postponed and the development up to the value-form (relative value-form/equivalent form of value) proceeded by reflecting on the relation of the commodities to one another.

The ‘blending-out’, or ‘bracketing-off’ of the mediation of commodity exchange *BY MONEY* is now no longer necessary: that industrial products must be sold in order to be commodities and have value can now be conceived through grasping money (since money mediates the exchange of the commodity standing in relative value-form with those standing in equivalent form) as “universal equivalent”. This of course affects the categorial language. As soon as money is conceptualised as value-form, the two categories ‘relative value-form’ and ‘equivalent value-form’ can no longer both be applied to commodities (as on the preceding, premonetary level of the presentation), but instead the commodities all stand in relative value-form (commodity form of value) vis-à-vis money in universal equivalent form (money-form of value). With this development the *VALUE-FORM ANALYSIS* in the narrower sense is concluded. The development of the value-form and of the money-form are one and the same thing. A money theory in the sense of an investigation of the various types of money and their interrelation is to be distinguished from this money-form analysis. A money theory proceeds on the basis of the analysis of commodities and money as value-forms, but requires for its development in addition the analysis of capital. (This addition by Kleiber/Roth.)

b) In the appendix to the first edition of *Capital* (1867), ‘The Value-Form’<sup>3</sup> Marx discusses extensively the two perspectives from /360> which the “value-expression” can be viewed. He distinguishes various value-expressions and uses ‘value-expression’ (*Wertausdruck*) synonymously with value-form (*Wertform*) in the terms ‘simple value-form’ (*einfache Wertform*), ‘expanded value-form’ (*entfaltete Wertform*). Two further types of value-expression, the ‘universal value-form’ (*allgemeine Wertform*) and ‘money-form’ (*Geldform*) are also introduced. The two Marxian premonetary value-expressions, the simple and the universal, we do not regard as value-expressions, since the *ENTIRE* residual commodity world must stand in the equivalent form in order to express the value of a commodity. With this we emphasise that value is only constituted by the universality of the commodity exchange relation.

Up until the publication of works by Rosdolsky, Backhaus, Krahl and Reichelt, these distinctions were regarded as pedantries or “rococo ornaments” (Luxemburg) which, if they were not rejected out of hand, were only to be trusted to advanced Marxists. In this context it is enlightening to read again Marx’s letter of 30<sup>th</sup> November 1867 to Mrs. Kugelmann and Engels’ letter of 16<sup>th</sup> July 1867. Althusser’s foreword to a French edition of *Capital* Vol. 1 reads: “The greatest difficulties, theoretical or otherwise, which are obstacles to an easy reading of *Capital* Volume One are unfortunately (or fortunately) concentrated *at the very beginning* of Volume One, to be precise, in its first Part, which deals with ‘Commodities and Money’. I therefore give the following advice: put *THE WHOLE OF PART ONE ASIDE FOR THE TIME BEING* and *BEGIN YOUR READING WITH PART TWO*: ‘The Transformation of Money into Capital’. In my opinion it is impossible to begin (even to begin) to understand Part 1 until you have read and re-read the whole of Volume One, *starting with Part II.*”<sup>4</sup> So much for Marx’s attempt, even in the first edition of *Capital* Vol. 1, to popularise the analysis of the commodity “as much as possible” (CI 18;KI 11). Marx further writes: “With the exception of the section on the value-form therefore one will not be able to complain about this book because of the difficulty in comprehending it” (CI 19;KI 12). /361>

### **§6 Value as Actuality: Money; Doubling of the Premonetary Commodity into Price-Determinate Commodity and Money; Singularity; Ideal and Realised Price; Money Expression of Value; Commodity and Money Forms of Value**

In the expanded expression of value, the universality of a commodity is expressed through commodities themselves, but always through *ALL* other commodities. A commodity’s membership of the commodity world is nothing other than its *PRACTICAL POTENTIALITY* of exchanging against any other commodity. The commodity’s value-being is thus expressed only as potentiality (§2). The expanded expression of value cannot be modified to an actual expression of Commodity A’s value, for it consists in the *POSSIBILITY* of Commodity A exchanging against *ANY* other commodity. The universality of this possibility cannot be actualised in an exchange with any particular commodity. Commodity A’s value-being, its universality, is expressed as *ACTUALITY* only if it exchanges against a special commodity with additional determinations. Commodity A’s universality, expressed as potentiality in the exchange relation with the commodity world, becomes

actuality in the exchange against this special commodity, *MONEY*, in the shape of *COMMODITY-MONEY* (*Warengeld*). Systematically, a *DOUBLING* of the premonetary commodity (§2) into a *PRICE-DETERMINATE COMMODITY* (*preisbestimmte Ware*) and (commodity-) money takes place in which the premonetary commodity's particularity (§4) is preserved and crystallised in the price-determinate commodity, and its universality (§4) is projected onto money. Money is initially to be conceptualised as a particular commodity which simultaneously represents the universality of the commodity world. As this unity of particularity and universality, money is a *SINGULARITY* (*Einzelheit*). The commodity's universality becomes actual in its *PRICE*, in its *SALE* for money. If the commodity proves to be unsaleable then its value-being turns out to be a phantom. The commodity's relation to money, its price, can be either potential (*IDEAL PRICE*) or actual (*REALISED PRICE*). Accordingly, the *MONEY EXPRESSION OF VALUE* can be considered either as ideal price (saleability) or realised price (sale). This expression supersedes the expanded value-expression in the Hegelian sense: it raises the commodity's (social) universality to actuality, and simultaneously preserves it as potentiality, in its ideal price. A possible discrepancy between ideal and realised price is inherent in the price-form itself. The commodity stands in the position of /362> relative value-form (§5), and money stands in the position of equivalent form of value (§5). In place of these (premonetary) value-forms we have the *COMMODITY-FORM* and the *MONEY-FORM* of value.

The commodity's value is its immanent property as money: this its property as money is set free from it as money and gains a universal social existence apart from all particular commodities and their natural mode of existence; the relation of the product to itself (?) as exchange-value becomes its relation to a money existing alongside it ... (GE 147;G 65)

Out of the contradiction of the universal character of value with its material existence in a definite commodity, etc. – these universal characteristics are the same as those which appear later in money – results the category of money. (Marx to Engels 2<sup>nd</sup> April 1858)

The above paragraph shows that value first gains palpable existence in money. This implies a critique of all premonetary value theories,<sup>5</sup> i.e. of all theories of value (subjective or objective) in which value (social labour) has an existence independently of money. In particular, we have a critique of the labour theory of value both in its Ricardian variant and in the almost identical variant in which it was taken over by Marx as one strand of argumentation in *Capital*. The above development shows that the movement from value to money is one of a *DETERMINATION THROUGH REFLECTION (REFLEXIONSBESTIMMUNG)* and *NOT* a movement from cause to effect in the sense of traditional (premonetary) value theories, where value is viewed as the explanandum for (quantitative) money-prices.

### **§7 Immediate Exchangeability and Means of Circulation; Absolute Value**

The particular money-commodity can only represent the universality of commodities if it is distinguished from all other commodities by additional determinations. These determinations are firstly, that it is *EXCLUDED* from the world of commodities and /363> secondly, that it is, at the same time, *IMMEDIATELY EXCHANGEABLE* against any particular commodity. These two determinations constitute the premonetary money-commodity – for convenience taken to be gold – as money. What do they mean more precisely? i) Exclusion from the commodity world is expressed by the fact that the money-commodity is not a price-determinate commodity. Money itself has no price; it always stands in the position of equivalent form and only *EXPRESSES* the value of all (price-determinate) commodities. As a premonetary commodity, however, the money-commodity was, in the position of relative value-form, related to all other commodities as its exchange-values. In the transition to money, the money-commodity is then systematically excluded from the world of commodities. ii) Immediate exchangeability signifies that the money-commodity is exchangeable directly, *WITHOUT MEDIATION* against all price-determinate commodities. Correspondingly, the price-determinate commodities are only exchangeable with one another through the mediation of money. Money in this determination is thus *MEANS OF CIRCULATION*, mediator of commodity exchange. Buying means the descent from universality to

particularity, whereas sale is the ascent of the particular commodity to value-universality. Precisely because commodity-money as singular commodity represents the universality of value, it is *ABSOLUTE VALUE*, which contains within itself the universality of the commodity world and which through particularisation can transform itself into any commodity.

Kozo Uno's *Principles of Political Economy: Theory of a Purely Capitalist Society* (Harvester, Sussex 1980) is a book worthy of a much more detailed commentary than can be provided here. We focus only on Uno's reconstruction of the value theory and of the analysis of commodities and money. Although he possesses thoughtful insights into the Marxian theory and is one of the very few authors who do not dismiss or ignore the value-form analysis, it is appropriate to discuss only the contentious issues in Uno's proposed reconstruction. It need hardly be mentioned that deviations from the Marxian theory cannot in themselves be a ground for criticism. The major issue is indeed Uno's proposal that a concept of value be developed independently of its substance, which latter is reserved in his presentation to the investigation of the capitalist production process.

Value, as determined in the eleventh paragraph, at the beginning of the analysis of commodities "refers to its quality of homogeneity to other commodities" (Uno, p. 5). He thus refers to the *UNIVERSAL* character of a commodity as member of the commodity world. The value of a commodity "can be made apparent only insofar as it becomes the means whereby to acquire" (ibid. p. 8) another commodity. In place of the Marxian connection between value and labour, Uno introduces a new element into the value theory, namely, the *SUBJECTIVITY* of the commodity holder: "the owner of a commodity regards its value as the active agent of trade that fetches him other desired commodities" (ibid. p. 5). Similarly, the *EXCHANGE*-value of a commodity is determined as "a unilateral expression of a commodity's value by its owner in terms of the use-value of another commodity that he wants" (ibid. p. 5f). In this sense, Uno constructs a subjective theory of value based on the subjective evaluations on the part of the (owners EHKR)" (ibid. p. 6). In a way analogous to Marx's value-form analysis, Uno develops simple, expanded, general and money expressions of value but with the twist that now these value-expressions are expressions of the subjectivity of commodity holders, and not expressions of the labour objectified in commodities as social labour. His discussion of money likewise runs parallel to Marx's theory in *Capital* Vol. 1 Chapter 3. In the transition from simple circulation to capital the argument starts to reveal some hitches. The concept of surplus-value (m) is at first defined in a formal way as surplus *MONEY* resulting from a circuit of the form  $M - C - M' = M + m$  (ibid. p. 14). Uno then attempts to argue in Paragraph 24 that both merchant's capital and money-lender's capital ( $M -$



M') possess "no real power ... to generate an increased value" (ibid. p. 15). Since *NO VALUE SUBSTANCE* has been determined at this stage of the analysis, it cannot be seen why such forms of capital, which in any case /365> conform to the formal definition given of surplus-value, do not generate surplus-value. The conclusion drawn therefore, that "only the form of industrial capital" can "earn a surplus value" (ibid. p. 15), is ill-argued. Why, on the basis of Uno's value theory, should only the production of commodities be capable of increasing value?

Both the labour and the production process, in contrast to Marx, are treated by Uno as transepochal categories (Paras. 30, 31). For Marx, the production process is the form-determinate valorization process of capital. In this transepochal discussion, i.e. not tied to the form-determinate production of *COMMODITIES*, Uno introduces the "dual character" of labour. Concrete labour produces the concrete definite product, and abstract labour is grasped purely quantitatively as "total labour-time" (ibid. p. 24). Consistent with this conception, he concludes that "labour in all societies possesses this property (of duality EHKR) in common"; "the concrete aspect of labour produces a specific use-value and the abstract aspect a magnitude of value" (ibid. p. 32). The clear divergence from Marx is presented merely as the correction of a misunderstanding: "it has often been misunderstood that only the labour that produces a commodity is endowed with this duality" (ibid.). In a letter to Engels dated 8.1.1868, Marx expressly emphasises the specificity of his commodity-analysis:

Without exception the simple fact escaped economists that, if the commodity has to possess the twofold character of use-value and exchange-value, the labour *represented in the commodity* must also possess a double character, whereas the mere analysis of labour *sans phrase* à la Smith, Ricardo, etc. must come up everywhere against things inexplicable. This is indeed the *whole* secret of the critical conception. (B 158)

Uno's reinterpretation of Marx at this point reduces the conceptual distinction between concrete and abstract labour to /366> a transepochally valid distinction between qualitative and quantitative aspects of labour. In view of the lack of determination of the substance of value at the beginning of Uno's presentation, it has to be asked how it is that in the above-quoted passage from Uno, abstract labour crops up as the determinant of the magnitude of *VALUE*. If value initially only manifested itself as the potential of a commodity to exchange for other desired commodities, why now should amounts of labour give the commodity this *power*? Uno in fact simply introduces the assumption that "commodities are traded at prices proportional to the labour-time required for their respective production" (ibid. p. 25). The ground for this assumption is that, under conditions where the capitalists derive no surplus-value, this condition is necessary if the labourers are to "get the

means of livelihood necessary for the reproduction of labour-power” (ibid. p. 26). Why should capital not derive surplus-value? Even on this latter assumption, the argument is by no means cogent. This “law of value” (ibid.) is then the basis on which the “formation of value by labour” (ibid. p. 27) can be deduced. Thus in the end we come back to an assertion of the value theory as a law of exchange proportionalities in terms of labour contents. The initial determination of the concept of value in connection with the subjectivity of the commodity holders has been extinguished in the course of the argument. We thus have a subjective and an objective theory of value, with no inner conceptual link between the two. Although Uno develops the “law of value” in the context of the production process, similar objections can be raised against it as against Marx’s defective deduction of the labour theory of value in the first chapter of *Capital*. All in all, Uno’s reconstruction of Marx, at least as far as concerns the value and money theory, introduces more new antinomies than it resolves. Furthermore, the critical aspect of the value-concept as the grounding of the socialisation of dissociated labours through the commodity form is neglected in favour of a form-independent transepochal notion of abstract labour. /367>

### §8 Magnitude of Value

In the *PRICE-EXPRESSION* of value, the commodities obtain a unified value expression which makes them comparable with one another. Their sole possible differences are, in this regard, of a quantitative kind. And differences in the amount of prices refer to different quantities of money. Whatever the units are in which gold-money is standardised and counted, all these units can be reduced to weights of gold. The first (*QUANTITATIVE*) *MEASURE OF VALUE* thus arises systematically with commodity-money; all commodities obtain their *MAGNITUDE OF VALUE* in the price expression of value. (Gold-)Money is the material which measures the amount of abstractly associated labour constituting the substance of value. All further derivative kinds of money must be grasped in their conceptual relation to this commodity-money measure of value (cf. §9Aa).

Although Marx develops gold-money as measure of value, he has a second measure of value in labour-time. According to Marx, the magnitude of value consists in the socially necessary labour-time contained in a commodity, although this value-magnitude only comes to expression in price. Marx justifiably asks in his critique of John Gray’s proposal for money reform through a system of labour-

money: “Since labour-time is the immanent measure of value, why is there besides it another, external measure?” (Crit 84;Z 67). The answer is given by means of the distinction between “dissociated independent private labours” and “universal social labour” (ibid.):

The commodities are immediately products of dissociated independent labours which must be confirmed as universal social labour *through their* alienation in the process of private exchange; or labour on the basis of commodity production first *becomes* social labour through the *all-round* alienation of individual labours. (ibid., our emphases)

Labour thus first *becomes* social through alienation, i.e. in /368> price, and it is the value which expresses the social, universal character of the commodity. The “dissociated independent private labours” cannot be viewed without further ado as value-generating. How then can labour-time, the apparently obvious measure for the dissociated private labours, be the valid measure of *VALUE*? The argument that labour, in a characteristic determination, constitutes the substance of value, and therefore that also the measure of value must have something immediately to do with labour, does not help here. Neither in *Capital* (cf. CI 46;KI 53) nor in the *Critique* does Marx provide extensive arguments. At least in the *Critique* the question is somewhat problematized, whereas in *Capital* the presentation sails forward as if the concept of magnitude of value were obvious (cf. RVfA pp. 35ff). We turn to the argumentation in the *Critique*:

As exchange-values of different magnitudes (“1 ounce gold, 1/2 tonne iron, 3 bushels wheat, and 5 yards linen”) they represent a more or less, a greater or lesser of this simple, homogenous abstractly universal labour, which forms the substance of exchange-value.<sup>6</sup> How are these quanta to be measured? Or rather, what is the quantitative determinate being (Dasein) of that labour itself, since the differences in magnitude of the commodities as exchange-values are only differences in magnitude of the (private or social? EHKR) labour objectified in them. Just as the quantitative determinate being of movement is time, so is the quantitative determinate being of labour *labour-time*. (Crit 29<sup>7</sup>;Z 17)

This line of argument amounts to saying that, since “the quantitative determinate being of movement is time”, then value-creating labour must be measured by time. This argument for time as measure of value is quite general and could be employed for any “movement”. With the magnitude of value, however, it is a /369> matter of a form-determinate *SOCIAL* quantitative determination, or more precisely, of the quantitative determination of labour as abstractly social. For this reason, we regard labour-time as the measure of labour with regard to its determination as value-creating as inadmissible. Such a claim leads to two distinct measures of value which do not stand in any inner connection to one another. Marx himself develops money

as the measure of the labour determined in its form by capitalist commodity production. For him, the first determination of money in the chapters on money in both *Capital* and the *Critique* is to be “the measure of values”. Since, in our reconstruction, labour-time is invalid as measure of value, there is *INITIALLY* in the argumentation no basis whatsoever for the quantitative relations between the commodities nor their prices lying outside of exchange relations. Initially, the price relations to hand must simply be viewed as value-expressions. On a later level of the analysis, in connection with the investigation of capitalist production (cf. §§14ff), the prices of commodities will be decomposed into components, old-value, wages and surplus-value, in order to discuss, among other things, the effects of prices on surplus-value creation (or rather: generation).

### §9 Determinations of Commodity-Money

Commodity-money now has three essential determinations:

- i) Means of circulation (§7)
- ii) Measure of value (§8); the material in which the value of commodities achieves a quantitative form of existence
- iii) Absolute value (§7); as individual, material representation of the value-universality of the commodity world, “the universal wealth as individual” (Crit 125;Z 103).

In this last determination, money can free itself from being only value-form of industrial commodities and enclose within its orb other objects which are not values. This determination thus allows, in the immediately following systematic development (cf. §§10ff) the conceptualisation of the *WAGE* (and subsequently also /370> of other value-forms). The point of the preceding development, the analysis of the commodity and money forms of value, is to come on its basis to an understanding of the capital-relation.

- a) In the conceptual development so far provided, only a single type of money, namely commodity- or gold-money, has been derived. As this restriction in the type of money has often been raised as a point of criticism of the Marxian theory, here, by way of anticipation of succeeding levels of the capital-, competition- and state-analysis, it is outlined<sup>8</sup> at which systematic stages further types of money may be articulated.

That the simple circulation of commodities is dependent upon the availability of a particular industrial (premonetary) commodity, gold, to function as *MEANS OF CIRCULATION*, is already a ground for the replacement of gold-money in this function by *GOLD SYMBOLS* (cf. §§9A). The depreciation and the cost of maintaining a gold currency are further grounds. As *ABSOLUTE VALUE* however gold-money is initially not replaceable; “for it itself is the adequate reality of exchange-value and it is this in its metallic determinate being” (Urtext G 872). As *MEASURE OF VALUE* gold-money is also on the level of simple circulation not substitutable, although its materiality in this function is not of importance. Gold serves as measure of value in that commodities ideally represent their prices in it.

In the circulation analysis (§§51-56) the *BANK* is developed as a functioning capital. The bank is characterised by two functions: on the one hand, it is money-dealing capital, which executes the tasks of receiving, paying and storing money not only for other functioning capitals but also for labourers, landholders and money-capitalists. Insofar as these tasks are performed for other functioning capitals, it executes an essential part of the circulation functions of total social capital. On the other hand, the bank mediates the loan relations between money-capitalists (here comprising all depositors) and functioning capitalists. The sums of gold-money deposited in the bank are loaned by it to functioning capitalists. The bank pays /371> the depositors, who may comprise labourers, landholders, money- and functioning capitalists, a definite interest, and charges a higher interest for the money-capital loaned by it. (Loans to other figures are here not considered.) With the incorporation of the bank into the presentation we are at once referred to two new types of money, although the conceptual derivation of the bank was performed on the basis of gold-money. On the one hand, every depositor has a *BANK BALANCE* with which they effect payments through instructions to the bank. These transferable sums of gold-money are called *GIRO-MONEY* and arise immediately from the bank’s money-dealing functions. Giro-money in itself has nothing to do with interest-bearing capital. For the bank’s service of effecting transactions for the depositor, the latter pays a fee. Giro-money is the first concrete form of the gold-money symbol.

On the other hand, the bank creates its own gold symbols. This can happen by emitting *BANK-NOTES* (nowadays outdated), or simply by *CREATING* a positive balance in a giro-money (cheque) account. Since a certain minimum of means of circulation and means of payment is required for commodity circulation and revenue payments, a certain amount of gold symbols created by the bank (bank-notes and cheques representing giro-account balances) remains perpetually in circulation. A gold backing is required only for the excess over this amount. The banks act as initiators of the *CREDIT SYSTEM* by giving credit to clients in the form of giro-

money or bank-notes. Once the bank-note and giro-money are the usual means of circulation and of payment, the banks must at intervals settle outstanding balances amongst themselves with gold-money. Since bank-notes are convertible, they can be understood as a type of *CREDIT MONEY*, in the sense that they will only be accepted as long as no doubt exists that gold can really be had for them. On this level, the functions of measure of value and absolute value remain the domain of gold-money.

There still exists the possibility for functioning capitals of creating *CREDIT MONEY* in the shape of *BILLS OF EXCHANGE*, which /372> allows a certain independence from the banking system. With bills, the capitalist can buy industrial commodities and pay at a later point in time. The receiver of the bill receives a certificate promising payment on the *DUE DATE*, on which payment in the form of a bank-note or giro-money is received. Since the bill of exchange is a type of credit money proper, arising on the basis of a *COMMERCIAL CREDIT* transaction, the giver of the bill pays *INTEREST* in addition to the normal cash price of the commodities purchased. In the period until the due date, the bill can further circulate as *MEANS OF CIRCULATION* in purchasing commodities, which is the sole money-function able to be possessed by bills of exchange. Giro-money and bank-notes remain means of payment, and gold-money remains measure of value and absolute value. A bill can be *DISCOUNTED* by a bank so that the holder of the bill obtains a harder means of payment. In discounting, the bank becomes the creditor to the original emitter of the bill and receives therefore a part of the interest on the bill, calculated according to the time remaining to the due date. Instead of emitting a bill which is subsequently discounted by a bank, a credit buyer can receive direct credit from the bank in the shape of an *OVERDRAFT*. The overdraft allows the account holder to dispose of giro-money in excess of the balance he has deposited at the bank. In this determination as overdrawn credit money, the account holder must pay interest to the bank.

On the level of the *OUTER STATE*<sup>9</sup> the concept of the *POWER* of the state there developed can be employed to elaborate on money symbols. With the development of the character-masks to subjects in the competition-analysis,<sup>10</sup> the problem of the *GUARANTEE* of the convertibility of gold symbols arises. Cheques and bills are legal documents of the subjects of competition which *BIND* their respective drawers. Bank-notes issued by banks are a *PROMISE* to pay in gold-money on demand. All the various types of gold symbol are guaranteed by the state in that it *FORCES* the subjects to keep their legal obligations, and controls and punishes them when they cannot or will not do so. None of the types of paper /373> money must be accepted as means of payment. The multiplicity of types of paper money stands in contrast to the universal acceptability of gold-money as basis of the monetary

system. Within the area of its own borders, the state can exercise its power to implement, by *FIAT*, a type of (these days usually inconvertible) paper money, state-issued *LEGAL TENDER*, which is proclaimed as legal means of payment and which therefore usurps gold's definitive role in the national economy. The state's legal tender issued by the *CENTRAL BANK* is *DEFINITIVE* in that "purchases of goods and services and the settling of debts can only be definitively settled with money issued by the central bank".<sup>11</sup> By regulating the supply of central bank notes, the state is able to influence the buying-power of paper money. This becomes a means of the state's *ECONOMIC POLICY* in the special form of *MONETARY POLICY* (CCF&B-DS §85). Because of their status as legal tender, central bank-notes cannot be forced out of circulation. In contrast to gold-money, which can, as gold, be used as means of production outside of circulation, they can only be hoarded.

Within the state's borders, all commodities express their value in legal tender. This expression of value, which first becomes comprehensible with the analysis of the outer state, is definitively valid, independently of the relation to the gold commodity, which continues to be available on the market. Gold becomes thereby a *PRICE-DETERMINATE* commodity for the first time systematically, in relation to the state's legal tender. Legal tender serves not only as *NATIONAL MEASURE OF VALUE* but also as *NATIONAL MEANS OF PRESERVATION OF VALUE*. All the national, dissociated commodity-producing labours are socially synthesised (sociated) through legal tender.

International trade and investment and the relation between states are also treated in the analysis of the outer state (cf. CCF&B-DS §§90-92). Outside the state's borders, gold-money continues to exist as *WORLD-MONEY* which socialises (or sociates) the plethora of dissociated labour processes strewn throughout the world. "Money, as universal international means of purchase and payment, is not a new /374> determination of money. It is rather the same as a universality (*Universalität*) of appearance, which corresponds to the universality (*Allgemeinheit*) of its concept; its most adequate mode of existence wherein it is indeed active as universal (*universelle*) commodity" (Urtext G 885).

The special status of gold as world-money still holds today for world trade, even when it shares this role with paper money (cf. CCF&B-DS §91A). The commodity now has a double mode of existence, within the national borders on the one hand, and on the world market on the other. In the inner circulation, the value-being of the commodity is fully expressed in its price expression in the national currency. On the world market however, the national price of a commodity must be transformed into a gold-price, so that its membership of the commodity world as a global totality is announced.

Can gold-money be replaced as world-money? Just as for the inner circulation, international gold-symbols can be used as means of circulation. As long as national currencies, for the purposes of international trade, maintain a fixed relationship to gold, they can be regarded as mere gold symbols. Otherwise, a national currency can only be employed as international means of payment when the nation has a strong economy. The national currency accepted as means of payment then represents a claim on the material commodity wealth of this nation, and the currency obtains, through factual acceptance, the status of *HARD CURRENCY*. International credit funds (IMF) can be erected to provide credit in the shape of national currencies and gold pooled in the fund. With both these arrangements for international trade, no new types of money arise, but simply credit relations, and the use of national currencies internationally. These are merely attempts to lubricate international trade without the help of gold-money. The failure of the repeated attempts (Bancor, Unitas, the European Payment Union) to create a supra-national inconvertible paper money, which with full validity would function as measure of value, means of payment and means of preservation (or store) of value, can ultimately be traced back to the non-existence of a world state, to which the /375> *COMPETITION* between nations would be subjugated.<sup>12</sup>

b) We turn now to the second volume of Cutler et al.'s work, whose first part is entitled "Money and Financial Institutions". In accordance with their rejection of the value theory, the authors also discard "the notion that money is the measure of value" (Cutler et al. Vol. 2, p. 3), although they superfluously add other arguments, such as that, according to them, only commodity-money can function as measure of value and therefore such a function cannot be taken as a defining function of money in general (ibid. p. 10). The need for "a systematic analysis of money" (ibid. p. 3) is proclaimed to be distinguished from "a philosophical or an epistemological reading" (ibid.). These meta-theoretical categories are employed to exclude certain of Marx's concepts even before one comes to argue with the contents of Marx's text, e.g. "the theme that money represents something, e.g. the socialness of exchange" (ibid.). There seems no point in taking a position in this meta-theoretical debate. It strikes us as an attempt to fight it out before one has even stepped into the ring. For this reason, only the treatment of the substantive concepts of Marx's presentation will be discussed here. The statement that "money represents ... the socialness of exchange" is, on our understanding of Marx's texts, in any case a tautology. The category of value, and of money as value-form, can be taken as concepts of social *LABOUR*, not however simply of 'social exchange'. The authors also object to a "conception of the social as interpersonal relation and ... of the process of circulation as the agency for the socialisation of private producers" (ibid. p. 14). One could improve this formula to: the process of commodity circulation socialises, or sociates, dissociated labours, and then ask, why must such an insight into commodity production be



discarded. The value theory is nothing other than the attempt to bring this insight to its concept.

Cutler et al. proceed in their “systematic analysis of money” (Cutler et al. Vol. 2, p. 3) by defining money in terms of its /376> function, viz. money is what serves as “medium of circulation” (ibid. p. 5f). The authors claim that “this is how Marx defines money on the assumption that money takes the form ‘commodity money’” (ibid.). The definition of money can here be conceived as something entirely different from its concept. Marx’s aim in his value-form analysis is to develop the concept of money out of the value-expressions of commodities. Once this concept is won, then, and only then, can the functions of money be investigated. Cutler et al. are content to give a “definition” of money in terms of its functions. In this way, however, one can only arrive at definitions of money which do not go beyond the level of everyday conceptions. ‘Means of circulation’ is an immediately understood notion requiring no conceptual development. In terms of Cutler et al.’s positivism, conceptual development is refused on the grounds of being a “rationalist conception of discourse” (ibid. Vol.1, p. 108).

On page 6 of Volume 2 it is pointed out that although “Marx mentions different forms of money”, he “does not systematically analyse” them. In our view, Cutler et al. are fully justified in pointing out the inadequacy of Marx’s analysis of the types of money. Although Chapter 3 of *Capital* and Chapter 2 of the *Critique* discuss ‘gold-money signs’, there is in the first two volumes of *Capital* no attempt to systematically develop the various forms of money on the basis of commodity-money. With the concept of ‘interest-bearing capital’ articulated in *Capital* Volume 3, Marx also pays attention to credit money, i.e. bills of exchange, in Chapter 25 ‘Credit and Fictitious Capital’. The preceding part of this addition is a sketch of how the concepts of the various types of money (“forms of money” for Cutler et al.) can be systematically articulated at definite stages of the total presentation, not only of the capital-analysis but also of the competition- and state-analysis. Cutler et al.’s rejection of systematic conceptual development leads to an inability to provide an adequate theory of the types of money. No matter how much one may want to distance oneself from the /377> authors’ curious anti-rationalist epistemological iconoclasm, on the other hand, one has to agree that they show up a weak point in the ‘logical-historical’ mode of argumentation when the fundamental character of commodity-money argued for by de Brunhoff on the ground of being “the original or the primordial form of money” (ibid. p. 9) is criticised as assigning “the origin an epistemological privilege by assumption” (ibid.).

Confronted with the problem of how non-commodity money can have a value (ibid. Vol. 2, p. 10), the authors can only resolve it by concluding that “the measurement of value cannot be regarded as a defining function of money” (ibid.

p. 11) and “that there is no way in which non-commodity money can be assigned value without undermining the concept of value as it is defined in *Capital*” (ibid.). We can agree with the latter conclusion, but only because we question why it is that non-commodity money must be “assigned value”. With our reconstructed concept of value, paper money is not attributed the character of value, even when it is the value-form of other commodities. All types of money which are convertible into gold are merely signs for gold and therefore can be regarded as representing a definite amount of the money-commodity. This money-commodity, however, cannot be regarded as having a magnitude of value, but only a manifold of exchange-values as *PREMONETARY* commodity (§2). The only type of non-convertible paper money of interest is the state guaranteed legal tender, which again, has no value nor magnitude of value, because it is not an industrial commodity. Nevertheless, it serves, by fiat, as measure of value for the (national) commodity world. The concept of the ‘power of the state’ is necessary to articulate the suppression of gold-money in favour of the state’s legal tender. Cutler et al. hint at this when they write: “fiduciary money (state guaranteed legal tender EHKR) does not refer to anything beyond itself. Political and legal backing is much more central to fiduciary money than it is to commodity money” (ibid. p. 35) /378>

Here a discussion of Cutler et al.’s chapters on ‘Barter and Monetary Exchange’, the ‘Circulation of Money’ and ‘Credit, Financial Institutions’ cannot be entered into. It is not immediately obvious why a treatment of barter is at all relevant for the analysis of a capitalist economy. Credit and financial institutions are topics properly belonging to the circulation-analysis (§§51ff). In the intervening paragraphs the capitalist production process (including ground-rent) will be dealt with (§§10ff), as well as the analysis of interest and the revenue-forms (§§24ff). /379>

## **b) The Capital – Wage-Labour Relation**

### **§10 The Commodity Producer; Production of Industrial Commodities**

An understanding of the capital-relation on the background of the analysis of the commodity and money forms of value is initiated by the question as to how the industrial commodities which were analysed in the first part of the presentation (§§1ff) are produced. In §§3f the double character of commodity-products of labour was revealed. With the development of the money-form of value, the abstract associating of concrete dissociated labours is achieved through the sale of the

commodity. A (necessary but not sufficient) presupposition for this value character of the commodity accomplished through sale of the product of labour is the performance of concrete dissociated labour. The ‘producer’ who stands behind the commodities and who is now to be more fully investigated, must therefore be determined in a way corresponding to the double character of the labour that produces industrial commodities. This is achieved in that our investigation begins with the question as to how money mediates the concrete dissociated production of commodities.

**§11 The Wage-Labourer and the Wage-Form of Value; The Capitalist Loan Relation: Hiring of Labour-Power; Element of Production; Means of Purchase and of Payment; Labour Process; Capital-Relation; Capitalist and Working Class: Class Relation**

From everyday life we know that a *WAGE* is paid to the *WAGE-LABOURER* for the performance of labour (which can now be referred to as *WAGE-LABOUR*) under the command of the *CAPITALIST*. Since the wage is a sum of money, it can be conceived, on the basis of the previous conceptual development, as a form of value, namely, the *WAGE-FORM OF VALUE*. The wage is thus coagulated, or reified, social labour (§3). The wage-form of value can be understood as a derived money-form of value not to be conflated with the commodity form of value. The latter is a concept restricted to industrial commodities (§§3f). As absolute value (§9), money has the power to free itself from its being as value-form of industrial commodities and to encompass within its orb other objects – of significance here is the wage-labourer – that are not values. Money possesses this power, moreover, in the form /380> of a qualitatively new kind of relation to the wage-labourer which we call – in distinction from the sale/purchase relation – the *LOAN RELATION*. The wage is the *HIRING PRICE* of the labourer in his/her capacity as a bearer and expender of labour-power. That the bearer of labour-power, the labourer, expends this potential by performing labour over a definite period of time is an integral part of the loan relation

between the capitalist and the labourer. In this relation, the labourer is an *ELEMENT OF PRODUCTION* whose potential to labour is exploited in the production of industrial commodities. ‘Exploitation’ is to be understood here in the sense of ‘use of the hired object’, in the same way as a forest can be exploited to gain timber. The labourers receive from the capitalist payment in return for the employment of their labour-power over a definite period of time. If, for the sake of simplicity, we assume that this period is the time taken for the production and sale of the commodities under consideration, then the capitalist pays out a part of the proceeds of sale as wages. Money as wage, in distinction from its function as *MEANS OF PURCHASE* in normal sale relations, functions as *MEANS OF PAYMENT* in a transaction extending over time. These two determinations of money are a further consequence of money as means of circulation and absolute value, respectively (§9). The hiring of the labourer by the capitalist, who sets the former’s labour-power into motion in a *LABOUR PROCESS* for the production of new commodities, is the first type of loan relation to be systematically developed in the analysis. Wage-labour is the first determination of *CAPITALIST COMMODITY PRODUCTION* as a labour process mediated by the *CAPITAL-RELATION* between the wage-labourer and the capitalist. By virtue of this money-mediated relation, the figure of the ‘producer’ of the industrial commodities analysed in §§1-10 splits into the capitalist and the labourer. The many capitalist initiators of concrete dissociated labour processes together constitute the *CAPITALIST CLASS*. The labourers hired and employed by capitalists in diverse labour processes constitute the *WORKING CLASS*. The capital-relation thus inaugurates a *CLASS RELATION*. /381>

a) Marx, in contrast to us, introduces the *ADVANCE* of money-capital to articulate the relation between capitalist and labourer (for Marx, an exchange-relation, not a loan relation; cf. RVfA p. 44). In Marx’s presentation labour-power is paid with advanced money (later “variable capital” CI 202;KI 224) and the capitalist is the “money possessor” whereas the wage-labourer is the “commodity possessor”:

In order to draw value out of the use of a commodity, our money possessor must be so lucky as to discover a commodity within the sphere of circulation, on the market, whose use-value itself possesses the peculiar quality of being a source

of value, whose actual consumption therefore were itself objectification of labour and therefore creation of value. And the money possessor finds on the market such a specific commodity – labour-capacity or labour-power. (CI 164;KI 181)

This formulation follows in Marx's presentation on the basis of an incorporation of everyday knowledge ("happens daily before our eyes" (CI 145;KI 161) "we find ... the form M-C-M ... buying in order to sell" (CI 164;KI 162) and on the basis of a "characteristic" (CI 154ff;KI 170ff) of the form of circulation of capital ("general formula"). In our presentation, by contrast, on this level there is no money whatever that functions as capital (cf. §18). Rather, the wage is conceived as part of the proceeds of sale of produced commodities. This assumption of presentation allows for a unified and uninterrupted treatment of the capital-relation in its essential form (cf. esp. the revenue-form analysis in §§29ff ) First with the circulation analysis (§§35ff) does the relative autonomy of movements of money-capital from the underlying valorization of capital in production, and in particular, the fact that money-capital is advanced as wages, become a topic.

b) For Marx, the difference between "labour" and "labour-power" /382> is essential to his critique of classical political economy, which "borrows the category 'price of labour' from everyday life without further critique" (CI 503;KI 559). Marx mentions firstly the suppression of the qualitative question 'What is wage for labour?' by the quantitative question 'How is the level of wages determined?':

Preoccupied with the difference between the market prices of labour and its so-called value with the relation of this value to the profit-rate, to the commodity-values produced by labour, etc., it never became clear that the course of the analysis had not only led from the market-prices of labour to its ostensible value, but had, in turn, to dissolve this value of labour itself ... (CI 504;KI 561)

Marx then continues, in our opinion, too compromisingly: "into the value of labour-power" (ibid.). We depart from Marx when he claims that labour-power, "like all other commodities" has a value (CI 167;KI 184). In §12Aa we criticise the conception of the relation between capitalist and labourer as the purchase/sale of a commodity (cf. also RVfA p. 44). That labour-power does not have a value of its own is hinted at by Marx when he writes that the "value of labour-power" is "dissolved" in the "value of necessary means of life" (CI 167;KI 185).<sup>13</sup> In the Marxian formulation "value of labour-power", the role of the value-form is not taken account of. The subsequent dissolution of the value of labour-power into the value of the industrial commodities which the labourer *BUYS* with his/her wage (§12) demands a consideration of the wage-form of value. For us, the wage represents the loan price of the labourer in his/her capacity as a bearer of labour-power. By insisting that the wage is the price of labour-power rather than of labour,

Marx sought to expose classical political economy's uncritical acceptance of the category 'price of labour' which mystifies class exploitation. The distinction between 'price of labour' and 'value of labour-/383>power', however, does not of itself enlighten. Rather, that a part of the abstractly associated labour in the commodity-product is unpaid and appears opposite the wage as surplus-value (§13), is a result of the systematic analysis of social reality.

c) The distinction between wage and wage-form introduced by Marx has a different significance for us. The wage hires the labourer as a mere object with the potential to labour rather than as a subject who performs labour as an act of her/his own will. On the level of competition, the wage-form is introduced as expression of the fact that the labourer *CONCURS* through an act of will to labour for the capitalist (CCF&B-DS §56). On this level, however, to perform wage-labour "under the command of the capitalist" means to labour under the direction of the figure who puts the production process into gear by employing labourers. All loan relations are characterised by the hirer's use for a definite period of time of specific capacities inhering in the object hired. To the hirer, the latter is an object of exploitation even when, as in the case of the labourer, this object is, at the same time, a subject. At this stage of the analysis the labourer's subjectivity is not taken into consideration, for it is only the capitalist producer who so far appears as a subject (cf. §13Ab) who initiates the labour process.

d) The determination of the class-relation via the capital – wage-labour relation has two essential moments: i) the wage-labourer receives from the capitalist a wage for labour performed and ii) the labourer labours (docilely) under the capitalist's *COMMAND*. The class relation is thus defined form-analytically via the wage-form of value, and is not yet endowed with the moment of struggle between opposed subjects (cf. §13Ab). In the conceptualisation of other classes, on the level of the revenue-form analysis, the value-forms play the principal role and the moment of command will be seen to be a special characteristic of the class-relation between capitalist and labourer. The /384> orthodox historical materialist definition (e.g. Althusser) of classes in terms of ownership/non-ownership of the means of production (§18) is hereby rejected firstly, because it lacks form-determinacy and secondly, because concepts of property have first to be *ARRIVED AT* on the basis of value-form categories (CCF&B-DS Part II). The kernel of truth in the general historical materialist formulation is that the capitalist is indeed the personification of the means of production (cf. §§18-20).

e) If one traces the social labour (§4) constituted in the sale of industrial commodities back to the production process, one arrives at the various concrete dissociated wage-labours which the sale abstractly associates. The concept of 'wage-labour', however, does not suffice as a full description of the money-

mediated production process and is only its first determination. The wage-labourer is only one element of production, among others. The concept of capitalist production will be further developed by incorporating the other elements of production in following paragraphs.

## **§12 Articles of Individual Consumption**

With their wage, the labourers buy (from the capitalist commodity producer) industrial commodities – and therewith a portion of abstractly associated labour – which they then *CONSUME*: These commodities are the labourer's *ARTICLES OF (INDIVIDUAL) CONSUMPTION*. The use of the wage as means of purchase (§11) is a consequence of its being a money-form of value.

a) The argumentation developed in §§11 and 12 demonstrates that the already developed systematic connection between commodity and money presented in §§1-9 is further determined with the wage. The capitalist executes the form of circulation: Commodity-Money ( $C_1 - M_1$ ) and the labourer executes the form of circulation: Money-Commodity ( $M_2 - C_2$ ), where  $M_2$  is a part of  $M_1$ . The mediated connection between the hiring price of the labourer ( $M_2$ ) (whose labour-power has no value) and the industrial commodities ( $C_2$ ) (which are forms of value) purchased by the labourer, does not allow us to conclude that, through its price, labour-power (or, for that matter, the labourer or living labour) thereby attains the commodity form, even though in other cases “things which in and for themselves are not commodities ... can, through their price, obtain the commodity form” (CI 105;KI 117). (“Commodity in and for itself” refers to commodities which are values.) Marx is not always careful to distinguish between two qualitatively different ways in which money stands in relation to things. The wage is not the price of a commodity which the labourer sells once and for all to the capitalist but rather a loan price. The problem which we tackle in conceiving the wage as a derived money-form of value, rather than treating labour-power as a commodity “like any other”, is better expressed in the Marxian formulation:

A thing can have a price formally without having a value. The price expression becomes here imaginary ... On the other hand, the imaginary price-form ... can conceal a real value-relation or a relation derived therefrom. (CI 105;KI 117)

In contrast to us, Marx treats three-stage forms of circulation in the transition to capital in Chapter 4 of the first volume, “The Transformation of Money into Capital” and distinguishes  $C - M - C$  as “simple commodity circulation” from  $M - C - M$  as “circulation of money as capital” (CI 147;KI 163). We diverge from

the Marxian assumption that wages are advanced (§11Aa), and we do not treat labour-power simply as a commodity. In not treating wages as an advance, a further difference from Marx and Engels is made apparent with respect to the notion of “simple commodity production” so eagerly employed, at least for purposes of illustration (CIII 899;KIII 909). Such passages, which fall outside the scope of the systematic presentation of capitalism, are frequently encountered in the fetishism section, (cf. e.g. “For a *SOCIETY OF COMMODITY PRODUCERS*, whose universal /386> social relation of production consists in handling their products as commodities, that is, as values and in relating their private labours to one another in this thing-like form as equal human labour...”), in the chapter “The Exchange Process” and in the section “The Metamorphosis of Commodities” of the third chapter (cf. e.g. CI 107;KI 119f on “our old friend the linen weaver”). If, however, one consistently understands the commodity possessor as “capitalist commodity producer” (instead of as artisan, as the illustrations suggest) then a passage like the following one can make clear the extent to which the second Part of *Capital* goes beyond the level of analysis of the first:

Up to this point (in Part I EHKR) we know of no economic relation of humans apart from that of commodity possessors, in relation to which they only appropriate an alien product of labour [caution: here simple commodity production comes into play] by alienating their own. The one commodity possessor can therefore only confront the other as money possessor ... because his own commodity has already changed its skin. (CI 110f;KI 123)

- b) The treatment of wage levels as distinct from the analysis of the wage as value-form is a topic reserved for the critique of competitive freedom (cf. CCF&B-DS §§56f).
- c) The treatment of the social form in which labour-power is maintained and reproduced is postponed until the analysis of the private sphere.

### **§13 Surplus-Value; Class Antagonism and the Contradiction between Labour and Capital**

Mediated by the wage-form of value, wage-labour is the living labour through which the capitalist commodity producer produces commodities. The extent to which the hired labourers’ performance of fluid labour gains social recognition in the form of coagulated, value-generating labour determines whether the capitalist is able /387> to extract a portion of abstract associated labour. This social recognition takes place not through the wage but rather through the price gained in



the sale of the produced commodities. If the wager has succeeded, there remains from the proceeds of sale a *SURPLUS-VALUE* over and above the wage. As personified capital, the capitalist views the labourers as generators of surplus-value. The concept of exploitation (§11) is thus refined to ‘use of the labourers for the generation of surplus-value’. That surplus-value constitutes that part of the produced value which falls to the hirer and exploiter of labour-power (cf. however §18ff) is a further determination of the capital-relation. The relation between the labourer and the capitalist gains a reified expression in the dissection of the product-value into wage and surplus-value. The two figures who together make up the commodity producer are the *CHARACTER-MASKS* of the capital-relation and consequently of the two value components. The relation between capital and labour is a *CONTRADICTION* which forms the basis of the objective *CLASS ANTAGONISM* between the working and the capitalist class (cf. Add. b).

a) The analysis of the capitalist production process is in no way completed with the distinction between wages and surplus-value. Further elements of production will be successively incorporated. To the extent that this systematic order shows itself to be enlightening, the fundamental significance of determining capitalist production as the employment and exploitation of wage-labour will be demonstrated. We start the analysis of capitalist production with living labour because the central concept of abstract associated labour in the analysis of commodities necessarily refers to the expenditure of labour in the production process. In this procedure, labour is determined initially simply as wage-labour. The lack of further determination at this stage, however, does not imply that we work with a ‘model’ of labour independently of its objective conditions. Rather, these conditions are at first blended out, or abstracted from, in order to concentrate on the process of value generation. The objective conditions will be later incorporated in a *FORM-DETERMINE* /388> manner in the investigation of relative surplus-value production (§§18ff). Marx proceeds in a similar manner when he introduces constant capital for means of production, and then brackets it off again in the thematization of the rate of surplus-value with the following argument:

Indeed, we already know that surplus-value is simply a consequence of a change in value which proceeds with  $v$ , with that part of capital which is transformed into labour-power, i.e. that  $v + s = v + \Delta v \dots$  But the real change in value and the relation within which value changes are veiled by the fact that, as a consequence of the growth of its variable component, the total advanced

capital also grows. ... The pure analysis of the process requires therefore that the part of the product-value in which the constant capital-value merely reappears be abstracted from, that is, that the constant capital be set equal to zero ... (CI 206;KI 228) (on old-value cf. §§18, 18Ab)

b) The wage-labour relation is a class-relation (§11). Insofar as the product of the value-creation process (mediated by the wage-labour relation) is split into wages and surplus-value, this class-relation constitutes the fundamental *CONTRADICTION BETWEEN CAPITAL AND LABOUR*. This contradiction can be further explicated: At the one pole is the capitalist (the character-mask of surplus-value), who makes possible concrete labour as wage-labour. The capitalist is the 'prime mover' of the capitalist production process. As subject of this process, the capitalist excludes its negative moment, wage-labour, from itself. At the same time, however, this form-determinate wage-labour reveals itself to be the foundation of capital. Capital and wage-labour are thus dialectically<sup>14</sup> interrelated. The process of surplus-value production, which presupposes, as a necessary but not sufficient condition, the performance of concrete, dissociated labour, is simultaneously process of capital formation in two senses: i) as the formation /389> of the capital-relation surplus-value:wage, which enables the wage to be paid and ii) as the formation of surplus-value, which is the foundation of all capital (as sum of value). Labour as wage-labour thus creates the foundation of its own exploitation: wage, surplus-value, capital. The capitalist can only act as subject of the production process for as long as wage-labour generates value. Since however wage-labour can only generate value mediated by abstract social acknowledgement (or *validation* or *estimation*) on the market, and since this acknowledgement is in turn mediated by capital (capital confronts living concrete dissociated labour as representative of abstract associated labour), the contradiction between capital and labour is overlaid with the domination of capital over labour which, in the last instance, is due to the subordination of concrete labour to the abstract universality of the market, of value. Both figures, labourer and capitalist alike, are subject to the quasi-natural alien power of the market. The domination of capital over labour enables the reproduction of the contradiction. The contradiction between capital and labour is in this way made latent and grounds the (likewise latent) objective class contradiction between capitalists and labourers. The dominance of capital becomes apparent in the capital-analysis in that the capitalist as character-mask of capital and representative of the capitalist class bears traits of subjectivity, whereas the labourer is conceived as mere docile object of the capitalist. This object-being of the labourer is objectively given through the wage-labour relation, independently of any external normative standpoint. First with the systematic development of subjectivity, starting with the category of subject of competition (CCF&B-DS §13) can the conditions of the open manifestation of the fundamental contradiction between capital and labour be

investigated. So much however can be already anticipated: the revolutionary class struggle (the making visible of the objective class contradiction) certainly draws on experiences from the bourgeois class struggle, i.e. from the competition struggle between entrepreneurs and labourers, which, for the labourers (and also for the /390> entrepreneurs), means a juxtaposition of being as subject (contract) and being as object (under the command of the entrepreneur), in the struggle over quantities of income. The revolutionary struggle however goes further to qualitatively overcome the struggle of competition, thus sharpening the fundamental contradiction between capital and labour into an open antagonism that drives towards the final dissolution of the contradiction. In revolutionary class struggle, the subjectivity of the labourers makes a claim on *ALL* aspects of production. This dominance of concrete labour must lead to its own revolutionising: it must *incorporate the aspect of universality into itself* in order to dissolve the contradiction between capital and labour along with its foundation, abstractly universal labour. /391>

### c) Capitalist Commodity Production

#### **§14 The Surplus-Value Producing Process; Necessary-Value, -Product and -Labour-Time; Surplus-Value, -Product and -Labour-Time; Rate of Surplus-Value and of Exploitation of Labour-Power**

With the treatment of the fundamental division of the produced value into wage and surplus-value, capitalist commodity production is conceptualised as a *SURPLUS-VALUE PRODUCING PROCESS*. The existence of surplus-value depends upon the produced value being greater than the wage which is paid to the labourers, a condition whose fulfilment is determinable first *POST FACTUM* with the sale of the produced commodities. The component of the value<sup>15</sup> of the product corresponding to the wage is thus the *NECESSARY VALUE* that must be generated before any surplus-value (§13) can remain as residue. The commodity-value falls into two parts: necessary-value (equal in magnitude to the wage) and surplus-value. The product itself can be divided into components according to the ratio of necessary-value to surplus-value. The first component is a mass of commodities sold for an amount equal to the wage (*NECESSARY-PRODUCT*); the second is a mass of commodities sold for an amount equal to surplus-value

(*SURPLUS-PRODUCT*). The two value components, necessary and surplus-value, can be further projected back onto the production process itself by dividing the performed labour-time of the labourers into two components: NECESSARY and SURPLUS-LABOUR-TIME. The quantitative relation of surplus-value to necessary-value can be designated as the RATE OF SURPLUS-VALUE. The rate of surplus-value can also be represented, by retrojection, as a ratio of surplus to necessary product, or surplus to necessary labour-time. Just as the particular (§4) expenditure of labour which is not already social during its expenditure, expresses itself universally (§4) in the realised value of the commodity-product, so the capital-relation expresses itself universally in the division of the commodity value into surplus- and necessary-value. The rate of surplus-value, when expressed as the ratio of surplus- to necessary-labour-time, also gives the RATE OF EXPLOITATION OF LABOUR-POWER by capital. The difference between the rate of surplus-value and the rate of exploitation is not quantitative but qualitative. The former brings into relation portions of abstractly associated labour, whereas the latter brings into relation parts of the performed labour process. With the latter, the appropriation of surplus-value by the capitalist is related to the performance of surplus-labour by the labourers.

Just as we differentiate the rate of surplus-value from the rate of exploitation, so Marx makes a similar distinction:

Surplus-value relates itself to variable capital just as does surplus-labour to necessary labour ... Both proportions express in different form the same relation, at one time in the form of objectified, the other in the form of liquid labour. (CI 210;KI 231f)

A departure from Marx however is to be noted in that the division of the working day into necessary and surplus-labour-time can proceed *only mediated through the value-form*, by *retrojecting* the relevant realised value sums onto the labour process. The determination of the labour process as process of extraction of surplus-value and thereby surplus-labour is a concept of *OBJECTIVE* exploitation formulated in value-form categories which claim validity as a conceptualisation of given social relations – and therefore not in terms of the lived experience of labourers under the domination of the capitalist. The subjective expressions of exploitation and the accompanying contradiction in forms of consciousness first become a theme in the

competition-analysis and later parts of the systematic presentation. With Marx, an interpretation of surplus-value exploitation as subjectively experienced is suggested for two reasons: i) Marx introduces massive amounts of historical and contemporary empirical material to illustrate how the “thirst of capital for surplus-labour” sucks the life-blood of the working population. That exploitation must take on a visibly gruesome form we regard as not a well-founded result of capital-analysis as an epochally valid analysis. Furthermore, we do not posit a werewolf hunger of capital for surplus-labour out of which phenomena such as immiseration and physical /393> exhaustion of the working class would be derivable. Rather, consideration of a drive to increase surplus-value exploitation as far as external value-form conditions will allow is first to be treated as a result of the strivings of entrepreneurial subjects who win victories over their labourers in the competition struggle. This struggle may have as result debilitating conditions of labour, which however, can again be reversed in a new phase of struggle. ii) In Marx’s treatment, the exploitation of labour-power is separated from the wage-form, thereby suggesting that an immediately experienceable exploitation is subsequently disguised by the wage-form, first treated by Marx in Part VI of the first volume of *Capital*. In our presentation, by contrast, the wage-form, in the sense of a loan relation facilitating the capitalist’s employment of labour-power, is taken account of from the start (§11).

### **§15 Absolute and Relative Surplus-Value Production**

The capital-relation can manifest itself in differing rates of surplus-value and thereby in differing rates of exploitation of labour-power. We consider the limitations to surplus-value production (or surplus-value *generation*) lying in the production process itself, that is, in the employment of living labour, and investigate the adequate means for ameliorating these limitations. Consider a capital operating under sets of conditions that are identical insofar as the wages to be paid and the realised value of a unit of produced commodity, but where the amount of surplus-value produced in the second set of conditions exceeds that produced in the first set, i.e., since wages paid are equal, this is equivalent to saying that the rate of surplus-value in 2 ( $s'_2$ ) exceeds the rate of surplus value in 1 ( $s'_1$ ). We want to discover what these differing conditions are. Since surplus-value in 2 exceeds the surplus-value in 1, so does the surplus product in 2 exceed the surplus product in 1, i.e. the labourers in the second set of conditions have produced more product,

and more surplus product, than those in the first set of conditions, and moreover, they have produced this greater surplus /394> for the same wage. Now, if the method of production is also the same for both sets of conditions, then the greater surplus can only be accounted for by the fact that the labourers in 2 have performed more labour, i.e. have laboured longer and/or more intensively for the same wage (which includes the possibility that in 2 more labourers could be hired for the same total wage). We say in this case that the capital concerned produces *ABSOLUTE SURPLUS-VALUE* in conditions 2 relative to conditions 1. It is *ABSOLUTE* in the sense that the labourers in 2 have performed absolutely more labour. If the methods of production in 1 and 2 differ, then the extra surplus-value can result from the *SUPERIOR PRODUCTIVITY* of the production process in 2 as opposed to 1 and we say that *RELATIVE SURPLUS-VALUE* is produced in conditions 2 relative to conditions 1. The labour performed in 2 is *RELATIVELY* more productive than that in 1. The difference in conditions of production leading to absolute and relative surplus-value are thus, respectively, greater expenditure of labour-power and higher productivity of labour.

a) The concepts of relative and absolute surplus-value here developed make a connection between surplus-value production and the production process under a strong *CETERIS PARIBUS* condition. They are not to be regarded as concepts arising from the comparison of two capitals in competition with one another.<sup>16</sup> The schema is rather one of a single capital operating under varying conditions in the immediate production process. All value-form relations are assumed (a strong assumption) to be unvarying in the sense explained in the §. In particular, the unit price of the product, which determines the *acknowledgement* of the performed labour *as* value-producing, is assumed to be constant. (Surplus-value is therefore, paradoxically, not simply *produced within* the production process, but requires social acknowledgement *outside* the production process on the market to *be* surplus-value.) The connection between absolute and relative surplus-value production and the conscious strivings of the functioning capitalist is a theme relegated to the analysis of competitive freedom (cf. CCF&B-DS Part III). In competitive existence, the increase in surplus-value production does not appear in its kernel form as value generation but as the striving to maximise profit of /395> enterprise by the entrepreneur, who, by virtue of subjective striving, including the selection of appropriate means, is able to assert himself successfully in the competition. The

immediate conditions of production appear there as one among several factors influencing the magnitude of the profit of enterprise. The connection of this form of appearance to the process of value-generation is first brought to light through the course of the systematic argumentation.

b) When relative surplus-value production is considered, whereby differing methods of production become significant, the comparison of intensities of labour is no longer possible. Whereas comparative duration of labour-times is in principle measurable with an absolute measure, namely time, intensity of labour possesses no absolute measure, but rather a *COMPARATIVE* measure, where two intensities are compared. Where the methods of production are different, comparison of intensity would only be possible via a reduction of work operations (physical and mental) to a common denominator, e.g. expenditure of physical energy or physically measurable tension in the body. Even when the methods of production do not differ, comparison of intensity remains based on more or less precise, more or less intuitive assessments of the tempo of labour, and first becomes clear when the *RESULTS* of an hour's labour are compared.

c) On the basis of the labour theory of value, Marx is able to treat relative and absolute surplus-value production through a consideration of relevant (still dissociated) labour-*TIMES*. In this way he comes of course to different results (cf. CI Chaps. XI, XII, XVI, XVII). This procedure is excluded for a value-form analytic approach. As a consequence, relative surplus-value production is not conceived as resulting from productivity increases in the production of the labourers' means of individual consumption and their consequent cheapening, because this presumes not only a form-independent measure of value in labour-time, but also the category 'value of labour-power' (cf. §11Ab). /396>

### **§16 Sources of Increases in Productivity**

Increases in productivity which give rise (other, especially acknowledgement-as-value, conditions remaining the same) to the production (or generation) of relative surplus-value (§15) can be due to:

- i) improved co-operation, that is, more efficient organisation of the *COLLECTIVE LABOURER* (§17)
- ii) technical superiority of the (produced) means of production (§§18-20)
- iii) natural advantages of pieces of land utilised in the production process (§21)

iv) superior cultivation of land used in production (§22).

a) Strictly speaking, there are only the ‘productive powers’ of *LABOUR*. The talk of productive powers which can be attributed to single elements of production is derived from the comparison of labours of different productivity. The productive powers are realisable only in the production process; they do not exist independently of it. This is easily forgotten, especially when it comes to a consideration of nature, since the analogy between wild growth and agriculture suggests itself. It is well-known that with the physiocratic political economists only agriculture was regarded as productive; the productive power of labour is still presented according to the picture of nature. However, it is precisely this which shows that the productivity of nature is pertinent in connection with the productivity of labour. The analysis of relative surplus-value production shows the conditions under which the productive power of labourers when working in co-operation and with the means of production is simultaneously the productive power – or, in other words, the surplus-value generating power – of capital. The systematic analysis thereby uncovers the mystery of the expressions ‘productive power of nature’ and ‘productive power of capital’.

b) The entire investigation of the “production methods of relative surplus-value” (CI 304;KI 340) is carried out by Marx in a way combining “historical and conceptual” (CI 305;KI 341) elements of analysis. The historicisation of the systematically /397> relevant categories offers itself to Marx as a way of ordering historical material on the development of capitalism in Britain. This periodisation of development into formal subsumption, manufacture and machine industry, is misleading insofar as the epochal validity of the systematic categories is lost. Co-operation, e.g., is not restricted to a particular phase of capitalist development. In this vein, Marx attempts a logical-historical transition from absolute to relative surplus-value production through consideration of the struggle for a shorter working day:

... from this moment therefore, when increased production of surplus-value through extension of the working day was cut off once and for all, capital threw itself with full force and clear consciousness into the production of relative surplus-value through accelerated development of the machine system. (CI 386;KI 432)

He also points out however (CI Chap. XVII) that absolute and relative surplus-value production do not exclude one another. In a reading of *Capital* itself, it takes “quite an effort to discern between the systematic argument and historically restricted illustrations of that argument”.<sup>17</sup> It is also to be underscored that (surplus-) value production is a ‘production’ sui generis insofar as (surplus-) value depends crucially also on acknowledgement via the value-form in exchange.



**§17 Co-operation: Organisational Labouring Structure;  
Division of Labour; Organisational Science: the Subjective  
Factor in the Production Process**

The everyday knowledge that capitalist production is production with several or many labourers is on this level taken account of by the presentation. Several labourers labouring together already possess a certain *ORGANISATIONAL LABOURING STRUCTURE*, no matter how simple this may be. Co-operative labour of the collective labourer brings forth a *PRODUCTIVE POWER* of labour *SUI GENERIS* which can be further improved by new organisation. In its simplest determination, co-operation depends on the *SIZE* of the collective labourer. A larger collective labourer allows more flexibility in the work-organisation. Conversely, a large collective labourer can become cumbersome and call forth special efforts of the capitalist to solve /398> organisational problems. A particular aspect of co-operation is (internal) *DIVISION OF LABOUR* within the production process, whereby individual labourers or groups of labourers are assigned definite restricted tasks. The total labour process is thereby decomposed into specialised tasks through which the object of labour must pass on its way to becoming a finished product. How the labour process is to be optimally decomposed, the number of labourers required for each task, the avoidance of bottlenecks and slack periods in the labour process, all pose special problems to be solved by the capitalist in organising the production process. The organisational structure of the collective labourer is a plan imposed on the collective labourer by the capitalist, and is thus a further determination of capital as an alien power (§13Ab) vis-à-vis the labourers. Each labourer has a specific place in the organisational structure and can be moved around according to the capitalist's striving to improve the co-operative power of labour. In deciding on an organisational structure of the collective labourer, the capitalist can employ specialised knowledge or *ORGANISATIONAL SCIENCE*. The latter has as its object the collective labourer, or the *SUBJECTIVE FACTOR* of the production process. The capitalist can set up his own

research department within the labour process, or can draw on knowledge developed outside.

a) In the twentieth century, organisational or managerial science has developed into autonomous, specialised branches of empirical scientific investigation. The subjective factor of the production process is treated as an object of study whose functioning influences the efficiency of the production process. The most famous historical example of organisational science is Taylorism, which concentrated on an analysis of movements of the labourer's body in order to establish how the labourer best functions in co-ordination with machines (§18). Complementary to these 'time and motion' studies are the more sophisticated investigations of psychological motivation. Insofar /399> as effectivity of the labourer is of prime concern, behaviourism, which concentrates on stimulus-response relationships, is an appropriate psychological theory in that it treats the subject precisely as an object. Other psychological theories and therapies in which the human is viewed as subject become systematically relevant in connection with the private sphere, where the subject may suffer from being an inadequate competition subject (ego weakness) or from identity crisis (in shaping its life).

b) The scientists who work on problems of organisation (or natural science, cf. §18) have a different status from normal wage-labourers. As part of the research division of a production process, the scientist belongs to the collective labourer in a way corresponding to the separation of intellectual from manual labour, a separation which becomes possible because co-operation is a plan imposed by the capitalist. Insofar as the scientists work outside the production process in autonomous research institutes, they are no longer a theme of the capital-analysis, but belong rather to the analysis of the outer state and the life of the universal (technocracy and the ideology of progress of humankind through science).

c) In the chapter on co-operation, Marx treats "the command of capital over labour" (CI 313;KI 350) in its form as "direction" (ibid.) together with the theme of the labourers' "resistance" (ibid.) and the resulting necessity of "supervising" (CI 314;KI 351) the labourers. In our presentation, these latter phenomena are reserved to the competition-analysis. That the will of the capitalist is realised in the production process via a hierarchy (no matter how much or how little room is given to the labourer's own initiative), and that this will meets with the resistances of labourers, who must be watched over, presuppose for their conceptualisation a concept of the labourer's subjectivity, which is not yet available to us. Only a subject can be allowed a degree of initiative or offer resistance to an alien will. This development of the labourer as object of capital to a subject of /400> competition proceeds in the beginning stages of the competition analysis (cf. CCF&B-DS Part II §13) . The concept of hierarchy will also introduce the figure of the manager, who

acts as delegated functionary of the functioning capitalist in the production process. On this later level, therefore, the question of the class position of the managers will also be raised (CCF&B-DS §§53, 53Aa).

### **§18 Means of Production: Raw Materials and the Means of Labour; Machinery; Old-Value; Productive Consumption: Use-Value; New-Value**

The productivity of the production process can be improved also through the employment of better *MEANS OF PRODUCTION*. The means of production comprise commodity-products of labour bought by the capitalist before their insertion in the production process and fall into the two categories of *RAW MATERIALS*, which form the *OBJECT OF LABOUR* and are physically transformed by the production process, and *MEANS OF LABOUR*, which are interposed between the labourer and the object of labour and enable the latter's manipulation by the former, or form the framework of the production process. The paradigm for means of labour is *MACHINERY* consisting in general of the three components: prime mover or source of power, transmission mechanism and the working tool, which comes directly into contact with and shapes the object of labour. With the incorporation of means of production into the analysis, the concept of the capitalist production process is further determined: The capitalist buys the means of production with an *ADVANCE OF MONEY-CAPITAL* (as opposed to the assumption of presentation concerning wages, which are paid from the proceeds of sale; cf. §11). A component of the product value generated in the production process covers the advance of capital for means of production. The product-value thus now falls into three parts (and not two as in §13): necessary value (§14), *OLD-VALUE* and *RESIDUAL SURPLUS-VALUE* (or surplus-value<sub>2</sub>, to distinguish it from the first concept of surplus-value, surplus-value<sub>1</sub>, introduced in §13). We assume that the entire means of production are consumed during the production process. The value-generation in the production process (validated in a quantitative determinacy only post factum through sale) has now to be further investigated. The means of production, in being purchased by the capitalist, were acknowledged /401> as abstractly associated labour in a

definite sum of money-capital. The capitalist purchased the means of production in order to direct their *CONSUMPTION* in his production process in producing new commodities. This *PRODUCTIVE CONSUMPTION* of the means of production realises their *USE-VALUE* in the production of commodities which, in turn, are subjected to the process of acknowledgement as portion of the social labour on the market, i.e. the realisation of the use-value of the means of production results in the generation of value. The sale price of the produced commodities thus acknowledges, i.e. socially validates, not simply the labour immediately performed in the production process under consideration, but acknowledges that this labour was performed with definite means of production which, in turn, were the product of past labour. The labour embodied in the means of production is thus acknowledged through the value-form as abstractly associated labour twice: firstly, in their purchase by the capitalist and secondly, indirectly, in that past labour was the precondition for production of the new commodity-product which is finally sold. The *NEW-VALUE* which arises in the production process over and above the old-value, which represents merely a reproduction and revalidation of pre-existing value, consists of the *NECESSARY-VALUE* (paid out as wages) plus the residual surplus-value.

a) Marx divides the category of raw materials here introduced into raw materials which physically reappear transformed in the product and those which merely aid the production process and disappear without trace in it (subsidiary materials; *Hilfsstoffe* CI 177, 196f; KI 196, 217). In our view this finer differentiation is unnecessary and in any case is extremely fluid. Marx himself points out that in the chemical industry the distinction vanishes (CI 177; KI 196). The distinction between raw materials and means of labour will be seen in the circulation-analysis (§38) to be the material basis of the distinction between circulating and fixed capital. /402>

b) The concept of old-value introduced here differs appreciably from Marx's. Like Marx, we assume on this level of analysis that the entire means of production are consumed in the production process or, what is the same thing, that old-value covers only the (original) price of the means of production actually consumed in the production process under consideration. For us, old-value does *NOT* represent a reacknowledgement in the product's sale price of the *LABOUR* objectified in the means of production.<sup>18</sup> Rather, the sale price is acknowledgement of newly

performed labour and acknowledgement that this labour was performed with products of past labour, at one and the same time; the two moments cannot be quantitatively differentiated as old-value and new-value. Marx claims that the old-value is quantitatively determined by the labour objectified in means of production and is “transferred” (CI 193;KI 214) to the product by virtue of a “gift of nature of active labour-power ... to maintain value in that it adds value” (CI 200;KI 221). Accordingly it is erroneously asserted, “the maximum loss of value which they (the means of production EHKR) can suffer in the labour process is obviously restricted by the original magnitude of value ... or by the labour-time required for their production” (CI 199;KI 220). The original magnitude of value and the labour-time required for their production, however, turn out for Marx to be different entities. The formulation has to be modified on the basis of the ad hoc definition of magnitude of value (cf. §8A) introduced by Marx in the first pages of the first chapter of *Capital*, according to which only the amount of labour objectified in a commodity produced under *AVERAGE* conditions counts as value-creating labour (CI 47;KI 53). With relative surplus-value production, this determination again becomes relevant, for here it is a matter of changing productivity, i.e. of changing precisely the average amount of labour objectified in a commodity of a given type. Marx must therefore speak, in terms of the labour theory of value, of a “change in value” of means of production employed in a production process which “arises outside the production /403> process” (CI 203;KI 225), *INDEPENDENTLY* of the value-form. These changes in socially average labour content are also supposed to be reflected on the level of the value-form as price changes (cf. CI 202;KI 224). In order to make this connection, however, Marx has to introduce considerations of competition. Thus in his treatment of “so to speak moral depreciation” (CI 381;KI 416), (an important theme for us in the competition-analysis), he speaks of “better machines competingly stepping beside” (ibid.) old machines. The thought here is that more productive methods of production force a cheapening of the product and thus a “devalorization” (CI 203; KI 225) of the old means of production via a competition between capitals (which undermines the conception of a “transfer” of old-value). For value-form analytic thinking, neither the determination of magnitude of value through socially average labour-time nor the introduction of competition arguments in the capital-analysis is admissible. Our thought is rather the following: old-value initially is conceived simply as that value component of the product covering, and thus recouping, the advance for means of production. In the circulation-analysis, the gradual circulation of fixed capital is considered (§38), and the difference between the original purchase price and the repurchase price of means of production must be taken into account in connection with the repeated circuits of capital as well as with the replacement of fixed capital (§§44, 45). In the competition-analysis, the connection between the introduction of more productive

means of production, cost minimisation and decreases in the unit price of the produced commodity brought about by competition between firms on the market will be investigated. The concept of old-value will be thereby modified (§44) to take into account the effect which competition between capitals has on value-generation by living labour. An exponent is thereby attributed to value-generation by living labour according to the means of production employed and their productivity relative to other capitals. What this exponent actually is quantitatively is revealed only via validation on the market in the sales revenue to be had for the product.

c) The concept of use-value enters the presentation here for the first time in a substantial way. (In §12 it was merely /404> remarked that the labourers consume articles of individual consumption. The realm of this individual consumption, the private sphere, is not yet the object of analysis.) The properties of the means of production in their consumption, i.e. their use-value, are now of significance for the analysis of value-generation. Further consideration of grounds for introducing use-value at a later stage of the analysis than Marx does is contained in RVfA pp. 46f.

d) Although Marx makes the distinction between prime mover, transmission mechanism and the working tool on the basis of the historically restricted paradigm of the steam engine as prime mover (CI 353;KI 393), its validity holds even today, where the source of power is an electricity generating station. Indeed, the modern power plant is generally a colossal steam engine; the transmission mechanism no longer consists of rods, cogs and belts, but of power lines.

### **§19 Relative and Absolute Surplus-Value Production Combined; Natural Science and Technology: the Objective Factor in the Production Process**

The quality and quantity of new commodities produced depends on the quality and type of means of production employed. The productivity of labour, and thus surplus-value production, can be enhanced through the employment of improved raw materials or means of labour. The structure of the means of labour offers an opportunity for the capitalist to enforce a particular organisation of the collective labourer (§17). Improvements in the means of labour and in co-operation thus go hand in hand, e.g. in economising in the use of raw materials. The labourers come to be mere appendages of the means of labour. Furthermore, the new co-operative structure determined by a new structure of the means of labour can enable the *INTENSITY* of labour to be raised gradually by

increasing the tempo of the machinery. Relative surplus-value production through improved means of labour can thus also lead to relative surplus-value through better co-operation and also absolute surplus-value through intensification of labour. Since the choice of means of production and their employment in the production process /405> are decisions of personified capital, improvements in the means of production are also undertaken independently of the collective labourer, and presented to it as ready result. The development of new kinds of means of production depends on developments in the knowledge of natural objects, i.e. in the *NATURAL SCIENCES*, and their successful application to problems of production (capitalist *TECHNOLOGY*).<sup>19</sup> The *OBJECTIVE FACTOR* of the production process (cf. also §22) becomes the object of scientific and technological research. The development of natural sciences and technology is a kind of labour entirely different from commodity-producing labour. A result of natural science or technology, once won, can be employed endlessly without having to be re-produced (although, of course, the *ACQUISITION* of this knowledge through education poses a special theme which does not belong to this level of analysis); knowledge has a *CUMULATIVE* aspect and scientific labour therefore possesses a *UNIVERSAL* aspect which allows the results of scientific and technology research to be applied in all suitable production processes.

a) Marx formulates the substitution of the capitalist's direct command by the 'command' of a system of machines as follows:

The co-operative character of the labour process becomes now a technical necessity dictated by the nature of the means of labour. (CI 365;KI 407)

b) Marx makes the distinction between "universal labour" (*allgemeine Arbeit*) and "communal labour" (*gemeinschaftliche Arbeit*) (CIII 104;KIII 113):

Universal labour is all scientific labour, all discovery, all invention. It is conditioned partly by co-operation with living persons, partly by the utilisation of the labours of predecessors. Communal labour presupposes the immediate co-operation of individuals. /406>

## §20 Absolute and Relative Residual Surplus-Value Production

The concepts of absolute and relative surplus-value production developed in §15 have to be modified in the light of the new concept of surplus-value, residual surplus-value (§18). Residual surplus-value is determined through the deduction of both necessary-value and old-value from the product value. The necessary value is paid out as wages, and the old-value merely replaces a sum of value originally advanced by the capitalist. Re *ABSOLUTE RESIDUAL SURPLUS-VALUE PRODUCTION*: An increase in duration or intensity of labour requires also extra raw materials to soak up the additional performed labour and may accelerate the depreciation of machinery employed. Every increase in value of the total commodity-product is accomplished by an increase in the advanced capital, and thus also in the old-value component of the product value. The increase in surplus-value brought about by more performed labour is also an increase in residual surplus-value so long as the total proceeds from the additional commodity-product exceed the total additional advance for means of production. This will always be the case if the unit price of both the commodity-product and the means of production remain the same (since the ratio of old-value to product value does not increase). Re *RELATIVE RESIDUAL SURPLUS-VALUE PRODUCTION*: Improved means of production normally require the outlay of additional capital, thereby increasing the old-value component of the product value. (Insofar as improved co-operation requires an outlay for organisational knowledge or reorganisation, it can be treated analogously to an advance for means of production.) The additional product produced with the new means of production (we hold onto the assumption that the total wage bill does not change cf. §15) can only represent a portion of additional residual surplus-value if the additional old-value is less than the realized value of the additional product.

Marx expresses the distinction between relative surplus-value production and relative residual surplus-value production by referring to the “narrower limit” (CI 370;KI 414) imposed on /407> on capital for the employment of machinery. This limit can be expressed either under the assumption that the total mass of product does not change (replacement of labourers by machinery which must “save costs” (§23)),<sup>20</sup> or under the assumption that the total wage bill does not change.



## §21 Land and Rent; Landholder; Profit; Landholding Class

A third source of improved productivity lies in the *LAND*, or more generally, in the piece of the earth's surface (which may be covered with water), employed in the production process. Land can enter the production process as object of labour (e.g. mining), means of labour (e.g. agriculture) or simply as *locus standi*. The everyday knowledge that the use of land commands a leasing price or *RENT* is at this stage incorporated into the analysis. We assume for convenience that the rent, like the wages, is paid after the use of the land out of the proceeds of sale of the produced commodities. Rent represents a further deduction from the total realized value of the product which must be paid out by the capitalist, in this case, to the *LANDHOLDER*, the personification of land. The product value thus now splits into four components: old-value, necessary-value, rent and a residue, which can be called *PROFIT*. Relative residual surplus-value production, *ceteris paribus*, always results from the employment of better land which enables a higher productivity of labour. Whether the profit is greater depends on whether the value of the additional product is cancelled out by an increased rent. With rent there arises a qualitatively new value-form; money as absolute value now subsumes under its sphere of influence pieces of nature, in addition to industrial commodities and labourers. Conversely, the landholder, through the rent-form, gains access to a portion of the abstractly associated labour. The many individual landholder personifications of land taken together constitute the *LANDHOLDING CLASS*.

a) At this point of the analysis we are concerned with rent as a value-form and not with more definite statements as to its magnitude. The latter topic will be taken up on the level of competition-analysis in the investigation of absolute, monopoly and differential rent (CCF&B-DS §§44-46).

b) *Rudolf Bahro* is a Marxist who pleads for a “consistent and coherent revision of our entire theoretical foundation”.<sup>21</sup> One could sensibly understand this as a theoretical program “to rewrite the political economy of capitalism and socialism which has been handed down, ecologically” (ibid. pp. 64f), if it were not for the fact that Bahro's writings contain not a hint of a thoroughly thought-through reconstruction of the Marxian theory. Bahro places the ecological question in the

foreground in no way as a partial aspect of a theory but rather as a political demand which he claims will “force the departure from capitalism” (ibid. p. 76). For us, by contrast, Bahro’s challenge means the necessity of rethinking the economic position of nature in a total critique of the bourgeois form of society. Bahro claims:

Precisely for the young Marx, the abolition of private property in the means of production was supposed to bring also the reconciliation of culture and nature ... Later this point of view was pushed more to the edge of Marx’s thinking, because he concentrated strictly (?) on the analysis of the capital-relation in the narrow sense, that is, on the problems which at that time (?) most (..?) stood in the way of the working people. (ibid. pp. 95f)

That the treatment of the relationship between humans and nature is pushed in the late works of Marx “more to the edge” is an opinion which could only be formed on the basis of a reading of *Capital* which has neglected the third volume. Bahro does not mention the 200 page long Part IV of the third volume: “Transformation of Surplus-Profit into Ground-Rent” or indeed capitalist rent at all, “the specifically economic expression of landed property” (CIII 622;KIII 635). /409>

In the third volume Marx treats the “contradiction between property and a rational agronomy ... the entire spirit of capitalist production, which is directed towards immediate short-term gain, contradicts agriculture which has to economise with the entire continuous conditions of life of the chain of human generations” (CIII 617;KIII 630f, n. 27). (Such a contradiction is not restricted to the employment of land in agriculture.)

Our treatment of rent much earlier in the analysis than in *Capital* has the advantages that the three sources of differing productivity of labour are presented together (§§16-23), that the entire set of elements of production and their corresponding value-forms are taken account of in the analysis of capitalist production and that land is presented from the start as subjected to exploitation by capital. Nevertheless, the contradiction referred to by Marx will be dealt with in the competition-analysis, where property and the pursuit of monetary gain by subjects of competition appear. In the third volume, Marx also hints at how the contradiction between self-interest and a utilisation of the earth which is “sometimes to a certain extent appropriate to the common interest” (CIII 617;KIII 631 n. 27) can be resolved within the bourgeois forms, namely by “subjecting the land to state administration” (ibid.). Marx’s example in this passage is restricted to the direct state-administered cultivation of land. In a wider sense, however, this can be understood as a restriction by the outer state of egoistic behaviour with the earth in the competition in favour of a universal well-being laid down by the state. It is striking that, in the book quoted, Bahro *NOWHERE* attempts an analysis of state intervention in the competition. The attempts of states to act internationally to

ameliorate or stop ecological destruction are also not discussed by Bahro. According to him, a proof of the objectively anti-capitalist orientation (Bahro op. cit. p. 65) of the ecological question lies in “our detailed explanation /410> of the connection between capitalist expanded reproduction ... and anarchistic industrial growth, alien and hostile technology” (ibid. p. 88). Herein lies a new variant of the discredited theory of collapse of capitalism which is said to compel the transition to socialism. It remains a major theoretical and practical question, the extent to which the problems of the destruction of nature can be at least partially solved or held in check *WITHIN* the bourgeois forms, e.g. through state-imposed controls and international agreements. Bahro offers no analysis which would decide these questions one way or the other, but rather his political conviction. Is it a presupposition of Green politics that the ‘ecological question’ can be solved by forcing the state to take certain restrictive measures against capitalist industry?

c) Classes will be considered in more detail in §§27, 33, 33A.

## **§22 Improvements to the Land Not Requiring Renewal**

Not only natural differences in land can be a source of additional productivity, but also differences brought about by incorporating improvements in the land. Land in this case is no longer only a ‘product’ of nature, but also a product of labour and *INSOFAR* has to be treated conceptually as a produced means of production (§18). Since we assume that the means of production are bought by the capitalist before they enter the production process, the appropriate assumption here is that the improvements to the land are bought by way of paying another capital to improve the land. Furthermore, since we assume that the entire advanced capital converted into means of production is consumed in the production process (§18), we assume likewise in the case of improvements to the land, that all improvements *REQUIRING RENEWAL* are consumed during the course of the production process under consideration. Improvements to the land not requiring renewal through additional advances are a peculiarity arising from land’s character as a piece of nature; so long as the land is employed in suitable production or not left idle /411> for too long a period, it maintains its improved state automatically through natural processes. The advance for the original improvement of the land in this case is a one-time-only advance, and all future users of the land will reap the benefit without

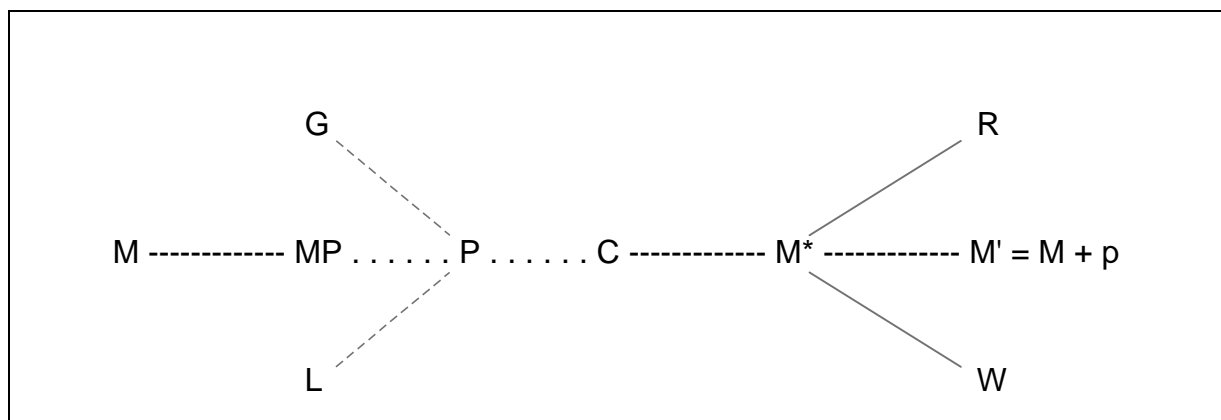
having to outlay a further sum. Moreover, the landholder then disposes of a piece of land of better quality, independently of any further advance, i.e. the improvements have become 'second nature'. Improvements to the land, e.g. cultivation of the soil, building a mine, levelling a block of land, are executed on the basis of knowledge of the object handled, the land. The natural sciences thus have a special realm of application in relation to nature, e.g. geology, biology, agronomy, ecology. Likewise, the technology employed to improve land is also of a special character, e.g. chemical substances to improve the soil, shaft-drilling machines, bulldozers which are produced with the aid of specialised (chemical, mechanical, civil, etc.) engineering.

The relaxation of the assumption of presentation that the capitalist buys the entire improvements to the land requires the interest-form (§§24ff). When these improvements are merely hired for a time, it is equivalent to a leasing of means of production, which in turn is equivalent to borrowing a capital equal in value to the leased means of production incorporated in the land. The *RENT* paid for the use of the improved land includes a component of *INTEREST* and *REPAYMENT* for a (fictitious) borrowed capital.

The interest for the capital embodied in the earth and the improvements which it obtains as instrument of production, can form a part of the rent which is paid by the tenant to the landowner, but it does not constitute ground-rent proper, which is paid for the use of land as such, whether in a state of nature or cultivated. (CIII 619;KIII 632) /412>

### §23 Valorization of Advanced Capital; Rate of Profit; Costs

The capitalist production process, on this level of the presentation, can be depicted as:



where M is the money-capital advanced to purchase (-----) means of production (MP); ground (G) and labourers (L) enter the production process (P) under loan relations (— — —) for the use of land and labour-power, respectively. The commodity-product (C) is sold for M\*, out of which rent (R) and wages (W) are paid, leaving a residue M' composed of old-value and profit (p). The whole process can now be understood as a movement from money (M) to more money (M'), as *VALORIZATION OF ADVANCED CAPITAL*. In this circular movement, the result of the whole movement (p) is related to the original money-capital (M) (as *RATE OF PROFIT*  $p' = p/M$ ) and is insofar viewed as a *SELF-VALORIZATION* of capital, wherein the value connections to the constitutive elements of production are extinguished in external price relations; in this external form, the production process appears as a moment in the self-movement of advanced capital, instead of as the exploitation of labour-power for the generation of surplus-value (§13). This external movement expresses the viewpoint of personified capital. The entire deductions from the product value are collected together under the heading of *COSTS* ( $k = R + W + M$ ) and, in this undifferentiated form as sum of money, are counterposed to the final residue falling to the capitalist, the profit.

a) On the basis of the labour theory of value, Marx discusses a contradiction inherent in employing more expensive /413> means of production, although more productive:

In the employment of machinery for the production of surplus-value there lies an immanent contradiction in that in this employment, of the two factors of surplus-value which a capital of given size provides, the one factor, the rate of surplus-value only increases through the diminishment of the other factor, the number of labourers. (CI 383 mod.;KI 429)

This contradiction is the basis on which Marx derives the famous tendency of the rate of profit to fall (cf. CIII Part III). Marx's argumentation is flawed by the false conception – based on the labour theory of value – that from a given number of labourers with a working day of given duration and intensity, only a limited amount of new-value can be gained. This conception is linked with Marx's assumption, introduced in the first chapter of *Capital* (CI 51;KI 59), that all labour is simple labour. Labours performed with different methods of production and, in particular, with different kinds of means of production, however, are qualitatively different,

more or less complex labours with different value-generating potencies (*potenzierte Arbeit* KI 59) as validated post factum in the value-form. *Pace* Marx, the role of the means of production in value-generation is not to transfer a pre-existing value to the product (cf. §18Ab), but rather, in influencing the method of labour, to attribute an exponent to the value-generation of living labour. We give a simple example as illustration. Since land is a neutral factor for this discussion, we set rent equal to zero. Assume we have a capital which introduces a new, more expensive method of production requiring a greater advance for means of production ( $M + \delta M$ ), pays however the same wage bill ( $W$ ) and draws greater proceeds from sale of the product ( $M^* + \delta M^*$ ). Otherwise circumstances remain unaltered. Then the difference in profit-rate is /414>

$$\delta p' = \frac{M^* + \delta M^* - W - (M + \delta M)}{M + \delta M} - \frac{M^* - W - M}{M}$$

$$= \frac{M \cdot \delta M^* - \delta M(M^* - W)}{(M + \delta M)M} > 0$$

if and only if  $\delta M^*/\delta M > 1 + p'$ . Expressed in words: the rate of profit rises with the introduction of the more expensive means of production if and only if the rate of increase of the proceeds from sale with respect to the increased advance for means of production exceeds the profit-rate plus one. (The reader can check that the same result holds for the case where the wages too are advanced instead of paid in arrears.) This means that not only must the extra costs be covered by an extra return (which is the condition for the profit mass to rise), but that in addition, the rate of increase must exceed the profit-rate. The lower the profit-rate, the more the situation becomes one where an increase in profit mass is simultaneously an increase in profit-rate. We see therefore that, in value-form analytic terms, whether the profit-rate rises with the introduction of more expensive means of production depends on their labour productivity, and on the price at which the product is sold. If, with increased production, the unit price falls, then it is the more likely that the profit-rate will fall, *unless* compensated for by an even greater increase in the product mass. The rate of surplus-value in the present example increases if and only if the additional advance for means of production is more than covered by an increase in proceeds, i.e.

$$\delta s' > 0 \text{ if and only if } \delta M^* > \delta M$$

b) The movement of capital as valorizing money-capital enables the processing money to gain a form of movement dissociated from the /415> process of value-generation in production as validated post factum on the market. Capital appears thereby as self-movement of value, as self-valorizing value, which of itself draws more value to itself, independently of any connection with the value substance, abstract associated labour. This externalisation of the movement of capital forms the *TRANSITION* to the *INTEREST-FORM* of value, which will occupy us in the next part. /416>

## **d) The Interest Form of Value**

### **§24 Loaned Money and Interest**

The analysis of the interest form of value begins by focusing on the everyday knowledge that interest-bearing money is a movement from money to more money,  $M - M'$ . At the same time, the analysis of the capitalist production process concludes with the determination of capital as valorizing value and thus as a movement from money to more money (§23). The analysis of interest goes beyond everyday knowledge in that it makes the connection between money's capacity to bear interest and valorization of capital. In the presentation of capital as a movement of valorization mediated by the production process, it remained an open question where the money advanced as capital comes from. The advanced capital is now conceived as *LOANED MONEY*. *INTEREST* is the *LOAN-PRICE* for advanced capital.

a) With Marx too one finds both moments of focusing on contemporary everyday knowledge and setting this knowledge into relation with a definite stage of the categorial development:

Commodity circulation is the starting-point of capital. If we neglect the material content of commodity circulation, the exchange of the various use-values, and observe only the economic forms which this process produces, then we discover money as its final product. This final product of commodity circulation is the first form of appearance of capital. ... One does not require a review of the historical emergence of capital in order to recognise money as its first form of appearance. The same story is played out daily before our eyes. Every new capital enters the stage, in the first instance, i.e. the market, commodity market,

labour market or money-market, only ever as money, as money which is to be transformed into capital through definite processes. (CI 145;KI 161)

With the phrase, “commodity market, labour market or money-market”, Marx initially brackets together productive capital (purchase of means of production on the commodity market, hiring of labour-power on the labour market) and interest-bearing money-capital (loan of money on the money-market). In a second step he refers to the /417> circulation form  $M - C - M$  and thereby excludes interest-bearing capital. In conclusion it reads:

Buying in order to sell, or, more fully, buying in order to sell dearer,  $M - C - M'$ , seems in fact to be the characteristic form of only one kind of capital, viz. commercial capital. But industrial capital is also money which transforms itself through the sale of the commodity back into more money. Finally, in interest-bearing capital the circulation  $M - C - M'$  presents itself in an abbreviated form, ... so to speak in shorthand,  $M - M'$ . (CI 153;KI 170)

If we neglect commercial capital for the time being (to be treated below; cf. §§49f), then one notices that the formula  $M - M'$  for interest-bearing capital cannot be paraphrased as “buying in order to sell dearer”. Marx gives a “general formula of capital” (ibid.) which covers also commodity-dealing (and money-dealing?) capital as well as interest-bearing capital and then, in the course of the investigation of the “contradictions of the general formula”, restricts the analysis to the “ground-form of capital” (CI 161; KI 178):

We will uncover trading capital (and EHKR) interest-bearing capital in the course of our investigation as derived forms. (CI 162;KI 179)

In our presentation too we at first treat only the ground-form of capital and develop interest-bearing capital as a derivative form.

b) Marx emphasises at the beginning of the analysis of interest-bearing capital in Vol. 3 that interest-bearing money-capital changes hands in a characteristic way to be distinguished from purchase:

... special way in which it is sold, namely loaned instead of given away once and for all... Giving away under the condition of return is the movement of loaning and hiring as such, this specific form of the merely conditional alienation of money or commodity. ... Instead of buying or selling, he loans. This loaning is then the appropriate form in order to alienate it *as capital*, instead of as money or commodity... Loaning and borrowing, instead of selling and purchasing, is here a difference arising from the specific nature of the commodity – of capital. (CIII 340 348 350 353;KIII 352, 360, 362, 366) /418>



Although Marx notes that “the money thus loaned has to this extent a certain analogy with labour-power” (in that both are placed temporarily at the capitalist’s disposal EHKR), he does not explicitly draw the conclusion, as we have done in §11, that the transaction between labourer and capitalist is also a loan relation. That he does not draw this conclusion can be explained by the centrality of the category ‘value of labour-power’ for his analysis, which demands that labour-power be treated analogously to industrial commodities. In *Theories of Surplus-Value*, in the dispute with those who encouraged the dissolution of the Ricardian school, in particular, by an unthinking use of the phrase ‘price of labour’, Marx nevertheless underlines the peculiar nature of the transaction between labour and capitalist, without however making the distinction between loan relation and sale relation:

What is brought onto the market is indeed not labour but the labourer. What he sells to the capitalist is not his labour, but the temporary use of himself as a working power. (TSV3 113; TM3 109)

“Temporary use” in normal usage is synonymous with ‘loan’ or ‘hire’, in the same sense as money-capital is loaned or lent.

### **§25 Gross and Net Valorization; Interest Yield and Profit of Enterprise; Rate of Net Valorization**

The valorization of money as capital developed at the end of the production analysis (§23) can now be more precisely grasped as *GROSS VALORIZATION*. With the introduction of interest, the gross valorization of capital splits into *NET VALORIZATION* and *INTEREST YIELD*. In the movement of interest-bearing capital, the interest stands in relation to the loaned sum of money. This sum of money (the *PRINCIPAL*) is however simultaneously advanced capital and thus a starting-point for the movement of valorization. The profit of capital from which the interest for this capital has been deducted is called net profit or *PROFIT OF ENTERPRISE*. In analogy with the interest rate, one can speak of a *RATE OF NET PROFIT* or *RATE OF NET VALORIZATION* of capital.

In the Marxian draft to the third volume of *Capital*, the analysis of interest-bearing capital is preceded by a further development of the profit concept. Profit is at first related to industrial /419> capital and quantitatively determined as “average profit”. Since this development brings in the competition amongst capitals, it is postponed in our reconstruction to the competition-analysis which investigates the

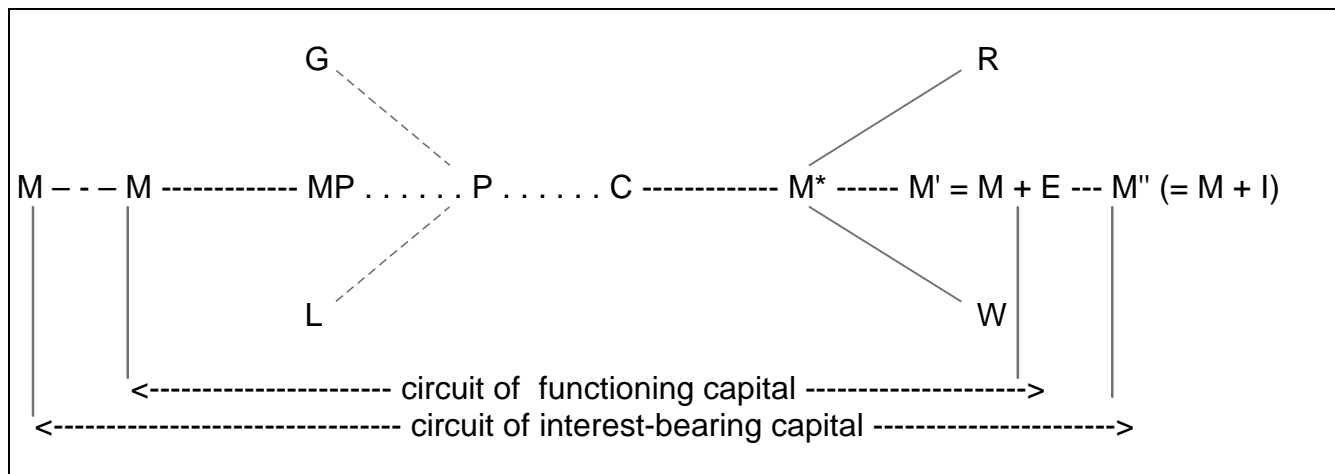
competitive movements within the value-forms developed in the capital-analysis. In the Marxian draft, the concept of profit is extended through the insertion of the analysis of “commercial profit” before the investigation of interest. At the beginning of the section on interest it reads:

With the initial treatment of the general or average-profit-rate (Part II of this book) we did not have the latter before us in its *FINAL SHAPE*, in that the levelling still appeared as a levelling between the *INDUSTRIAL* capitals invested in the various spheres. This was extended in the preceding part, where the participation of commercial capital in this levelling and mercantile profit are discussed. The general rate of profit and average profit presented themselves now in narrower limits than previously. In the progress of the development it is to be borne in mind that, when we continue to speak of the general rate of average profit, then this occurs in the latter version, that is, related to the final shape of the average rate. Since furthermore this is the same for industrial and mercantile capital, it is no longer necessary, insofar as it is a matter of average profit, to distinguish between industrial and commercial profit. Whether capital is invested industrially in the sphere of production or commercially in the sphere of circulation, it yields pro rata its size the same annual profit. (CIII 338; KIII 350)

After this preamble follows, in very condensed form, the determination of interest as a “part of profit” (CIII 339ff;KIII 351ff). In Marx’s presentation it has occurred to us that once again form-analysis is mixed with quantitative determinations, and we have decided to separate these aspects. The quantitative determinations are first to be considered in the competition-analysis (CCF&B-DS §§27, 31). Marx too brings in aspects of competition in his treatment of average profit and the rate of interest, which latter is “decided by the competition as such (and is EHKR) accidental, purely empirical” (CIII 363;KIII 375). The analysis of /420> the interest-form presupposes only the development of a qualitative concept of profit (§23). The development of the details of the movement of capital in time, as executed by Marx in his analysis of capital-circulation (in the second volume of *Capital*) and the subsequent analysis of commercial capital, is not systematically necessary for the analysis of the interest-form. In our reconstruction we have brought Marx’s double treatment of capital circulation (first in the circulation of the “industrial’ capitals in Vol. II and then as commercial in Part IV of Vol.3) together and discuss them after the revenue-form analysis. The latter analysis too, as form-analysis, can be better carried out without the complications that arise in a finer analysis of the circulation of capital (cf. §§45ff).

### §26 Circuits of Interest-Bearing and of Functioning Capital; Fetishism

The movement of money as capital now appears in an external and an inner circuit. The *CIRCUIT OF INTEREST-BEARING CAPITAL* encompasses also the functioning process of capital proper, which from now on is called the *CIRCUIT OF FUNCTIONING CAPITAL*:



where  $M$  is the loaned ( - - - ) money-capital,  $E$  is profit of enterprise retained by the functioning capitalist,  $I$  is the interest paid to the money-capitalist together with the repayment of the loaned money-capital, and the remaining symbols have the same meaning as in §23. The external circuit of capital as interest-bearing capital can be abbreviated to  $M - M''$  wherein the entire mediation of the valorization of capital through value generation by wage-labour is extinguished. As interest-bearing capital, capital appears totally separated from the reproduction process of capital, as an apparently *SELF*-valorizing value which augments itself simply by virtue of the loan relation. With this apparent self-movement of money as capital, capital /421> appears in its most *FETISHISED* form, i.e. as a *POWER* in itself, independent of any mediation with productive activity.

a) The expression ‘functioning capital’ is usually employed as a generic term for industrial and commercial capital as opposed to interest-bearing capital. We restrict the analysis until after the revenue-form analysis to *GROUND-FORM CAPITAL* (RVfA p. 44; §49), as investigated in §§14-23. The determinations developed on the basis of ground-form capital are, from the concept of profit

onwards, open to being employed for both industrial and commercial capital, when, in the following development, ground-form capital is conceptually dissected.

b) *Ursula Pasero* formulates the fetishism of interest-bearing capital as follows:

With the analysis of interest-bearing capital ... the process of independence of capital from material reproduction, its apparent uncoupling from material reproduction, is presented. “In interest-bearing capital, the capital-relation reaches its most external and fetish-like form. We have here  $M - M'$ , money which begets more money, self-valorizing value without the process which mediates the extremes” (CIII 391;KIII 404) ... In the form of interest-bearing capital, capital frees itself in the mode of appearance  $M - M'$  from material reproduction; although even previously material reproduction was not capital’s aim, but merely a means for valorization, now it seems to be completely extinguished. (v. Holt/Pasero/Roth 1974 p. 119)

Naive consciousness, in eschewing any form-concepts, often thinks of capital in the following way:

The mere *FORM* of capital – money which is advanced as a sum  $A$  and returns in a certain period as a sum  $A + 1/x \cdot A$ , without any kind of mediation besides this temporal interval, is the conceptless form of the real movement of capital. (CIII 349;KIII 361)

## **§27 Money-Capitalists and Entrepreneurs; Money-Capitalist and Entrepreneurial Classes**

The *MONEY-CAPITALISTS* are the personifications of the money loaned out for the price of interest to *FUNCTIONING CAPITALISTS*, or *ENTREPRENEURS*. They form a *CLASS* of money-capitalists in the /422> same sense as the landholders form a class (§21), namely, they personify a portion of surplus-value (§13) which has made itself apparently independent with its *OWN* value-form, interest. Even when in reality the two figures, entrepreneur (who receives profit of enterprise) and money-capitalist (who receives interest) coincide in that the entrepreneur operates with his own capital, the gross profit is still divided notionally into interest and profit of enterprise as qualitatively different offspring of capital. To the income which springs from the functioning capitalist’s activity is counterposed the interest-yield of capital, which falls to the mere personification of money-capital, who has no direct role in the reproduction process of capital.

a) The division of gross profit into profit of enterprise and interest and the resulting division of the capitalist class into “two sorts of capitalists” (CIII 370;KIII 383) rest not on subjective conceptions but on the fact

that money-capitalist and productive capitalist really stand counterposed to one another, not only as juridically distinct persons, but as persons who play completely different roles in the reproduction process or in whose hands the same capital really executes a double and completely different movement. (CIII 372;KIII 385)

This “completely different movement” brings forth two distinct value-forms, interest and profit of enterprise. Marx formulates the different roles in the reproduction process also in terms of property differences, although the above quote emphasises that it is not merely a matter of “juridically distinct persons”:

Interest ... thus appears as the portion of raw profit which falls to property in capital as such. In contrast to this, the portion of profit falling to the active capitalist now appears as profit of enterprise, arising exclusively out of the operations or functions which he executes with the capital in the reproduction process... (CIII 374;KIII 387)

We do not employ categories of property on this level of the presentation but reserve this terminology for the competition-analysis, where the individual subjects employ the various economic objects through their own volition as their property /423> (CCF&B-DS Part II). On this level, the important point is the different roles in the reproduction process, and not the distinction between juridical property-owner and non-property-owner. Marx expresses the different roles in a number of variants:

the profit of enterprise appears as exclusive fruit of the functions which he (the functioning capitalist EHKR) performs with the capital, as fruit of the movement and processing of capital, a processing which appears to him as his own activity in contrast to the non-activity, the non-participation of the money-capitalist in the production process. ... capital *outside* the production process, which of itself yields interest, and capital *inside* the production process, which as processing capital yields profit of enterprise. (CIII 374, 375;KIII 387,388)

b) Marx underscores that the division of gross profit into profit of enterprise and interest does not depend on whether the functioning capitalist operates with his own capital or not. He employs the terminology of property in his formulations:

The employer of capital, even when he works with his own capital, falls apart into two persons, the mere property-owner of capital and the employer of capital... (ibid.)

The division is trans-subjective, transcending the mere circumstance of whether in an individual case borrowed or one's own capital is employed. This has a practical significance in the competition-analysis in that for the individual money-capitalist, the choice exists between lending, whereby he becomes a non-participant in the reproduction process drawing interest, or employing the capital himself, in which case he strives for a (profit of enterprise) yield in addition to interest (cf. CIII 377;KIII 390).

c) The distinction between the active participant in the reproduction process and the non-participating money-capitalist paves the way for profit of enterprise to appear as *WAGES OF ENTERPRISE*, whereby the distinction between entrepreneur and labourer becomes blurred (cf. §30A).

The idea thus necessarily comes into his skull that his profit of enterprise, far from building any antagonism with /424> wage-labour or being only unpaid alien labour, is rather itself *WAGES*, wages of superintendence of labour, a higher wage than that of the normal wage-labourer 1. because it is complicated labour and 2. because he himself pays out the wage. (CIII 380.KIII 393)

d) It is to be noted that we, and Marx too in his treatment of interest and the revenue-form, assume that 1. the capitalists fall neatly into two categories, the functioning and the money-capitalists, and that 2. the borrowed money-capital is advanced only for the purchase of means of production. These assumptions are made in order to give an uncomplicated presentation of the fundamental value-forms. In the circulation-analysis (§§35-56) this simple picture will be distorted 1. by the introduction of the concept of additional capital which is not advanced exclusively for means of production and 2. by the systematic development of the bank, which combines determinations of the functioning capitalist and the money-capitalist. The bank arises in the analysis of the credit relations that develop through the interweaving of the circuits of individual capitals. The determination of the class of money-capitalists and of functioning capitalists nevertheless maintains its underlying validity in designating 1. distinct roles in the reproduction process of capital, and 2. distinct forms of appearance of surplus-value.

## **§28 Real and Fictitious Capital; Capitalisation; Rent-Bearing Capital**

A loaned sum of money (*REAL CAPITAL*) yields a sum of money as interest. *CAPITALISATION* is the practical *INVERSION* of this interest-bearing character of money; one proceeds from a regular money income (which does not spring from a real capital) and deduces a *FICTITIOUS*

*CAPITAL* which notionally stands behind the money income as income-source. If this source of income is alienable, then the fictitious capital can assume a real money-form as selling price. In particular, in analogy with the paradigm of interest-bearing capital, rent (§21) constitutes itself as a fictitious *RENT-BEARING CAPITAL* which through practical capitalisation gains the form of the price of land that can be compared with a principal of money-capital. /425>

a) The formation of fictitious capital is called capitalisation.

One capitalises every regularly recurring income by calculating it according to the average rate of interest as the yield which capital would give if lent at this rate of interest. (CIII 466;KIII 484)

Anyone who has a sum of money can lend it as real capital (and receive interest) or use it to procure a fictitious capital (and so receive the money income whose capitalisation results in this fictitious capital). The qualitative distinction becomes blurred by the speculation over quantitative differences in alternative opportunities for investing money.

If the “movement of valorizing value” is understood as the “central theme of the capital-analysis” (Roth in v. Holt... 1974 pp. 192ff), then it is only a small step to highlighting the practically effective interest-fetish in the capitalisation of money-incomes as compared with the other forms of reification of social relations. In money that can buy a source of money-income “capital has attained its most thing-like form, its pure fetish-form” (TSV3 498; TM3 489).

b) Capitalisation of rent:

Rent can be thought of as interest from capital. E.g., if the rent is 20 and the interest rate 5, it can be said that this 20 is the interest of a capital of 400. ... With this the earth is transformed into capital ... And with this, the earth-rent is transformed into capital-interest... The more analytical vulgarians understand that the price of land is nothing other than an expression for the capitalisation of rent. ... They grasp that this capitalisation of rent presupposes rent, that therefore rent cannot be explained on the basis of its own capitalisation. (TSV3 522;TM3 511)

Interest-bearing capital is simultaneously real capital, rent-bearing capital is only a fictitious capital, even though its acquisition costs real money.

c) The categorial difference between the value-forms interest and rent is not always made by natural consciousness and political economy. This occurs not only with the capitalisation of rent, but also with the rent paid out for land which has

been improved by the investment of capital on it. We have already hinted /426> (§22, §22A) how such investments are to be conceptualised. In a notebook “begun middle of February 1876”, Marx writes of the confusion between interest and rent which occurs when ground-rent proper is treated as an interest yield from a capital in the land. He describes how interest on capital becomes ground-rent when the improvement to the land is permanent:

The land, however, bears rent after the investment of capital is made not because capital has been invested in it, but because the capital investment has made the land a more productive field of investment as opposed to previously. ... The rent which is decomposable into interest becomes differential rent too, as soon as the invested capital has been amortised. (CIII 746;KIII 755) /427>

## e) The Revenue-Form

### §29 Elements of the Capitalist Production Process

The entrepreneurs have at their disposal the elements of the capitalist production process (labourer, land, means of production) by virtue of the loan relations they have entered into with the labourers, landholders and money-capitalists, respectively.

This paragraph summarises the development so far. It is to be noted that the use of legal terminology is strictly avoided at this stage. The loan-prices of the elements of production, labourer and land, are economic objects in the same sense as the prices of the industrial commodities. The presentation so far can be summarised as follows: Five value-forms were developed: value of industrial commodities/money, wage, rent, interest and profit of enterprise, and in the train of this development the three elements of production were treated. This development and the numerical relations already make it clear that a simple correspondence between 3 elements of production and 3 revenues cannot be construed (cf. CCF&B-DS §7Ab). The revenue-form analysis (and the later parts of the analysis of the capitalist form of society) does not develop any new forms of value (but rather at most *COMBINATIONS* of these basic value-forms in the circulation- and competition-analysis). In the form of revenue, a common determination of the three value-forms, wage, rent and interest is thematized which conceals the fact, which has been clarified in the course of the systematic argumentation so far, that it is a matter of *DERIVATIVE* forms of value, indeed of “fictitious values”, “imaginary magnitudes” (CI 105;KI 117). Marx however wants to treat this concealment as a *CONSTITUTIVE ILLUSION* of capitalist society.



### **§30 Revenues, Revenue-Sources and the Surface of Capitalist Economy**

The figures standing opposite the entrepreneur have the common characteristic that they all draw a regular remuneration from a loan relation. In spite of all their differences, this enables wages, rent and interest to be subsumed under a generic concept *REVENUES*. Juxtaposed to these revenues is the profit of /428> enterprise as a non-revenue. A step in the direction of the *SURFACE* of capitalist economy is taken in attributing the revenues to three *REVENUE-SOURCES*, whereby each revenue springs from its own source. The double character of the labour-process is then presented as the separate existence of the three revenue-sources (labourer, land, money-capital) on the one hand, and the functioning labour process on the other (from which flows the non-revenue, profit of enterprise). The flow of these money streams is of course conditioned by the successful interaction of the three elements of production in the production process, and by the validation of this productive activity *as* value-generating by the realized value-form of the product. In the revenues, however, this validation is already presupposed.

In that each revenue springs from its own revenue-source, the further question can be posed whether each revenue can be conceived of as flowing from a fictitious capital. Marx calls “interest-bearing capital as such the mother of all crazy forms”. We have seen (§28) that the revenue-source land can be capitalised. If however,

wages are conceived of as interest and thus labour-power as capital which yields this interest, then two circumstances crop up which contradict this thoughtless idea: firstly, that the labourer has to labour to obtain this interest and secondly, that s/he cannot cash in the capital-value of his/her labour-power. (CIII 465;KIII 483f) The craziness of the capitalist way of thinking here reaches its peak in that instead of explaining the valorization of capital out of the exploitation of labour-power, on the contrary the productivity of labour-power is explained by saying that labour-power itself is this mystical thing, interest-bearing capital.” (CIII 465;KIII 483)

The source of wages is not ‘capital’ but – and here we refer to the everyday notion that expresses the standpoint of the revenue recipient – ‘labour’. Although wage, in the analysis of the production process, was conceptualised as the loan-price for

placing the labourer's labour-power at the capitalist's disposal, for the loaner of this element of production, this placing-at-disposal is blurred with his/her activity in the functioning /429> capitalist's labour process, i.e. with his/her 'labour'. 'Labour' is here reduced to mere individual activity and thus distorts the conception of the labour process. 'Capital' (as sum of money) and 'labour' (as activity) thus appear as the sources of revenue to unreflecting consciousness. Of the triad of revenue-sources, one is a real capital, one a fictitious capital, and one neither a real nor a fictitious capital. The labourer cannot be regarded as a fictitious capital if one feature of capitalisation must be the real existence of the selling price of the revenue-source (as real sum of money-'capital'). Rather, the labourer is source of revenue. In everyday understanding, this is vulgarised to 'labour' as revenue-source. This vulgarisation enables a conflation of the distinction between labourer and entrepreneur (cf. §27Ac). When activity in the labour process becomes the hallmark of a revenue-source, the functioning capitalist just as much as the wage-labourer seems to be a labourer, who draws wages of enterprise from his activity. Starting from the splitting of the capitalist into "two sorts of capitalist", Marx argues for the illusory appearance of the functioning capitalist as labourer in an unsatisfactory way:

Capital itself is split. Insofar as it is presupposition of capitalist production, insofar as it expresses a specific social relation, it realises itself in interest. Its character as capital is realised in interest. On the other hand, insofar as it functions in the process, the process seems to be separated from its specifically capitalist character, from its specific social determinacy – as mere labour process as such. Insofar as the capitalist intervenes in it, he intervenes not as capitalist, since this its character is discounted in interest, but as functionary of the labour process *sans phrase*, as labourer, and his wage presents itself in industrial profit (Marx's term for profit of enterprise at that time EHKR). It is a particular mode of labour – labour of direction – but the modes of labour are in principle different from one another. (TSV3 493;TM3 484)

It is not a matter of the capitalist labour process appearing as a form-indeterminate labour process (since the capitalist character /430> of the labour process appears just as much in the form of wages as in the form of interest) but of the 'forgetting' of determinations of wage-labour, so that productive activity per se appears as wage-labour. In spite of this conflation of the roles of labourer and entrepreneur in everyday consciousness, our presentation holds on to the distinction between the roles of the two character-masks and thus also to the distinction between wage as revenue and profit of enterprise as non-revenue. This distinction will be important in developing the category of 'competition subject' at the beginning of the competition-analysis (cf. CCF&B-DS §§11ff).

### §31 Forms of Distribution of Value; Inversion: Revenues as Components of Value

The revenues correspond to portions of the realized commodity value, since they are paid out of the proceeds of sale of the commodity-product of the production process. They can thus be conceived as *FORMS OF DISTRIBUTION* of value. The connection of the revenues with the revenue-sources however constitutes another relation. The derived value-forms (wage, rent, interest) appear in this relation not as portions of value, but as money sums which stem from three different money-sources. In the wage-relation, the labourer is a source of revenue. The mediating steps are extinguished in the attribution of the revenue to its revenue-source. The revenues thus become apparent *CONSTITUTIVE COMPONENTS* of the commodity value. The revenue-sources/revenues are herein primary and the price/value of the commodity-product is a composite of revenues, advanced capital and profit of enterprise, and thus secondary. The practical presupposition (§30) of the revenues as guaranteed is thus theoretically employed to negate the role of the value-form, as *exchange-relation* in the very constitution of the value-substance.

Marx criticises Adam Smith for vacillating between the “esoteric” position of the labour theory of value and the “completely false doctrine” that the commodity-value can be decomposed into the prices of the elements of production. With the fetishism of the revenue-sources as *sources* of value, a further difference between the labour theory of value and value-form analysis makes itself felt. For the former, the mystifying character of the revenue-/431>form lies in the fact that it appears that the exchange-value (price) of the commodity-product is determined by the summation of the revenue-components, plus a margin for the entrepreneur. The labour theory of value asserts on the contrary that it is the (socially necessary) labour content *alone* which determines the commodity’s value, and consequently also its exchange-value. By sleight of hand, labour is identified with the labourers’ activity, independently of the other elements of labour:<sup>22</sup> The relation of the essence to its mystification is understood as that of labourer as the *sole* source of value (whereby the other elements of production do not create any value) to a conception whereby all elements of production create value. This, however, cannot be the point of the fetishism, because the labourer, as *single* factor of the production process, cannot produce a product nor generate value; labour is always the working-together of *all*

*three* elements of production. The value theory cannot be a matter of singling out one element of production as value-creator and neglecting the others. For value-form analysis, by contrast, it is not a matter of attributing a ‘source’ of the commodity’s value, or exchange-value, solely to labour as opposed to disparate ‘revenue-sources of value’ (which is a completely irrational expression), but rather it is a matter of the mystification of the commodity as representation of social labour by the appearance that the commodity-price is composed of the prices of the various elements of production; i.e. the commodity-price is no longer, as at the beginning of the presentation (§§1ff), conceived as value-form, as the social form as-sociating labour, but is decomposed simply into other prices. In this sense, the revenue-form analysis is analysis of the surface in that the connection to the value-association of dissociated labours is dissolved in favour of circular relations between factor-prices and product-price. The value-form analysis breaks this circle.

### **§32 The Troika Formula**

The triad of revenue-sources is to be distinguished from the triad of elements of production. This difference is brought about by money-capital, which must first be transformed into means of production (instruments of labour, raw materials, /432> subsidiary materials) through the purchase of industrial commodities before the third element of production can stand, beside the labourers and land, at the functioning capitalist’s disposal. Thus it is not a matter of an unholy trinity, as the various versions and expositions of the “trinity formula” suggest, but of an economic *QUADRUPLE* of income-earners. This quadruple is not symmetrical, because the entrepreneur has a special role; rather, a *TROIKA FORMULA* is appropriate, in which the entrepreneur moves with three horses which he has harnessed and steers forward toward monetary rewards.

#### **On the Secondary Literature to the Revenue-Form Analysis**

The critique of Marx’s presentation of the “level of the revenues” sketched in CCF&B-DS §7Ab is applicable to the same extent to both the text “Revenue and its Sources”, dated October-November 1862 (in TM3 445-528 and 604, TSV3 453-540), and the last part of the 1864-65 draft of the third volume of *Capital*. One could expect that the secondary literature to *Capital* would have critically investigated this level of the analysis.

The 677 page strong “Commentary on the Theories of Surplus-Value” published by the *West Berlin Project Group ‘Entwicklung des Marxschen Systems’* (W. Berlin 1975) under the apposite title *The Fourth Volume of Capital?* first paraphrases Marxian formulations on interest and profit of enterprise (pp. 611f) and then returns to passages from the 1861-63 draft in discussing the question, to what extent the functioning capitalist receives wages as part of the productive collective labourer. They come to the conclusion:

However, even putting aside this aspect, where the capitalist himself plays an active role in the labour process, even the part of the proceeds which the capitalist receives for performing functions arising from the class antagonism within the valorization process is a component of variable capital. (p. 612)

Here we have a statement which asserts that, behind the appearance of profit of enterprise as wages of enterprise, lies a transformation of surplus-value into variable capital! This interpretation stands in crass contradiction to Marx’s treatment of the functioning /433> capitalist’s role, viewed as director of the labour process and insofar as member of the collective labourer:

The original determination of productive labour given above, derived from the nature of material production itself (CI 176; KI 196) always remains true for the collective labourer when viewed as a whole. But it is no longer valid for every one of its members viewed in isolation. ... Only that labourer is productive who produces surplus-value for the capitalist. (CI 477; KI 531f)

The original of the great draft of 1861-63, to date only partially published, is in Moscow. *Vitali S. Wygodski*, who has worked at the Moscow Marx-Engels-Institute (today: Institute for Marxism-Leninism), has designated the period 1850-1863 as particularly important in his book *Geschichte einer grossen Entdeckung* (German 1967, Russian original Moscow 1965). He does not treat the revenue-form analysis. Wygodski’s next work, *Wie ‘Das Kapital’ entstand* (Moscow 1970, Frankfurt 1976), described by him as the “direct continuation” (p. 11) of the first book, provides an extensive appreciation of the second draft of *Capital* (1861-63). In the chronological table of Marx’s work on the *Theories of Surplus Value* (ibid. p. 93), the period “October-November 1862” is left blank. Marx’s Notebook XV is treated without mention of the fact that the first version of the revenue-form analysis is contained in it. In his discussion of the third draft (ibid. p. 92) of *Capital* (1863-65), which contains “the only variant of the third volume”, Wygodski passes over the revenues and wraps the topic up in two sentences without problematising it and with a one-sided emphasis on “the interest of the ruling classes” (ibid. p. 122).

*Roman Rosdolsky*, who worked in the Marx-Engels Institute in Moscow from 1927 to 1931 and who was probably acquainted with the “Rough Draft of *Capital*

1857-1858” from the time of its preparation for the press, treats “The ‘Trinity Formula’ of bourgeois economy” (Rosdolsky 1968 pp. 46-49 German edition) in his *The Making of Marx’s ‘Capital’* (Ms. completed 1955). He comments on passages in *Theories of Surplus Value* Part 3 and *Capital* Vol. 3 whereby the stress is laid on the question as to the significance of the “forms of distribution” as opposed to the forms of production. /434> In the concluding part “The Three Fundamental Social Classes” (Rosdolsky 1968 pp. 49-54), the differing significance of the capitalist and the landowner is emphasised. He restricts the capitalist to the entrepreneur, and does not mention that a good part of Marx’s polemic against the landlord can be carried over to the money-capitalist.

*Ernest Mandel*, who speaks very highly of Rosdolsky (Mandel 1971 pp. 68, 101) in his book *The Formation of The Economic Thought of Karl Marx* (New York 1971), ignores the revenue-form analysis, even in his very extensive chapter on alienation. This is also the case for almost all of the secondary literature on Marx discussed and criticised by Mandel.

*Helmut Reichelt* refers in a substantial way to Rosdolsky in his *Zur Logischen Struktur des Kapitalbegriffs bei Karl Marx* (Frankfurt/Main 1970). Here, at the beginning of the decade which was to give rise to the German ‘State-derivation debate’, there is a stimulating discussion of the forms of appearance of capitalist relations of production on the surface, the level of the revenues. Reichelt stresses the trinity formula as the “starting-point of the science of political economy” (ibid. p. 88) and its critique as the conclusion of *Capital*. The striking feature of the cited variant of this formula, “capital – interest ... interest (instead of profit)”, the existence of other variants of the formula, as well as the flaws in Marx’s “analysis of the surface structure of capital” (ibid. p. 88) are not examined by Reichelt.

The Erlangen group, *Marxistische Gruppe/Theoriefraktion*, stimulated by Rosdolsky and Reichelt, as well as by their local intellectual climate, undertakes an attempt at interpreting the revenue-form analysis as a hinge which links the capital-analysis with the state-analysis (in *Cirkular 3* Erlangen, 1972). Reichelt had already programmatically formulated:

They (the forms of the surface EHKR) seal ... the theoretical capitulation before the structure of the ‘doubling of all elements into civil and state elements’, as it is called in the early works. (Reichelt op. cit. p. 92)

The MG Erlangen practically attempts an extension of Marx’s fragment. /435> The treatment of the “three sources of revenue” is over a page long and paraphrases some of Marx’s argumentation in CIII 822-826; KIII 830-834. Then follow ten pages of systematic development of terms such as “private property”, “freedom of choice”, “understanding”, “universal interest”, “competition over distribution”, “coalition of

interests”, “classes” and “universal well-being”. There follow a further seven pages on “the specific characteristics of the revenue-source labour” and on bourgeois labourers’ consciousness (the labourers’ revenue-interests). The last four pages are devoted to the relation between the revenue-form and the state. At the beginning of their paper the MG Erlangen writes:

With the development of the ‘trinity formula’ at the end of the third volume of *Capital*, Karl Marx reaches the surface of capitalist society, where ‘the reification of social relations completes the immediate conflation of the material relations of production with their historical-social specificity’ (CIII 830;K1II 838). (ibid. p. 3)

Not disturbed by the weak points in Marx’s treatment, they write once more a few lines later:

Capital and landed property coincide with their material existence as means of production (and money, which can be transformed into means of production at any time),

as if this corrected the flaws.

In basing themselves on Erlangen discussions, *Flatow and Huisken* (1973) also propose the “level of revenues” as a summary of *Capital* in the “present discussion of an historical-materialist concept of the bourgeois state” (F&H 1973 p. 8). The revenue-form analysis proper is summarised in two pages, the functioning capitalist is identified with the labourer without further ado (ibid. pp. 102, 104), and income is identified with revenue.

Capital is no longer a social relation but only a produced means of production. (ibid.)

But how can the material form of the revenue-source loan-capital be understood as produced means of production? Instead of a closer discussion of the undeniable “difficulty” of the transition from “capital outside the production process to capital inside the production process” (ibid. p. 102) there follows the laconic /436> remark:

The money which functions as a means for the exchange against means of production does not have to be specially considered here. (ibid. p. 105)

At least they thought of it. Again, the weaknesses in Marx’s presentation remain untouched.

In *Oberfläche und Staat* (1974) the *Projekt Klassenanalyse* (PKA) criticises the texts by the MG Erlangen and Flatow/Huisken. They give a very extensive treatment of the ‘surface’ and distinguish between the level of simple commodity circulation and the level of the revenue-form of value. Their *Materialien zur Klassenstruktur der B.R.D. 1. Teil. Theoretische Grundlagen und Kritiken* (1973) contain a rather

confused discussion of profit of enterprise (ibid. p. 36) in which five kinds of income occur: the three “costs of the factors of production” (presumably wages, rent, interest) as well as wages of enterprise (in all cases) and profit of enterprise (in exceptional cases). Here the trinity formula is implicitly superseded, which however does not lead the PKA to criticise Marx’s construction (cited ibid. p. 51) of the coincidence of the revenue-sources and the elements of production.

The *Arbeitskonferenz München* (later: *Marxistische Gruppe*) raises the following question in the first number of its *Resultate* (September 1974): “Why do Marxists fail in their attempt to explain the bourgeois state?”, and criticises Bischoff (PKA) as well as Flatow/Huisken, among others. In its critique of Flatow/Huisken, the MG approves of their proposed starting-point with the “surface of bourgeois society” (1974 p. 150), which is further characterised as the level where “the individuals purposefully and consciously act with their revenue-sources (the last category of *Capital*) and that this activity presents autonomous forms which have to be analysed. ... Since however they (F&H EHKR) are concerned with the state, they carry out no analysis of the competition, but rather restrict themselves to its universal forms” (ibid.). The MG has never published an analysis of the competition in which the revenue-form analysis figures (cf. CCF&B-DS §74Ae). /437>

### §33 The Four Classes

The quadruple of character-masks, brought together through loan relations enabling the capitalist production process to come into being, forms the basis for the *FOUR CLASSES* of the capitalist mode of production. The four classes correspond to the four distinctive roles of the agents in bringing about the production process, which in turn correspond to four distinct forms of value.

a) “On the surface everything appears upside-down.” With regard to the class division as it appears on the surface, this inversion has the following effect: in the analysis of the essence there are two classes – the class of the exploiter of surplus-value (and here “the capitalist represents all the participants in the booty”; CI 530;KI 590), and the working class. In the analysis of the surface there are four classes, because in the meantime the (residual; cf. §17) surplus-value has been decomposed into three parts (profit of enterprise, rent and interest). This has the consequence, however, that the fundamental class antagonism disappears behind the various class differences, that is, in their plurality. One flaw in this superficial inviting picture of all-round competition is the different possibilities of capitalisation already referred to in §30A. The fundamental split into two classes appears from this standpoint as an antagonism between the “propertied classes” (the



rich) and the working class (the poor). Even this dualism is retracted insofar as the working class and the class of functioning capitalists appear as those living *FROM THEIR ACTIVITY* as opposed to the two non-active classes of landholders and money-capitalists. As we have seen in the analysis of the production process (§§14ff), the fundamental class antagonism rests in the domination of the labour process by the process of capital. On the surface this objective contradiction appears as the opposition between social groups.

b) The class structure revealed on the level of the revenue-form analysis rests on the four economic character-masks who appear as functionaries or precondition of the capitalist production process rewarded by four kinds of *income*. This fourfold distinction will become increasingly blurred on later levels of the analysis, where the various economic roles merge into one another. This first occurs in the circulation-analysis /438> where the bank is introduced. The money-capitalists then split into the active financiers in the bank, on the one hand, and, on the other, the inactive depositors, who in turn comprise in varying degrees members of all classes. Further blurring happens in the competition-analysis with the development of the concept of the share company and concomitantly, of the manager, where the categories of entrepreneur and labourer merge into one another (cf. CCF&B-DS §§36, 53). In addition, various combinations arise where the same individual combines several economic roles, e.g. where the entrepreneur operates with his own money-capital or land. Marx himself refers to this coincidence of economic roles in mentioning the “class structure” (CIII 885;KIII 892) of nineteenth century Britain, where “middle and transition levels even here confuse ... the boundaries everywhere.” (ibid.) A final dissolution of class-analysis takes place with the analysis of state, where social roles arise (e.g. state official) which are not directly a part of capitalist economy and where all the members of society are treated as abstract equals, as persons, by the state.

### **§34 Everyday Consciousness as Fetishistic Reasoning**

The analysis of the revenue-form of the value-forms occupies itself with characteristic features of capitalist reality which have the effect that, to the participants in capitalist economy, the connection presented in the analysis of the commodity and of capitalist production does not appear as such. Critical systematic thinking claims with this development to have demonstrated – by unfolding the presentation in a dialogue – that normal everyday consciousness is a modern *FETISHISTIC KIND OF REASONING*. One can thus make a broad distinction within the systematic presentation between the ‘analysis of

the essence' contained in §§1-23) and the 'surface' which hides this essence but simultaneously realises it. With the revenue-form analysis only one characteristic of this surface has been explicated. Further characteristics will be conceptualised in the analysis of the developed circulation (§§35-64) and in the analysis of capitalist competition (CCF&B-DS Parts II and III). /439>

a) The reader will have noticed that the systematic place of the revenue-form analysis here differs from that given to it by Marx in the 1864-65 draft of Vol. 3. To us it seems appropriate to treat the revenue-form of the value-forms directly after their development in the analysis of capitalist production, in which we have treated the value-forms of all three elements of production. The revenue-form 'summary' of the analysis of value-forms is presentable on the basis of a simple circuit of capital, as depicted in the diagram in §26, without the complications that arise when capital is divided and employed as additional capital. Marx too reverts to this level in formulating his 'trinity formula' in Part VII of Vol. 3.

b) One should not confuse the revenue-form with revenue understood as that part of surplus-value consumed individually. In *Capital* Vol. 1 Chapter 24 'Transformation of Surplus-Value into Capital' Section 3 'Division of Surplus-Value into Capital and Revenue. The Abstinence Theory', revenue is viewed explicitly as that part of surplus-value which the capitalist consumes in individual consumption, in the same way as the labourer's wage is revenue for his/her personal consumption. Marx mentions the double usage of the term "revenue":

... the word revenue is used in a double sense, firstly to designate surplus-value as a fruit springing periodically from capital, secondly to designate that part of the fruit which is periodically consumed by the capitalist. ... I retain this double usage... (CI 554 n. 2; KI 618 p. 33) /440>

## **f) The Circulation Process of Capital**

### **§35 Production and Circulation Time; Commodity-, Money- and Productive Capital; Stages in the Circuit of Capital**

The movement of valorization developed in §23 and further determined in §26 is taken up again. In doing so, it will now be taken into consideration that this movement requires time. Apart from the *PRODUCTION TIME*, the time for the material production of a unit commodity, there is also the *CIRCULATION TIME*, i.e. the time

required for the acts of circulation: for transformations of money into commodities and of commodities into money. During the *CIRCULATION PERIOD* commodities and money are the garb of capital, namely, *COMMODITY-CAPITAL* and *MONEY-CAPITAL* (as distinct from interest-bearing money-capital in §§24-28), respectively. During the *PRODUCTION PERIOD*, as means of production, capital assumes the shape of *PRODUCTIVE CAPITAL*. The stages of productive capital, commodity-capital, money-capital, productive capital,... follow as results out of each other and thus constitute the *STAGES IN THE CIRCUIT OF CAPITAL*. The other elements of production, labourers and land, are drawn into the circuit of capital as necessary complementary components to capital's existence as productive capital. The hiring of labourers and land, and the payment of wages and rent, are second-order acts of circulation complementing the first-order value-form transformations of money into commodities and vice-versa. The borrowing of money-capital and its repayment, together with interest, belong to the stage of money-capital.

a) The stages of capital circulation are introduced here from the viewpoint of production. The circulation process is initially determined as immediate extension of the concept of capitalist commodity production. Further below (§§40ff) we will see that with the concepts commodity-capital and money-capital, the existence of capital in the sphere of circulation is not sufficiently well characterised. In the shape of circulation capital (§41), the existence of capital in the sphere of circulation assumes an apparently independent form. This, in turn, provides the basis for the attribution of the functions of capital in each of its stages to independent types of capital (§49): industrial capital, commodity-dealing capital and money-dealing capital. /441>

b) The entire analysis of circulation and reproduction carried out in the following paragraphs is independent of the labour theory of value. In particular, it is not presupposed, as Marx does in Vol. 2, that prices are proportional to labour-content 'values'. Throughout the analysis it is a matter of reconstructing a strictly value-form analytic line of argumentation, which is to be found in Marx mixed with a line based on the classical labour theory of value (cf. §4). Marx writes at the beginning of Vol. 2:

In order to conceive the forms in their pure state, it is necessary to initially abstract from all moments which do not have anything to do with the change and formation of form as such. It is therefore assumed here, not only that the commodities are sold at their values (which is self-evident for a value-form

analytic reading EHKR), but also that this occurs under unchanging circumstances. Thus changes in value which arise during the circuit process are also neglected. (CII 26;KII 32.; cf. §§44f in relation to the second part of this assumption.)

The assumption of presentation that “the commodities are sold at their values” is, within the labour theory of value line of argumentation, important for Marx as an indirect reference to the “transformation of value into prices of production” of Vol. 3. That this topic is loaded with problems is shown by the extensive debate around the ‘transformation problem’.<sup>23</sup> The value-form analytic critique of the labour theory of value also, as a convenient corollary, dissolves the transformation problem, since the magnitude of value cannot be determined independently of the value-form.

### **§36 Division of Capital; Spheres of Capital; Turnover<sup>1</sup>**

The recurring movement of valorization of capital had continuity in the production process so long as the circulation period was neglected. This continuity is interrupted on this level through the incorporation of the circulation period into the analysis. Continuity of production can now only be achieved by conceiving the movement of capital not as a single circuit of valorization, but as several circuits with an appropriate phase displacement, i.e. a *DIVISION OF CAPITAL* is necessary. The succession of stages of capital is thus mediated by a contiguity of *SPHERES OF CAPITAL* in which parts of capital sojourn in their movement from stage to /442> stage. The number of circuits necessary to mediate the total circuit of capital with continuity of production depends on the units in which the commodity-product circulates and on the ratio of the duration of a single circuit (*TURNOVER TIME*) to the time of production. The time of production is defined as the average duration of a commodity-product’s stay in the production process. The time of circulation is defined analogously. The time of production and time of circulation taken together make up the duration of a circuit, i.e. the turnover time.

**§37 Number of Parts of Capital**

The stage of money-capital for one circuit can be drawn out by the circumstance that the productive stage for another circuit has not yet finished. The money-capital must then be held in the wings awaiting its entrance onto the stage of productive capital. There arises thereby a *LATENCY* of money-capital, where the commodity-capital has already been transformed into money, all payments have been made with these proceeds, and new means of production could be bought but for the fact that they are not yet required in the production process. This latency in money-form could be changed into a latency of productive capital if stockpiles of raw materials, etc. were built up. We can speak of a *LATENCY OF (MONEY OR PRODUCTIVE) CAPITAL* which arises out of the division of capital (§36) into a number of circuits in order to achieve continuity of the production process. If the production and circulation periods are first defined independently of this latency, i.e. in terms of their length when only one circuit of capital is considered, and the ratio of the circulation period to the production period is  $x$ , then a latency in the sense described here results if and only if  $x$  is non-integral. If  $x$  is integral, then the number of circuits is given by  $x + 1$ . For example, if  $x = 2$ , then there are three parts of capital in three circuits, which can be depicted as follows:

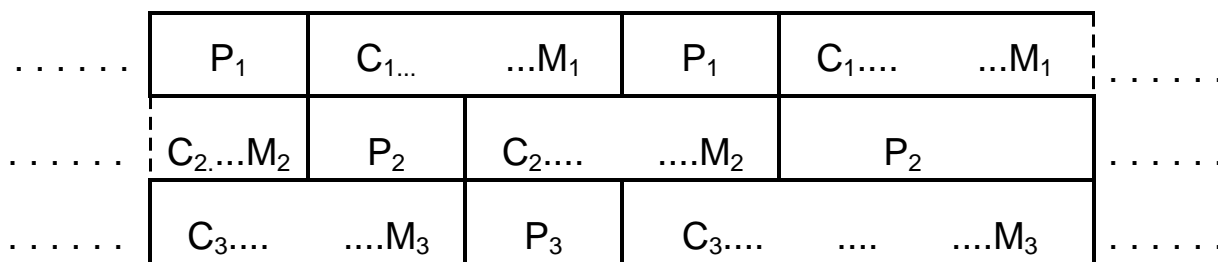


Fig. 1 /443>

If the ratio  $x$  is non-integral, then the number of circuits is equal to  $\underline{x} + 1$ , where  $\underline{x}$  is the smallest integer greater than  $x$ . For example, if  $x = 1.5$ , the number of circuits is again equal to 3, and capital lies latent in awaiting its employment in the production process. Thus:

.....	P <sub>1</sub>	C <sub>1..M<sub>1</sub></sub>		P <sub>1</sub>	C <sub>1.....</sub>	.....M <sub>1</sub>	.....	
.....	C <sub>2..M<sub>2</sub></sub>		P <sub>2</sub>	C <sub>2.....</sub>	.....M <sub>2</sub>		P <sub>2</sub>	.....
.....	C <sub>3.....</sub>	.....M <sub>3</sub>		P <sub>3</sub>	C <sub>3.....</sub>	.....M <sub>3</sub>		.....

where shading indicates latency and .... indicates gradual transformation of commodity-form into money-form and vice versa

Fig. 2

The significance of the continuity of the production process will be discussed in connection with fixed capital (cf. §38). Restrictions of capital valorization arising from the existence of capital as circulation capital (§41) will be discussed once the costs of circulation have been introduced (cf. §§42, 48).

### **§38 Fixed Capital; Resting and Circulating Fixed Capital; Latent Capital; Depreciation Fund; Circulating Capital**

After the production period, not the whole capital in the productive stage passes over into the circulation sphere. A part of the productive capital that was not fully productively consumed in the one production period remains in the sphere of production. That part of capital which does not circulate *en bloc* with the commodity-product through the various stages of capital, but gradually, is called *FIXED CAPITAL*. The part of fixed capital remaining in the sphere of production after a production period is called *RESTING FIXED CAPITAL*, as opposed to that part of the fixed capital that circulates with the product (as old-value; cf. §18) and which we call *CIRCULATING FIXED CAPITAL*. The circulating fixed capital which has been realised in money cannot immediately enter the production sphere again, due to the incomplete consumption of the fixed capital. It remains instead fixed in the stage of money-capital as *LATENT CAPITAL* and forms a *DEPRECIATION FUND* for fixed capital. Corresponding to the diminution of the resting fixed capital, the depreciation fund increases until finally the accumulated money is used to replace the depreciated machinery (or similar) in the sphere of production. The complement to fixed

capital is *CIRCULATING CAPITAL*, i.e. that part of capital which circulates *en bloc* with the commodity-product. In the stage of commodity-capital, circulating capital comprises the old-value of the means of production which have been wholly consumed in the immediately preceding production period (roughly speaking, the raw and subsidiary materials), together with the new-value generated in this production period.

a) With the development of the concept of fixed capital, the assumption introduced in §18, namely, that “the entire means of production are consumed during the production process”, is relaxed. The concept of old-value (§18), defined as the value-component of the commodity-product covering the advance for means of production, must also be modified. The labour embodied in fixed capital is subjected directly to the value-form when it is purchased before entry into the production process. A further *indirect* acknowledgement of this same labour occurs every time products produced with the fixed capital are sold; the sale price is an acknowledgement, or social validation, of labour performed with definite means of production, and in particular, with definite fixed capital. The realisation of circulating fixed capital in money-form happens gradually. By the time the fixed capital in the production process has been entirely consumed, there should be enough money accumulated in the depreciation fund to replace it. There is no way of strictly determining with each turnover the proportion of old-value for fixed capital in the sale price of commodity-products. It is usual however to distribute the old-value realisation of fixed capital in money-form evenly over the total period of functioning (the ‘lifetime’) of the fixed capital. Discrepancies between ideal calculations for depreciation of fixed capital and factual value-form relations actually realised, inherent in the value-form itself. will be examined below (§44).

b) The latency of capital is an important theme in the following development. One must distinguish between two kinds of latency: material latency and money latency. The material latency of capital (idle productive capital) can be minimised, e.g. by continuity of production (so that the fixed capital is not temporarily laid idle). This continuity of production, however, requires /445> a certain degree of material latency of circulating capital (stockpiled raw materials) which, in turn, can be minimised by phasing the purchases (more frequent but smaller purchases). This means partly however only that the shape of the latency is changed, from material to money-form. We thus have the paradoxical result that the circuit of valorization of capital necessarily produces latent, presently non-valorizing capital. In particular, this means for money that the movement from money to more money necessarily presupposes and generates money which is not immediately participating in the

valorization movement. In §§46, 48 it will become clear why every latency is a hindrance to the valorization of capital. Whereas a certain extent of material latency (e.g. unsold commodities) hinders an individual capital's valorization, for latent money-capital the possibility exists that, via the banking system (§§53, 56), it can participate in the aggregate social valorization.

### **§39 Original Capital<sup>1</sup>; Additional Capital<sup>1</sup>; Continuous and Discrete Products**

The distinction between fixed and circulating capital demands a refinement of the analysis of how the continuity of production is maintained by a division of capital. If production ceases for a time, then the resting fixed capital (§38) is forced to lie idle. In setting up a production process, an *ORIGINAL CAPITAL* is required to purchase the fixed capital and the circulating capital for the first production period (§35). When the commodity-product emerges from this first production period, an *ADDITIONAL CAPITAL* is required to keep the production process functioning. This additional capital will be smaller than the original capital, since the fixed capital does not have to be replaced after one production period. Further additional capitals may be required, depending on the ratio of the circulation period to the production period. Whereas in §37 the division of capital was a division into circuits of equal magnitude, now they can vary in magnitude. The schedule of advances is further complicated when the assumption is relaxed that the capital for a production period is advanced all at once. Circulating capital, including payments of wages, may be advanced gradually during the production period in a number of stages, depending on when the production process requires that specific means are set into motion. To advance productive capital all at once would be to create a latency of capital in productive form. As remarked in §38Ab, it is more favourable to have a latency of capital in money-form. The piecewise advance of capital upsets the simple picture of a division of capital according to the ratio of the production period to the circulation period. Instead, capital is divided into a number of unequal parts with an irregular schedule as to when they are to be advanced.



The concept of original capital is not explicitly defined by Marx (cf. CII 263;KII 262). In Chapter 15, on “The Effect of the Turnover Time on the Magnitude of the Capital Advance”, he speaks of additional capital (*Zuschusskapital* CII 266;KII 265). The chapter itself treats in detail the division of capital (§36) necessary for continuity of production under the assumption that the entire capital consists of circulating capital (CII 261;KII 260). This assumption is made, although the distinction between fixed and circulating capital is introduced already in the eighth chapter. We take this as a justification for reversing the order of treatment of the topics ‘division of capital’ (§36) and ‘fixed and circulating capital’ (§38) from Marx’s ordering.

#### **§40 Labour of Circulation; Unproductive Labour; Circulation Labourers**

The circulation sphere demands not only time for the valorizing capital to pass through it, but also the performance of *LABOUR OF CIRCULATION* by wage-labourers. This labour, which is related strictly to the change of value-form, from money to commodity and vice versa, or to establishing or maintaining loan relations, of whatever type, produces no industrial commodity and is thus non-value-producing, i.e. in this sense *UNPRODUCTIVE LABOUR*. Unproductive labour is nevertheless a necessary adjunct to productive labour. It is labour which always involves the handling of money. The wages paid to the *CIRCULATION LABOURERS* are thus a deduction from surplus-value (i.e. are not part of the necessary value (§14) generated in the production process). The activities of transportation and storage of commodities fall into a special class in that they mediate the production of the material product with its ultimate consumption. At the same time, they are not the activities of value-form transformation, i.e. of buying and selling, even though they are intimately bound up with value-form transformations, e.g. the commodity is transported to its buyer, or, the unsold commodity must be stored until its sale. One can view the matter as follows: the production of a commodity is not completed until it is sold. When a commodity is sold, the sale price may include transportation and storage of the commodity. This holds even if the commodity still has to be delivered or stored for a period by the selling capitalist. The labour acknowledged in the sale price thus includes

transportation and storage labour performed by the selling capitalist. The activities of transportation and storage of the produced product, which is now offered for sale on the market, although productive activities, are reckoned as occurring in the circulation period, to avoid a double counting of circulation and production time where they overlap. Marx writes of the transportation industry:

It appears as a continuation of the production process within the circulation process and for the circulation process. (CII 155;KII 153)

The buyer can be either a capitalist or an individual consumer. In the latter case, the further processes which the sold commodity goes through fall outside the scope of analysis, which is concerned solely with the production and circulation of capital. Do-it-yourself transportation and storage performed by private individuals is not value-generating. When the buyer is a capitalist, labour of transportation and storage of purchased means of production, when performed by the buying capitalist's wage-labourers, belong to the buying capitalist's production process. If means of circulation (§41) are purchased, their transportation and storage is unproductive labour. So understood, transportation and storage are commodity-productive activities which "add a space-time index to commodity production, i.e. commodities must be consumed and this requires transportation and supply formation". (Eldred/Roth 1978 p. 95) The productiveness of supply-formation (stockpiles, inventory), as opposed to that of transportation (cf. CII 152ff;KII 150ff), is not treated unambiguously by Marx. On the one hand Marx distinguishes costs of storage from pure circulation costs in that /448> they contribute to a certain extent to the value of the commodities, and thus make the commodity more expensive. (CII 141;KII 140)

The labour of storage is required for the "maintenance of the value" (CII 142;KII 141) of a commodity in that the commodity's use-value is preserved. On the other hand, Marx argues that costs of storage which result from the "duration of the transformation of existing values from commodity-form into money-form, that is, which arise only from a specific social form of the social production process" (CII 142;KII 140f), are pure unproductive costs of circulation. A few pages later (CII 151;KII 149) the same argument recurs, where Marx seeks to distinguish between normal and abnormal formation of supply. Normal supply formation is that supply of commodities which would be socially necessary, even when the products of labour did not assume commodity form. Abnormal supply formation, by contrast, only occurs when commodities cannot be sold, i.e. when a glut of some sort occurs. In our view this distinction is incoherent, since the form-indeterminate category of "supply-formation" in societies in general cannot be specified. Instead, we make the

distinction between pure unproductive circulation costs, and productive storage and transportation on the basis of transformation of commodity-form into money-form and vice versa, so that unproductive activities and costs always involve the *handling of money*. The question cannot be decided by asking which costs go into the selling price of the commodity. This is the purely external, conceptless standpoint of profit-making, which is valid also for commercial capital (cf. §49), and is therefore of no use for the question at hand. It is equally impossible to make a categorial difference between an epochal category circulation labour and an imagined transepochnal notion of socially necessary storage labour. The latter is not grounded in everyday consciousness, and cannot be developed therefrom.

The continuity of production demands either that the capitalist has a stockpile of circulating capital to hand or that he can readily obtain it on the market. A supply must therefore exist in one form or another and the labour associated with building and maintaining this supply is acknowledged in the price-form, as /449> part and parcel of the commodity-product's production process. Viewed from the standpoint of the selling capitalist, a stockpile of commodity-capital is necessary in order to ensure the continuity of the circulation phase, e.g. to be able to fill the orders flowing in from customers, whether capitalist or otherwise. Although the labour of transportation and supply formation is productive, i.e. value-generating, it is subject, like all other productive labour, to validation by the value-form and in certain circumstances may not gain validating acknowledgement, or an acknowledgement insufficient to cover the costs outlaid. Labour of transportation and storage can be of no avail if the commodity-product, in spite of it, remains unsold or has to be sold cut-price. Another situation that can arise is where two commodities, which have been transported over different distances or stored for differing periods of time, sell for the same price, in spite of these differences. The additional labour of transportation or storage in this case does not gain a supplementary value-form acknowledgement. The productiveness of commodity-storage and transportation is to be contrasted with the unproductiveness of the storage and transportation and handling of *money*, all of which belong strictly to the labour of circulation.

#### **§41 Means of Circulation; Fixed and Circulating Circulation Capital; Production Capital**

Apart from labour of circulation (§40), the sphere of circulation also demands the advance of capital for *MEANS OF CIRCULATION*, that is, for industrial commodities necessary for performing labour of circulation. These means of circulation, similarly to the means of production, fall into two categories: *FIXED CIRCULATION CAPITAL*

(e.g. warehouse, computer) which functions for several turnover periods of individual circuits of circulating capital; and *CIRCULATING CIRCULATION CAPITAL* (e.g. office stationery, lighting) which is consumed during the passage of a commodity-unit through the circulation sphere. As a consequence of the discontinuity of the existence of *PRODUCTION CAPITAL* in the sphere of circulation (§37), the circulation capital, and in particular the fixed circulation capital, has to intermittently lie idle in material form (e.g. unused warehouse capacity, unused computer capacity, under-employed office workers). Analogously to the /450> labour of circulation, the circulation capital is *UNPRODUCTIVE CAPITAL* which properly speaking does not circulate in a circuit of value, because the advanced value is consumed in the sphere of circulation *without* augmenting the generation of value. The circulation capital is recovered only as a component part of the commodity-product's surplus-value. As opposed to the production capital advanced in the sphere of production, which passes through the circulation sphere in its movement of valorization, the circulation capital's value is *absorbed* by the circulation sphere without a trace.

A double usage of terminology arises here. Means of circulation as defined here is not to be confused with money as means of circulation (§9).

#### **§42 Circulation Costs; Mystification of the Valorization Process; Circuit of Costs; Turnover**

With circulation capital, the concept of costs (§23) is extended to cover the advances for means of circulation and payments for circulation labourers, for land-rent of land employed in circulation activity, as well as for interest for the borrowed circulation capital. All these costs, in addition to the productive capital costs, must also be deducted from the commodity-product value as *CIRCULATION COSTS*, leaving a reduced residue of profit of enterprise. This extended concept of cost further mystifies the valorization of capital through the exploitation of labour-power, by including also capital which has no proper circular movement and labour which does not generate value. A final step in the externalisation of the movement of capital from the process of value-

creation, and in the subsequent mystification of the latter, occurs in that capital is advanced not only for the purchase of means of production and of circulation, but also to make payments of wages, rent and interest, i.e. for revenue payments. This happens whenever the due date for revenue payments falls before the return of advanced capital from sale of the product enables payment to be made out of proceeds. The distinction between payment and advance becomes obscured. The circuit-like movement of capital dissolves into a confusion of payments and receipts at every possible point of time. Costs which are incurred at one point of time are recovered /451> through receipts at a later date. The valorization movement of circuits of capital is externalised to a multitude of circuits of costs, which are periodically recovered through receipts. This externalisation of the concept of capital began already in the determination of valorization as the excess of the selling-price over the costs (§23). Now, however, there are even parts of surplus-value, namely, the advances for revenue and circulation capital, which have become capital advances and thus apparently valorizing capital. The concept of *TURNOVER* (§36) is thus modified (and externalised) to being the period between advance and return of costs of parts of capital. Since the circuit of costs does not necessarily correspond to a circuit of valorizing value, the turnover is defined as the time between the advance and the return of proceeds from the product which it helps circulate (in the case of circulation capital) or of which it builds a value component (in the case of production capital). The turnover of revenue-cost advances is determined by the time from advance of the capital and the return of proceeds from the product whose production and circulation incurred the costs that were advanced. If less costs are recovered from receipts in calculations, then the profit of enterprise is greater, but the turnover-time of the advanced capital is thereby made correspondingly longer.

The concept of turnover is now complicated by the multitude of advances made and the nature of the advance (for production capital, or for revenue payments). The turnover period of the total functioning (original plus additional) capital (§43) employed is determined by integrating the turnover-time of each individual advance, and weighting each of these turnover-times according to the size of the advance.

This gives the concept of *AGGREGATE TURNOVER-TIME*. The valorization of value as capital has evaporated into an accountant's understanding of cash-flows.

### **§43 Original Capital<sup>2</sup>; Additional Capital<sup>2</sup>; Functioning Capital**

The concepts of *ORIGINAL CAPITAL* and *ADDITIONAL CAPITAL* (§39) are now *EXTENDED* to cover not only production capital but also circulation capital and advances made for revenue payments. In doing so, the movement of capital, instead of being a number of circuits of valorizing value, becomes a multitude of advances for various costs and the recovery of these costs plus a profit of enterprise. The sale of the commodity-product remains the point at which receipts flow to the capitalist. Original capital remains the fixed and circulating production capital required to set the production process into motion. Additional capital is necessary 1. to replace the circulating production capital after it has passed into the circulation sphere, 2. for (fixed and circulating) circulation capital, 3. for the payment of revenues (when the due date for payment falls before sufficient receipts accumulate from sale of the product), 4. for the repayment of loan-capital (when the repayment date falls before return of the capital through receipts from sales), and 5. to replace the fixed capital *in natura* after the last component of the fixed (production or circulation) capital has been consumed, so that the continuity of production or circulation labour can be maintained even though the costs for the last component of fixed capital have not yet been recovered from the circular movement of capital. The sum of the original capital plus all the additional capitals determines the size of the valorizing capital, of the *FUNCTIONING CAPITAL*. The distinction between original and additional capital makes clear with what further costs a novice capital has to reckon if the valorization of the initially advanced capital is to be achieved. The additional costs in turn demand further advances, which makes the process of capital valorization into a perennial process that has no end in itself.

#### **§44 Preservation of Old-Value and Price Changes in the Means of Production**

The concept of turnover (§42) arises in connection with a perennial process of capital valorization in which functioning capital is employed again and again in *REPEATING* circuits of advance and recovery of costs. In this circular movement in time, the value-form recognition of commodity-producing labour in money, as well as the prices for the other elements of production, can alter. The capital advanced for means of production is recovered as part of the product-value as old-value (§18). The originally advanced magnitude of value may well not be equal to the current repurchase price of the means of production which has to be covered by the product value when a new circuit is to be commenced. In the time in /453> which the advanced production capital took to turn over, the price of these means may have risen or fallen. Functioning capital is then either set free from the circuit – in the case of a price reduction – or additional capital is required to finance the increased cost of means of production. We assume that any additional capital required is drawn from the selling-price proceeds of the product of the preceding circuit. The old-value – now defined as the value-component of the product equal to the *CURRENT* replacement price of the means of production (cf. §18Ab) may then differ from the capital-value originally advanced for means of production. The turnover of capital cannot be conceived as a process in which value automatically preserves and augments itself but as a process in which the maintenance of value itself through time is *PUT INTO DOUBT* by the contingent value-validation achieved by the commodity exchange process. The aim of augmenting value can be completely thwarted by the failure of an advanced value to preserve itself during its turnover. The problem of deviation of advanced production capital-value from old-value during turnover is all the more marked for fixed production capital, where the turnover period is longer. The advanced fixed capital is turned over gradually during each circuit of circulating capital. The extent of this gradual turnover is not able to be strictly established, and is thus based on an accounting calculation in which the incremental turnover is

reckoned to proceed uniformly over the supposed total life-time of the fixed capital. All these calculations prove to be futile if, in the meantime, the price of the fixed capital means of production changes, or if the appropriate replacement fixed capital differs markedly from the fixed capital just consumed. The continual revolutionising of the method of production, and the consequent changes in value relations, make themselves felt especially deeply with fixed capital, where the fixity of the capital in material form obstructs its updating (§45).

### **§45 Fixed Capital Turnover and Increases in Productivity**

In the analysis of capitalist production (§§14ff). a systematic ground was uncovered for why the prices of means of production do not remain constant, namely, the increase in productivity related /454> to relative surplus-value production. This implies that the means of production to be repurchased for a new circuit of capital – and this applies particularly to fixed capital – change 1. in composition and 2. in price. Changes in composition of the means of production required (for a more productive production process) imply that the old-value to be extracted from the product-value for the next circuit changes. Here it is no longer a matter of price changes of means of production of the same kind, but of changes in the means of production themselves – and consequently a change in the amount of productive capital required. A further problem arises when an increase in productivity endangers the preservation of value advanced for means of production. Increases in productivity generally lead to a reduction in unit-price of the produced commodity. If a capital operates with out-dated means of production – in particular, with superseded fixed capital – then its unit cost will be higher than a capital operating with newer, more productive means of production. If the new method of production has become generalised and has led to a sinking of unit-price of the commodity-product, then the turnover of the outdated means of production (especially fixed capital) is endangered. The unit cost is too high to be recovered from the reduced unit selling-price. The capital ceases to valorize, and additional capital must be found from an external source to finance a change of method of



production. The old fixed capital must be written off as unproductive (of profit of enterprise) under the changed value-form relations and its turnover is abruptly truncated. On the other hand, the existence of fixed capital in the production process is a hindrance to the adoption of a new, more productive method of production requiring new machinery or the like. A capitalist will adopt a new method of production only after his fixed capital has been turned over and hence accumulated in a depreciation fund sufficient to cover a fresh advance for fixed capital. Only if the unit price of the product has been substantially reduced will the capitalist be forced to abandon his fixed capital and thus undergo a *RESTRUCTURING* of the enterprise's production process. The adoption of a new method of production involving new fixed capital thus tends to occur in waves corresponding to the turnover of fixed capital. Some capitals manage to adopt new fixed capital after the old has been successfully turned over. Other capitals, which lag behind in the turnover of fixed capital, either have to cease operation, or write off old fixed capital, even though it has not come to the end of its working-life.

a) A corresponding line of thought can be developed for changes in prices of means of circulation and in particular for the turnover of fixed circulation capital. The difference is that one has no concept of old-value which measures the success or otherwise of the preservation of value during the turnover of an advanced capital.

b) *Kozo Uno* comments on the hindrance to the increase in productivity residing in fixed capital as follows:

Since fixed capital equipment, once invested in, must be used over a span of several years, a new productive method cannot in the meantime easily displace the old method incorporated in it. ... The general adoption of new productive methods must, therefore, in principle, be forced upon capital by the severity of competition that it faces in the phase of industrial depression. (Uno 1980 p. 53)

The reference to competition here is an indication that on this level the mention of replacement of fixed capital under the compulsion of competition is, strictly speaking, an anticipation. A closer investigation of competitive subjectivity and the conditions of competition is contained in CCF&B-DS Parts II and III.

### **§46 Original and Additional Annual Capital; Annual Functioning Capital; Annual Profit of Enterprise; Annual Net Profit-Rate**

The valorization process of capital presents itself as a series of various advances and returns. For the quantitative determination of this movement a further moment needs to be considered: *TIME*. The excess (profit of enterprise) is no longer the difference of a single completed movement  $M - M'$ , but is continually realised through receipts from sale of the commodity-product. Its quantitative determination is possible only when a fixed time period is taken. Historically, the time period of one year has established itself by convention, and for convenience, as the period for such calculations. The surplus per annum /456> is set into relation to the functioning capital (§43). The concepts of original and additional capital are modified again to take the time unit of one year into account, a *WHOLLY ABSTRACT UNIT OF TIME* with no inner connection to the complex circular movements of capital. *ORIGINAL ANNUAL CAPITAL* designates that capital which at the (arbitrary cut-off point of the) beginning of the financial year (when the production process may already be in operation) is to be found either in material shape as fixed or circulating capital, or as idle money funds in the capitalist's hands. *ADDITIONAL ANNUAL CAPITAL* is that additional capital which is necessary during the course of the year to maintain the continuity of valorization or to expand the valorization process. In the quantitative determination of functioning capital, the year is also used, by mere convention, as calculation period, where the various advances are weighted according to the duration of their stay in the production and/or circulation sphere, i.e. according to the length of their turnover-time (§42). The *ANNUAL FUNCTIONING CAPITAL* is the average amount of capital advanced or lying idle in the capitalist's hands in the sphere of circulation and production. Since we assume that all money-capital is loaned, the functioning capital is the average total amount of capital loaned throughout the year. The *ANNUAL PROFIT OF ENTERPRISE* is the total receipts from sale of the commodity-product during the course of the year less the total costs incurred (for the

purchase of means of production and means of circulation and for the payment of revenues) during the year. The *ANNUAL NET PROFIT-RATE* is the ratio of annual profit of enterprise to annual functioning capital. If considerable advances of fixed (production or circulation) capital have been made during the course of the year, then the annual profit of enterprise will be negative. For the purpose of accounting calculation, the fixed capital is written off over a number of years, in which it continues to function in the circulation or production sphere. The fixed capital costs are thus distributed over a number of years.

Marx makes a corresponding distinction, between functioning capital and capital employed, in Vol. 2 Chapter 16. Since an annual functioning circulating capital may turn over several times in a year, it may vary from the total amount of capital employed during the year. The faster a capital turns over, the more surplus-value is produced per annum from a functioning capital /457> of given size. Marx's discussion concentrates on the "variable capital" advanced for the purchase of labour-power, since he erroneously isolates the living labour component of the labour process as source of surplus-value. This also makes the assumption of a constant rate of surplus-value plausible, since the constancy presupposes only fixed wage rates (according to the labour theory of value). Our reconstruction of the concept of relative surplus-value production should make it clear that, for the developed concept of surplus-value production (§20), it is not sensible to continue to view labour-power in isolation from the objective factors of production, and therefore, that the assumption of a uniform rate of surplus-value cannot be justified once the concept of relative surplus-value production is developed. Nevertheless, the following result holds: all other factors being equal, the profit of enterprise thrown off by a functioning capital of given size is inversely proportional to its turnover period. A shorter turnover period enables value to valorize at an accelerated rate.

#### **§47 Mystification of the Capital-Relation through the Multitude of Costs**

With the concepts of annual profit of enterprise and annual net rate of profit (§46), the movement of capital as a process has been totally mystified. Not only have the total costs been drawn together under one heading wherein the distinctions between the various elements of production and of circulation are conflated, but the circular movement of capital itself, the progress of value through its various stages as capital,

has been obscured by taking an arbitrary, abstract unit of time as the measure for capital's movement. The concept of capital here corresponds to that which occurs in capitalist *BOOK-KEEPING*, i.e. to a completely formal, external definition of capital in which all inner connection has been extinguished. In particular, the capital – wage-labour relation and its inherent value-creating function in the valorization of value has been beclouded by the multiplicity of costs. The *FETISHISM OF THE CAPITAL-RELATION*, on this level of the analysis, presents itself as the plethora of factors which have to be taken into account in measuring the efficiency of valorization of a capital of given size. Since the inner connection existing among these factors – constituted through the value categories – /458> is lost sight of in the capitalist's cost and profit calculations, they are practically all given equal significance. The practice of entrepreneurial activity requires no insight into essential conceptual relations.

#### **§48 Increases in the Annual Net Profit-Rate; Cost Reduction and Acceleration of Turnover**

The annual net profit-rate is determined by two magnitudes: i) annual profit of enterprise and ii) the annual functioning capital. Re i): The annual profit of enterprise depends on the difference between the selling-price of the product and the total costs. If the unit selling-price is fixed (through the market), then the annual profit of enterprise can be increased by lowering costs (more favourable purchase prices and loan prices, greater productivity, greater efficiency of labour of circulation, full use of production and circulation capacity) and by accelerating turnover, i.e. by shortening the production and/or circulation time, so that the same capital can turn over more frequently during the year. This applies to production as well as to circulation capital. Re ii): The annual functioning capital can be reduced by lowering costs and speeding up turnover. Equivalently, a given size of functioning capital can be used to produce more product and consequently more profit of enterprise if the unit costs are lowered and/or turnover accelerated. The various methods that can be applied to either reduce the annual functioning capital

(relative to a given scale of production) or raise the annual profit of enterprise can come into contradiction with one another. E.g. an increase in productivity which is accompanied by an increase in the scale of production can be cancelled out by an increase in the circulation time, and thus the turnover time (if new markets cannot be found to speedily absorb the additional product).

#### **§49 Ground-Form Capital; Industrial and Commercial Capital; Merchant (Commodity-Dealing) and Money-Dealing Capital**

As the preceding paragraphs show, the valorization of capital depends on the costs and the *SPEED* of production and of circulation. The mediation of the valorization process of capital by a number of autonomous kinds of capital is now to be investigated. That which we have designated to this point simply as capital, shall from now on be referred to as *GROUND-FORM CAPITAL*. Capital which concentrates its activity on commodity production is called *INDUSTRIAL CAPITAL*. Capital which concentrates on the execution of labour of circulation is called *COMMERCIAL CAPITAL*. Since the circulation sphere comprises the spheres of functioning of commodity-capital and money-capital (§§35f), commercial capital can be further divided into *MERCHANT CAPITAL* or *COMMODITY-DEALING CAPITAL* (*Warenhandlungskapital*), and *MONEY-DEALING CAPITAL* (*Geldhandlungskapital*). Industrial capital is located principally in the production sphere, but comprises also both stages of circulation, albeit in truncated form. The two stages of circulation constitute the sphere of activity of the two sorts of commercial capital. Since industrial capital encompasses all stages, of the three types of capital its circuit most resembles ground-form capital. Commodity-dealing capital, which, like all capital, is encapsulated in the abstract formula  $M - M'$ , is located principally in the sphere of commodity-capital, but with buying and selling enters also the sphere of money-capital. Money-dealing capital is essentially restricted to the sphere of money-capital and mediates the intertwining of industrial and commodity-dealing capital by performing their monetary transactions. The payment of revenues, the storage of idle

money and the administration of loans of money-capital (see the discussion of banks below §§51ff), are also performed by money-dealing capital. The splitting of ground-form capital, the mediation of its circuit by three mutually autonomous but interdependent partial circuits leads, by virtue of this specialisation, to an increase in the turnover velocity (of the commodities concerned), the lowering of costs and in particular, the reduction of idle circulation capital, since commercial capital undertakes the commodity sales and monetary transactions not only of one but of several or many industrial capitals.

Marx does not conceptually distinguish between “ground-form capital” (CI 161;KI 178) and industrial capital, but instead treats them synonymously. He develops the derivative forms of capital in the chapters on commercial capital in Vol. 3 Part IV after the treatment of the average rate of profit and its ostensible tendential fall. The average rate of profit, however, is undoubtedly a /460> topic for the competition-analysis (CCF&B-DS 1984 §31), since competition among capitals must be introduced to explain the tendency towards levelling out the annual net rate of profit. The mediation of the circuit of ground-form capital by three specialised kinds of capital, by contrast, is a topic integral to the circulation process of capital. The three qualitatively different types of capital arise organically out of the consideration of the various stages of capital, independently of any investigation of quantitative determinacy of the profit-rate.

### **§50 Three Types of Functioning Capital; Expression of Value and Intermediate Selling Prices**

Industrial, commodity-dealing and money-dealing capital are the same insofar as with them, as with ground-form capital, it is a matter of the valorization of advanced money. The determinations of the valorization of ground-form capital, with appropriate modifications, can be carried over to them in an external way. The three types of *FUNCTIONING CAPITAL* mediate the valorization process of ground-form capital and participate in it through the valorization of each advanced capital. This participation for commodity-dealing capital occurs through differences in the formation of prices between the industrial and the commodity-dealing capitals. The profit of commodity-dealing capital (also called commercial or merchant capital in the literature) is the difference between the buying and selling price of the commodities (the

wholesale/retail margin), less circulation costs. The derivation of selling price from purchase price through the addition of a profit margin, confirms naive consciousness's false understanding that the commodity price is simply the sum of costs plus a mark-up. And indeed, the intermediate selling price of the commodity expresses not its value but the costs plus the gain of the selling industrial capital. The realisation of the commodity-value occurs first in the final (retail) price. Intermediate prices are merely claims on a portion of the eventually realised full commodity-value. For the selling industrial capital, these claims are satisfied immediately against the surrender of a part of the expected profit, whereas for commercial capital these claims as costs are still to be realised in the final sale. On this level, industrial profit crops up as a capital cost, before it has been realised. The (vertical) splitting of ground-form capital implies a vertical structuring of the commodity market and thus not only makes the concept of capital more superficial but also that of price.

With the distinction between industrial capital, commodity-dealing capital and money-dealing capital, the *PARTICULARITY* of capital becomes a topic for the first time. This particularity is not one which is due to the material particularity of a produced commodity. This latter remains of no explicit consequence until later in the analysis (cf. §§57ff). It is thus still possible to apply all the conceptual determinations, insofar as they were developed for the general concept of capital (which led ultimately to a superficial concept of capital), to these three types of capital. At the same time, however, this differentiation of ground-form capital contains an important moment which will lead to a further unfolding of the analysis. This moment is the reference to the social interconnection of the circuits of capital. Until now, capital and its valorization has been treated effectively as something individuated and autonomous. This suppression of the social aspect of capital lies in the value-concept itself, because precisely this concept abstracts from particularity (cf. §4) and thus from the role of particularity in the social reproduction process. Material reproduction has been taken as given, a presupposition that will be dropped in the further development (§§57ff), which will require that the particularity of capitals be taken into account.

Recall that we began with the many commodity producers and their sameness under the concept of capital. With absolute and relative surplus-value production differentiations arose which made their mark on the concrete shape on the production process. The commodity's particularity, however, remained

inconsequential. The commodity producer was individualised to the many capitals of a branch. This individuation held for all commodity producers and was thus a general determination. In the same way, all the preceding determinations of capital apply to all the individual capitals of a branch. The concept of capital is thereby refined, but remains universal, since the further determinations do not depend on the commodity's particularity. The further refinement of the concept of capital does not affect its general validity, but nevertheless differs from the preceding development, since no longer are capitals investigated as if they were autonomous, but instead the dependency of the three types of capital on one another, which mediate the circuit of ground-form capital, is brought to the fore. For commercial capital, this mediation is not restricted to an individual ground-form capital, but extends to several. With the concept of commercial capital (comprising both merchant and banking capital), the ground-form capitals, which here occur in truncated form as industrial capitals, become bound to one another in their circuits. Above all, the universality of the banking system (§§51ff), and its universal commodity, loan capital, underscores the interdependence of individual capitals, since the banking system acts as point of accumulation of money-capital which it then places at the disposal of the numerous individual functioning capitalists.

### **§51 The Bank; Deposits and Depositors**

Money-dealing capital performs the due payments, stores idle capital and administers loan relations for functioning capitals. For these functions it receives profit of enterprise. The administration of loan relations is now to be more closely considered. Through the function of storing large amounts of idle money-capital from many functioning capitals, and other depositors, it is possible for the money-dealing capitalist to lend these *DEPOSITS* to third persons as interest-bearing capital, without disturbing the valorization process of the depositing functioning capitals. We have seen (§38) that idle money-capital is a necessary by-product of the valorization process, especially as idle fixed money-capital, which gradually accumulates in a depreciation fund. Another source of idle money-capital is the accumulating profit of enterprise which the functioning capitalist can eventually employ to expand the scale of production. By *LENDING* money-capital, the money-dealing capital assumes vis-à-vis the outside the mask of interest-bearing money-capital, and thus becomes, systematically, a *BANK*. The interest it receives for loaned money is divided between the bank and the



*DEPOSITORS* (who need not necessarily be /463> solely functioning capitalists). Since it is to a certain extent undecidable whose money is re-lent, every depositor obtains some interest on his/her deposit. Idle capital, which costs the borrowing functioning capitalist interest, now, on being deposited, in turn becomes interest-bearing for the functioning capitalist depositor. The difference of interest paid by the bank on deposits from the interest which the bank receives for loans constitutes the greater part of its profit of enterprise and thus determines the valorization of the bank's functioning capital. This functioning capital must be strictly distinguished from the capital deposited in the bank. The bank's functioning capital consists of fixed capital costs (bank building, computer system, safes, security alarms, etc.) and circulating capital (paper, forms, and above all, the wages for bank clerks). Apart from rent for land and interest for borrowed functioning capital, it is the interest paid on deposits which especially crops up as a cost. The interest on deposits can be compared with the prices a commodity-dealing capital has to pay for commodities (which appear as circulating capital costs for the commodity-dealing capital). The difference is that the commodity in which the bank trades is the property of money to be employed as capital (§24). The bank buys this property cheaply and sells it more dearly.

Since the bank is a functioning capital (with the mask of a money-capitalist), which operates, like all functioning capitals, with borrowed money (this assumption will be relaxed in the competition-analysis), the question arises as to where the bank borrows its functioning money-capital. In principle, it can borrow it from itself, out of the money deposited with it. (Furthermore, it can create its own functioning money-capital; cf. §56.) The distinction between deposited money and functioning capital corresponds to the bank's *double determination* as loaning money-capitalist and money-dealing capitalist. This doubling of the bank is advantageous since it saves itself the difference between the interest demanded for bank credit (§53) and the interest paid on deposits. Regardless of this advantage, the bank must ensure that it is in the position to repay deposits according to the conditions under which they were deposited. /464>

### **§52 Bank Account; Bank Balance; Giro-Money; Cheque**

Every depositor (§51) has a *BANK ACCOUNT* which has a certain (mostly interest-bearing) *BANK BALANCE*. The balances represent

*GIRO-MONEY*, which is to be distinguished from the only type of money (cf. §9Aa) developed before this level of the analysis, namely, gold-money (§§6ff). Gold-money possesses the determinations which arose in the analysis of money and commodities (§9), namely, means of circulation, measure of value, absolute value, and means of payment (§11). Giro-money, by contrast, functions only as means of circulation and means of payment and obtains its measure from gold-money. Giro-money is thus a *TYPE OF MONEY* derived from commodity-money. The depositor disposes over his/her balance (which may exist only as electronic digits) by giving the bank instructions, through which s/he can:

- i) convert cash into giro-money (*DEPOSIT*)
- ii) *TRANSFER* giro-money from his/her account to another
- iii) convert giro-money into cash (*WITHDRAWAL*).

The withdrawals can be made by *CHEQUE* which, in the time until it is presented to the bank, can pass from hand to hand, so functioning as means of circulation and/or payment. The cheque is simply the representative of giro-money outside the bank, so to speak, its *DUAL*.

### **§53 Bank-Credit; Overdraft; The Credit System**

Capitals repay to the lender money-capital which has returned and threatens to lie idle. This is only possible if the capitals can find appropriate loan-capital again when they require it. Only then can the annual net rate of profit be increased by repaying loan-capital through savings in interest-costs as well as through reduction of the amount of functioning capital. For the lending money-capitalist, the repayment of loaned money-capital means loss of interest and is sensible for him only if he can relend it quickly. The banks, by *CONCENTRATING THE MONEY MARKET*, enable idle capital to be repaid on short notice and reloaned. The depositors deposit their money in the bank in order to secure a fixed interest for their money. The bank, in turn, concentrates the available loan-capital and exploits the opportunities for loaning this

money. The functioning capitalists can approach the bank with their short-term or long-term loan requirements and obtain *BANK-CREDIT*, which /465> enables the borrowing capitalist to dispose of a greater amount of giro-money (which can of course be transformed into cash at any time) than he has actually deposited in the bank (*OVERDRAFT*). The fluctuation in the amount of money loaned according to the requirements of the valorization process (cf. §43) reduces the amount of functioning capital and thus increases the annual net rate of valorization. This possibility for the individual functioning capitalist of avoiding idle funds and of so raising the profit-rate, however, makes it more susceptible to disturbances in the money-market. In particular, it comes to feel the valorization difficulties of other capitals more acutely that can assume proportions of a dangerous domino effect. The banks play the principal role in the creation of the *CREDIT SYSTEM*, which facilitates the employment of the aggregate social money-capital. The development of credit relations simultaneously increases the dependency of functioning capitals on the banks.

Insofar as Marx treated credit and the credit system in *Capital*, it is contained in Vol. 3 Part V. Engels writes in the preface to Vol. 3 that Part V had caused him the “main difficulty”:

Here there was no ready draft, not even a sketch whose outline only needed to be filled out, but only the beginnings of a working-out which several times dissolved into an unordered heap of notes, remarks, materials in the form of excerpts. (CIII 4;KIII 12)

The first chapter which treats credit, ‘Credit and Fictitious Capital’ Chapter 25, opens with the words:

The exhaustive analysis of the credit system and the instruments which it creates (credit-money, etc.) lies outside our plan. (CIII 400;KIII 413)

Marx discusses first the bill of exchange as “the basis of credit-money proper” and then, after some excerpts, makes a ‘logical-historical’ transition from money-dealing capital to the bank:

In connection with this trade in money, the other side of the credit system is developed, the administration of interest-bearing capital or of money-capital, as special function of the money-dealer. The borrowing and lending of money becomes its special business. They act as mediators between the real lenders

and the borrower of money-capital. Expressed generally, /466> the business of banking, in this respect, consists in concentrating loanable money-capital to large masses in the banker's hands, so that, instead of the individual money-lender, the bankers as representatives of all money-lenders confront the industrial and commercial capitalists. (CIII 402;KIII 416)

There follows a discussion of the various sources of bank deposits and then a mass of excerpts interspersed with short comments from Marx, together with a 3-page insert from Engels. The following chapter, "Accumulation of Money-Capital, its Influence on the Rate of Interest" Chapter 26, also consists mainly of excerpts, especially from parliamentary reports.

Chapter 27, with a title from Engels "The Role of Credit in Capitalist Production", treats for the greater part the share company as "the dissolution of capital as private property within the limits of the capitalist mode of production itself" (CIII 436. KIII 452; cf. CCF&B-DS §37Aa). Chapter 28, according to its subject matter, belongs to *Theories of Surplus Value*.

Chapter 29 "Components of Bank Capital" introduces the concepts of capitalisation and discounting of bills of exchange and discusses aspects of the banks' business with bills, deposits, giro-transactions, etc. The three chapters 30, 31, 32 with the common title "Money-Capital and Real Capital" are an attempt by Marx, again interspersed with excerpts, to treat the economic cycle of the economy in connection with the mechanism of the credit system (especially in connection with the amount of loanable money-capital). Chapter 33 "Means of Circulation under the Credit System" consists mostly of excerpts from parliamentary reports.

We have followed Marx in developing the bank out of the concept of money-dealing capital. Likewise, we investigate the general objects and activities of banking business (bills, bank-notes, cheques, discounting, borrowing and loaning, giro transactions). Unlike Marx our treatment falls, more appropriately, in the circulation analysis, which is possible for us since the interest-form was already developed after the production-analysis (§§24ff). Marx's attempt at a theory of cycles in our view needs to be assessed on a later level of the systematic presentation, in the competition-analysis, where the overaccumulation of capital is examined (CCF&B-DS §§66f). The principal problem is to sort out and evaluate the /467> general conceptual argument, insofar as this exists, from the empirical material on the crises in Britain between 1848 and 1857.

### **§54 Commercial Credit; Bill of Exchange; Cash and Credit Price**

The amount of functioning capital can be reduced and the circulation period shortened also if the industrial or merchant capitalist sells commodities not for cash or a cash-symbol (*giro-money*), but on (*COMMERCIAL*) *CREDIT* against a *BILL OF EXCHANGE*, whereby payment is promised at a later date, the *DUE DATE*. The selling capitalist thus realises his commodities in a bill, which represents money in the future. The buying capitalist, in receiving commodities which he requires as industrial or merchant capitalist on credit, saves himself the trouble of borrowing money-capital or of waiting for advanced capital to return in order to make the purchase. As a *quid pro quo* however he must pay the selling capitalist interest in the form of an increased price, calculated according to the term of the bill. The commodity prices are thus categorised as *CASH PRICES* (or *DISCOUNT PRICES*) and *CREDIT PRICES*. The bill the selling capitalist receives may be employed as a means of circulation to procure further commodities, as long as the selling capitalist is willing to give credit. Depending upon the circle in which the bills circulates, a multitude of transactions can be effected. On the due date, if the capitalists generally indulge in the practice of emitting bills of exchange, there may be only a small balance which has to be settled in *giro-* or *gold-money* (the only cash on this level) on clearing.

### **§55 Banknote/Overdraft; Discounting of Bills**

The circle in which a bill can circulate can be widened by the involvement of a bank in the commercial credit relations. The bank accepts the bill and, gives in return its own bill, a *BANK-NOTE* which however can be cashed on demand rather than at a future specified date. The bank-note need not take the shape of paper notes emitted by the bank, but can simply be the granting of credit as an *OVERDRAFT* or *LINE OF CREDIT* through the creation of a bank balance. The capitalist who converts the bill at a bank can then purchase the commodities he requires with the credit guaranteed by the bank, which latter is more

readily acceptable as means of payment so long as no /468> doubt exists that the bank is solvent. In purchasing the bill, the bank becomes the original emitter's creditor and can present the bill for payment on the due date. The bank therefore pays for the bill only at a *DISCOUNT* (equivalent to interest) depending on how long it has to wait until the due date. If the practice of discounting is widespread, then it is the banks which mutually present the bills purchased to one another for payment, in their capacity as bankers of the respective emitting capitalists. The complex of transactions accomplished by the bills and discounting is achieved with a relatively small amount of gold-money. A balance has to be settled within the banking system, as long as the banks honour the credit demands of their clients. The clearing of discounted bills of exchange within the banking system is paralleled by the clearing of cheques. Both practices reduce the amount of gold-money necessary to lubricate the commodity transactions in the economy. Gold-money is used to settle balances between the banks, whereas the banks' depositors are usually able to settle payments with giro-money.

### **§56 The Banks as Creators of Giro-Money**

In that the banks grant credit by allowing depositors to overdraw their giro-money accounts (which is the usual modern form in which credit is provided), they also function as *CREATORS OF GIRO-MONEY*. The amount of gold-money paid in by depositors is namely *not* the upper limit to what the bank can lend to its capitalist clients. Although giro-money is convertible on demand into cash (on this level, exclusively gold-money), in practice, the cash requirements of depositors form only a percentage of the total reserves, and the total volume of transactions effected with giro-money (which in greater part is credit granted by the bank), greatly exceeds the amount of cash necessary to settle accounts amongst the banks when cheques (representing giro-money) and bills are cleared. The banks, as the principal agents in the formation of the credit system, facilitate the intertwined circuits of capital and at the same time transmit disturbances in the reproduction of individual capitals, since the refusal of a bank to grant further credit to one of its capitalist clients.

generally also causes difficulties for other capitalists who had given credit to the capitalist to whom bank credit has been refused. The banks also concentrate the economy's credit relations as linch-pin capitals so that any valorization difficulties of a bank spread like wildfire, through a loss of its credibility and credit-worthiness, throughout the credit system. /469>

## **g) The Reproduction Process of Capital**

### **§57 Reproduction of the Aggregate Social Capital**

The investigation of the *REPRODUCTION OF THE AGGREGATE SOCIAL CAPITAL* is introduced by the observation that the particular material form of the total commodity-product of a given period, say one year, is not without significance for the material reproduction of capital and of individuals. That is, the production process of society, as represented in its product, the commodity totality, ideally should mesh with the consumption process of society, viewed in its particularised totality as the total consumption in production processes, circulation processes and individually by labourers, (functioning and money-) capitalists and landholders. The relationship of the total production process to the total consumption process is mediated by the valorization movement of capital. The particularised material *CONTENT* of production and consumption is mediated by the abstract *FORM* of valorization of capital in the broad sense, including the participation in this valorization process by labourers, money-capitalists (banks and depositors) and landholders. This relationship between content and form has not yet been examined in the systematic presentation. Until now it has been assumed that the commodity means of production or of circulation required by an individual capital are available on the market. The reproduction process is viewed here as reproduction process of *CAPITAL* and not of labourers or other figures. As before, we assume that the labourers which capital requires are available on the market, and also that suitable land is available. Restrictions to the material reproduction process posed by shortage of labourers or land will first be

examined in the competition-analysis. (Cf. CCF&B-DS Part IIIc; §§57f, §§65ff). For aggregate social capital the problem of reproduction is twofold, firstly, of selling produced commodities to other capitals or individuals who consume them, at prices enabling a profit of enterprise to be made, and secondly, of purchasing suitable particular industrial commodities to continue its activity as capital. The two aspects of the problem are the converse of one another: the purchase of commodities for one capitalist or individual represents the sale of commodity-capital for another /470> capital. The interface between the completed production process and the (individual, productive or circulation) process is the market, the meeting place for buyers and sellers. The produced commodity can only proceed to a consumption process via the mediation of money. This money then figures in the valorization movement of some capital or capitals. On this level of the presentation, where the credit system (§53) has been thematized, the mediation by money is itself mediated by the various credit relations and types of credit-money which arise as an intricate web through the activity of banks. It can be seen at first glance therefore that the reproduction process of aggregate social capital possesses a degree of complication defying any simple, detailed analysis.

Marx introduces the problematic of the reproduction of the aggregate social capital in a similar way:

We can no longer be satisfied with the *assumption*, as with the analysis of the product-value of the individual capital, that the individual capitalist can first convert the components of his capital into money through sale of his commodity-product and then reconvert them through repurchase of the elements of production on the commodity market into productive capital. (CII 397;KII 392)

For the investigation of reproduction Marx introduces a number of extremely restrictive assumptions of presentation, including the following:

- i) All commodities are sold at their 'values', as defined by the labour theory of value.
- ii) The turnover period of all capitals is one year, comprising a production period of one year and zero circulation time, all in synchrony with one another.
- iii) The circulation costs are nil.



iv) The only type of money employed is gold-money. Consequently, there are no credit relations.

With these assumptions Marx wants to articulate how the *VALUE*-reproduction of capital on a social scale – expressed in the value-form categories old-value (constant capital) and new-value (variable capital plus surplus-value) is confronted with the *USE*-value distinction of two departments of production. In this, the /471> working class, in spending wages received (and so orienting itself towards its consumption needs), performs an essential mediation in the reproduction of total social variable capital. Marx divides total social commodity production into two Departments: Production of Means of Production (I) and Production of Articles of Individual Consumption (II), and then considers the total social commodity-product with regard to the three categories: constant capital, variable capital and surplus-value. His argument can be read without the assumption of the labour theory of value, that prices correspond to labour-contents. The assumptions ii) iii) and iv) as well as the division of social production into only two Departments (cf. §58), at once radically simplify the presentation of reproduction of total social capital. The presentation here, by contrast, investigates capital reproduction without these assumptions, in order to depict the intricate convolutions of the innumerable mediations in the total reproduction process. With regard to assumption iv), we will consider the money mediation of the total process in more detail in §59A.

Since we do not make strong assumptions, it is not possible to provide simple numerical examples, as Marx does. We must content ourselves instead with a qualitative understanding of the material circulation and production of commodities and their monetary mediation. In surrendering the aprioristic Ricardian labour theory of value, we also surrender the possibility of providing quantitative laws of reproduction of capital in terms of replacement of labour-contents, which in any case is an ungrounded Ptolemaic construction. Not only orthodox Marxist economics but also bourgeois economic theory attempt to provide pre-monetary ‘laws of motion’ of the total economic process. These attempts at model-building are based on the fallacy that value-form relations can be causally determined by some a priori form-independent principle, or at least assumed to be otherwise quantitatively describable, e.g. by mathematical functions constructed on the basis of empirical data. The value-form analytic critique of aprioristic<sup>24</sup> theories vitiates any attempt to construe an explanation of the phenomenal movement of capitalist economy in terms of a deeper-lying, quantitatively determinate, pre-value-form essence. /472>

## §58 Departments of Commodity Production

The aggregate social commodity-product falls into four categories: commodities which possess a material form which enable them to be consumed by:

industrial capitals (means of production)

merchant capitals (means of mercantile circulation)

bank capitals (means of banking) and

individual labourers, capitalists and landholders (articles of individual consumption).

This categorization is exhaustive (on this level of the presentation) but not exclusive, since many commodities may be consumed in alternative spheres. Corresponding to the four spheres, there are thus four aggregate *DEPARTMENTS OF COMMODITY PRODUCTION*, which for convenience will be assumed to be non-overlapping, i.e. each commodity-product passes unambiguously into exactly one sphere of consumption. The four Departments are:

I: Production of Means of Production

II: Production of Means of Mercantile Circulation

III: Production of Means of Banking

IV: Production of Articles of Individual Consumption

One sees that the concept of use-value, first introduced in the production analysis (cf. §18), again assumes a central role. Since the circulation stages do not completely fall away for industrial capital, some of the commodities which an industrial capital purchases are employed, strictly speaking, unproductively, as means of circulation. This is however a detail which is here left out of consideration.

In place of Marx's division of commodity production into two basic departments, we have four. The two additional departments arise because circulation costs and activities are not ignored, and also because their autonomous form as merchant and

banking capital is taken into account. The only circulation cost which Marx treats in his reproduction schemata is the cost to society of maintaining a gold-money supply. Since the costs and time of circulation are important themes of the circulation-analysis, we view it as a limitation of the Marxian presentation that circulation costs and activities are abstracted from. /473>

### **§59 Distinctions Among Labourers and Landholders; Distribution of the Total Commodity-Product via the Mediation of Money**

The total labourers of society fall into six broad categories corresponding to the four departments of production plus the spheres of mercantile and banking activity. The landholders likewise lease their land to the six categories of functioning capital. The entire commodity-product is distributed to the various functioning capitals and individuals via the activity of merchant capital. The product of Department I is redistributed among the industrial capitals; the product of Dept. II is distributed to the merchant capitals; that of Dept. III to the banks, and finally that of Dept. IV to individual labourers, capitalists and landholders. The distribution of the material elements of production and of the commodity-product is complemented by the movement of money as capital, and as individual means of payment for means of livelihood. Money deposited in banks, from whatever source, is reloaned as capital to functioning capitalists. The interest for these loans flows to the banks and then, in part, to the depositors. Loan-capital and returns from sales are employed by functioning capitals to purchase industrial commodities and to pay wages, interest and rent. The incomes received by labourers, landholders and capitalists are spent partly on means of individual consumption, the rest being deposited in the banks, where it earns interest. As in the Marxian reproduction schemata, money must be already to hand to circulate the total commodity-product. We consider the example of mercantile capital. With loaned money-capital it purchases commodities from industrial capitals, say Dept. IV. Labourers, landholders and capitalists purchase these commodities by withdrawing deposits put aside from earnings in the last period (the fact that revenues are paid in arrears makes it advisable for the revenue-recipients to keep

some savings from the last period to the next revenue payment), or on bank credit (§53). The commercial capital thus receives money back, enough to cover the advance for stock plus the costs of circulation labourers, rent, interest and a residue of profit of enterprise (if all has gone smoothly). The circulation labourers, landholders of land used by commercial capital, and the bank are paid revenues, which replenish what was spent in the period considered, on personal /474> consumption. Similarly, the money advanced by commercial capital to Dept. IV can be used by Dept. IV capitals for revenue payments (hopefully leaving a residue of profit of enterprise). These revenues paid replenish the respective personal consumption funds, or pay off debts at the bank. In the case of the interest payments made by commercial capital to the bank, the latter realises a portion of profit of enterprise and is able to cover some costs, including some interest payments to depositors. The division of total social surplus-value amongst the landholders, banks, commercial and industrial capitals proceeds partly by direct payment (of rent and interest) and partly by creaming off a part of the selling prices of commodities as money changes from hand to hand, since each capitalist operates with certain 'margins' (merchant capital and the fees charged by banks).

On this level of the presentation we have the following types of money: gold-money, giro-money/cheque (§52), bank-notes/overdraft (§55) and bills of exchange (§54). Bills of exchange and bank-notes are credit-money, based on giro-money. Giro-money in turn receives its measure in gold-money. On this level all money denominations are gold-denominations, and all types of money are convertible into gold-money cash. As long as gold serves as the absolute money material, the gold-producing capitals enjoy a special place in the total reproduction process. They produce a (pre-monetary) commodity which can immediately assume the money-form, and so exclude itself from the (price-determinate) commodity world (§7).

The amount of credit-money bills of exchange that can be emitted by functioning capital depends on their credit-worthiness, i.e. on whether on the due date giro-money can be had for them. In turn, the amount of giro-money (overdrafts) which can be created by the banks over and above the amount of gold-money deposited with them is restricted by their ability to convert giro-money into gold, when demanded. This is above all crucial in the balancing of accounts between banks, which must be performed in gold-money. The amount of gold-money deposited in

the banking system thus serves as an anchor for all other types of money, by setting a limit on how much credit-money (bills of exchange – which are /475> usually discounted at a bank – and giro-money) can be created in the credit system. The gold-producing capitals thus exercise considerable influence over the credit system by determining the amount of gold added to the system in each time period. A certain amount of gold production goes into the production of other commodities as means of production, and is therefore not available to the banking system. A further portion of gold production must be used to replace the gold-metal worn through use. The rest enters the banking system as additional deposits. The total amount of money of all types available for the total reproduction process is restricted, within certain flexible limits, by the amount of gold-money in the money-system. The sale of produced commodities must be lubricated by money (of some kind or other) in the hands of other capitals or individuals. Individuals in turn receive money either as revenue (wage, rent, interest) or as profit of enterprise. Total functioning capital placed at the disposal of functioning capitals by the banking system depends on the amount deposited in the banks. If the gold prices of commodities and for the various revenues are to be maintained, the amount of money available must be sufficient. Especially in the case of expanded reproduction (§63), the expansion of transactions is restricted by the availability of money and, ultimately, by the supply of gold-money. To an extent, the mass of money can be compensated by an increase in the circulation velocity of money, so that the same amount of money performs more transactions. There are however technical limits, residing in the organisation of the banks' money-dealing labour processes, which restrict the possibility of increasing the speed of circulation. The aim of an expanding circle of valorization of capital through expanded reproduction can be thus thwarted by a lack of availability of gold-money. The total mass of commodities, although materially increased, could be sold only for the same, or only a slightly increased, total price as compared with the previous period. The unit-prices of commodities would fall and, due to the profit squeeze, functioning capitals would have to undertake every effort to reduce the necessary revenue payments. An expanding reproduction process would only be possible when accompanied by a *CONTINUAL* /476> *REVALUATION OF MONEY (DEFLATION)*, which would force a sharpening of the class struggle over incomes i.e. functioning capitals would have to drive revenues down to maintain profits of enterprise. This dependence of the reproduction process on the amount of gold-money in the banking system can be abolished only by the introduction of state paper money (legal tender) by fiat, which cuts the nexus between the money-supply and the availability of a particular (pre-monetary) commodity. This however presupposes a more developed level of analysis on which the concept of *STATE POWER* is available (cf. CCF&B-DS §85, §91A). On that level, it can be seen that a principal task of the state's monetary policy is to try to adapt the (growth of the)

money supply to the requirements of the total reproduction process. Even then, the adaptation of the money-supply in the banking system to the requirements of functioning capitals can only be regulated *a posteriori*, after the ever-fluctuating demand for money has made itself felt. It is only ever a lucky chance if the amount of money exactly corresponds to the requirements of the total reproduction process. If anything, the state should aim at a steady inflation, which forces the revenue-recipients to demand more from functioning capitals to catch up. The converse situation of a shortfall in the money-supply causes deflation, which presents immediate valorization problems to functioning capital.

### **§60 Reproduction of Individual Capitals**

The reproduction of each individual capital must be accomplished, *IF IT IS TO BE ACCOMPLISHED AT ALL*, within the framework of the total movement of commodities and other elements of production and circulation and of money. Reproduction for the individual capital means that the costs incurred in the course of its activity are recovered from receipts through the sale of commodities (of whatever kind). In addition, a profit of enterprise should remain as residue. With regard to the produced industrial commodities, their sale depends ultimately upon their usefulness in some act of consumption and upon the ability of this consumer (individual or capitalist) to pay for the commodity. In particular, /477> individual income realises the value of products of Dept. IV. Commodity-products which do not find adequate recognition in the money-form will not be reproduced by the individual industrial capital concerned. The individual industrial capital must orient itself toward the success or failure of its products to assume money-form. The merchant capitals play a mediating role between the industrial capitals and the final consumers. They react to the unsaleability or insufficient prices of commodity stock by not repurchasing from the industrial capitals. The banks, which trade in the (higher-order) commodity 'loan-capital', do not experience the difficulties arising from the material form of the commodity as use-value. Money deposited in the banks can be reloaned, and the banks themselves create giro-money on the basis of deposits. If available money-capital (either cash or giro-money created by the bank) is not required by other functioning capitals, then the banks earn no interest on potential loan-capital. They respond by lowering the

interest rate, both on what is demanded for loan-capital and what is paid for deposits. This curtails their possible profit of enterprise, but does not cause valorization difficulties in itself. Valorization difficulties for banks arise for the most part not from the material form of the commodity but rather as a consequence of the valorization difficulties of other capitals which cannot fulfil their credit obligations. The existence of a bank is endangered directly if the money-dealing activities it performs are no longer required by the aggregate social functioning capital. The costs the bank incurs for money-dealing activities are then not compensated by effective demand for its banking services.

The problem of reproduction of an individual capital is in no way that of reproducing 'values' considered as labour-contents. It is rather the problem of reproducing through its activity sums of *MONEY* which have been invested, enough to cover also a residual profit of enterprise. The value relations are already expressed in the price relations which determine the extent to which the performed commodity-producing labour is recognised as part of the commodity value-totality and thus determine whether the costs incurred are compensated by value-generation. The value-universality /478> of the commodity world, first thematized in §§1ff, is on this level overlaid by a use-value structure according to the interdependence of *particular* production processes and *particular* consumption processes. The categories of production introduced in §58 are a coarse differentiation (or particularisation) of the total commodity-product and its production processes according to use-value, i.e. according to the final destination of the commodity-product in a specific type of consumption process. This categorization could be refined, e.g. according to the distinction between fixed and circulating capital. The qualitative point, however, is already clear: the intermeshing of production and consumption is achieved, if at all, via a representation of the products as commodity-values. The value-totality of the commodity world has a relationship with the use-value totality of the products, as determined by their ultimate consumption. The use-value totality is a *CONCRETE, PARTICULARISED TOTALITY* as opposed to the *ABSTRACT-UNIVERSALITY* of the value-totality. The commodity's particularity (§4) thus plays an essential role in the context of the reproduction of the total social capital. This particularity must be subjected nevertheless to the abstract universality of money, in which all particularity is extinguished. The particularity of the production process and the particularity of the ultimate consumption process can only be mediated by the abstract universality of the value-expression in money. Since the product's value-form, its being-as-commodity, is only realised post factum, after its production, the adjustment of

production to the concrete totality of the consumption process can likewise only proceed post factum, with a greater or lesser degree of dislocation of productive activity. This post factum adjustment, since it is mediated only by the value-form, cannot guarantee an adjustment in the right direction. The response of an individual capital to valorization difficulties, by orienting itself toward *CURRENT* possibilities of improving valorization, may well in the next period only *EXACERBATE* valorization problems. Any misrelation between production and consumption shows up only quantitatively, in the price-form. The quantitative fluctuation in prices, an *ABSTRACT* movement of the price-form, *CANNOT* solve the co-ordination problems of a capitalist economy without greater or lesser dislocations, including destruction of capital. Regardless of /479> this process of continual misrelation, the value-form as qualitative abstract mode of acknowledgement of labour *as* social, remains unaffected by quantitative fluctuations. Only an alternative form of the social constitution of labour, an other way of as-sociating dissociated labours, would place the value-form tendentially into question.

### **§61 Value Relations between Sectors of the Total System of Reproduction**

A series of linear equations can be written which decompose the total price of the commodities produced in each Department in a given period into costs plus profit of enterprise. Since the activity of merchant capital mediates the sale of industrial commodities, there are effectively two series of linear equations, each series containing four equations (one for each Department). In addition, the total sale price of the means of individual consumption is equal to the total of income (wages, rent, profit of enterprise, interest) spent on them, and the total interest income of the banks can be decomposed into costs plus banks' profit of enterprise. This gives in all ten linear equations. Viewed as equations expressing value relations between parts of the total system of production, trade and consumption, the equations express conditions of reproduction of particular parts of total social capital. All magnitudes of profit of enterprise have to be positive for the reproduction to have succeeded. Negative profits of enterprise force a process of restructuring on the department concerned (e.g. increase in effectivity, speed-up of turnover, cessation of the activities of some capitals). Since the value relations result only post factum, after the commodities have been



produced and have entered the market-place, the restructuring of production and of commercial activities can only *RESPOND* to the facticity of the value relations coming about between the sectors. In addition, the money and credit to be made available to the total process by the banking system is in a constant process of readjustment. The material process of reproduction and the system of monetary mediation itself can slip into disproportionality (§59A), which must be adjusted (perhaps even in the wrong direction) only with *HINDSIGHT*. Phenomena which result from a misrelation between the material and monetary side of reproduction are credit squeeze (with concomitant destruction of capital) and inflation. /480>

a) The ten equations mentioned above are not exhaustive. They express some of the value relations existing among sectors of the economy and individual consumption. The use-value of the commodities, on this level of the analysis, comes to the fore, although the use-values are still only divided into four coarse categories, depending upon the destination of their ultimate consumption. The value-relations (in the extended sense, including the value-forms of wages, interest, rent and profit of enterprise) come about *a posteriori* in the material distribution of the commodity-product to the various sectors of the economy and the sphere of individual consumption. Material disproportions between the total commodity-product and the material consumption requirements in productive, unproductive and individual consumption are reflected in the value-relations quantitatively, in the prices paid for the commodities, which in turn affects whether and the extent to which the costs incurred by industrial capitals in the various departments are recovered from circulation. The competition-analysis will explicitly thematize how the capitals react to achieved prices in considering the tendency towards the formation of an average rate of annual net profit. (cf. CCF&B-DS §§30ff).

b) Marx refers to the importance of the use-value of industrial commodities, i.e. the nature of their ultimate consumption, in introducing the problematic of reproduction of capital:

So long as we viewed value production and the product-value of capital individually, the natural form of the commodity-product was of no importance for the analysis. ... Insofar as the reproduction of capital came into view it was sufficient to assume that the part of the commodity-product which represents capital-value finds the opportunity within the sphere of circulation to reconvert itself into its elements of production and hence into its shape as productive capital, just as it was sufficient to assume that labourer and capitalist find the

commodities on the market on which they spend wages and surplus-value. This merely formal manner of presentation no longer suffices for viewing the aggregate social capital and its product- value. (CII 398;KII 393) /481>

c) The process whereby a proper relation is sought between production and consumption is a series of continual misproportions which are forcefully brought to light by value relations which compel the producing capitals to change the production process, or even to cease production altogether. This process of seeking proportionality through continual disproportionality causes disturbances on a greater or lesser scale. “The complexity of the process itself offers many occasions for running abnormally.” (CII 500;KII 491) This abnormality of the total process of material reproduction in its capitalist form is a *PERENNIAL* problem. The search for proportionality through disproportionality can lead either, by chance, to a greater degree of proportionality between production and consumption or to an even greater disproportionality (cf. §60A) – described in economics as a (pernicious) *COBWEB EFFECT*.

## §62 Social Reproduction of Fixed Capital

The part of the total social commodity-product which is bought as fixed (production or circulation) capital is set into motion in labour processes where it will function for a number of turnovers of circulating capital, which generally amounts to a number of years. The fixed capital costs are thus turned over only over a long period in which the fixed capital in material form is gradually consumed. The portion of the total commodity-product that finds its way into employment as fixed capital thus represents a relatively large deduction from commodity wealth that will only bear fruit (in the shape of new commodities) over a longer period. The total commodity-product must have reached a sufficient magnitude so as to bear a deduction from it which does not immediately contribute to the total social individual consumption (otherwise total social individual consumption – meaning in the first place that of the working class – must be drastically restricted). The money-capital required for fixed capital investment must be made available by the banking system. The portion of the total social commodity-product consisting of commodities that can be consumed as fixed capital must find its way into labour processes where fixed capital has to be replaced /482> in nature after a lifetime of several turnovers of circulating capital.

In other (commercial and productive) labour processes, the fixed capital does not have to be replaced *in natura* in the period considered, but instead a depreciation fund for its eventual replacement must be catered for. The depreciation fund, consisting of idle funds, can be put at the disposal of the banking system until the funds are required for the fixed capital replacement. The capitals which do replace fixed capital in the period considered draw on the total social depreciation funds to buy the appropriate commodities. Or, they purchase the fixed capital on commercial credit which allows them to pay it off over a long period. The capital producing the fixed capital must be able to carry such a long-standing debt, or is referred to the banking system to discount a long-term bill of exchange. The fundamental problem is that the part of the total commodity-product destined for use as fixed capital must in fact find its way into suitable labour processes where new, or the replacement of, fixed capital is required and conversely, capitals requiring fixed capital replacement must be able to find it ready on the market for purchase. In contrast to the majority of commodities which are to be used as circulating capital or consumed individually, fixed capital commodities usually represent a prodigious amount of value. A single capital may produce only very few units of fixed capital commodity in a year, or even less than one unit. If one or more of these units proves to be unsaleable, or saleable only at a price insufficient to cover the investment, because it is not required in any labour process, the producing capital's valorization is acutely endangered. Capitals producing fixed capital commodities seek to go around this problem by only producing on *FIRM ORDERS*, thus avoiding some of the vagaries of the market. The magnitudes of the time periods involved however can be so great that the capital which orders fixed capital commodities for a certain date in the future may well find itself in the position that it does not require or cannot afford them. It could turn out that the fixed capital ordered is already superseded technologically when its production is completed. It is then only a question of whether the producing capital or the ordering capital bears the loss. /483> Firm orders cannot abolish the magnified difficulties of disproportion between fixed capital commodity production and replacement *in natura* of fixed capital. The problems of

disproportionality between production and consumption in the reproduction process as a whole recur on a grander scale in the particular area of fixed capital commodities.

In Marx's treatment of the replacement of fixed capital (CII Chapter 20 Section 11), great weight is laid on the question of where the money for the replacement of fixed capital is to be found. He argues in the framework of a simple schema in which the constant capital component of Department II (for Marx, Means of Individual Consumption) has to be exchanged against the new-value component of Department I (Means of Production) (cf. CII 453ff;KII 446ff). As a result of his simplifying assumptions (cf. §57A), he comes to the result that the value (measured in *MONEY*) of fixed capital in Dept. II which is to be replaced in the current period must equal the value of depreciation of fixed capital in Dept. II which has still to be accumulated in a depreciation fund. With our more complicated schema the problem of replacement of fixed capital becomes more complex. The banking system has to provide the funds for the replacement of fixed capital. The main source of these funds is the depreciation funds for fixed capital of other capitals, which temporarily place the funds at the disposal of the banking system. The fact that these gradually accumulating funds are deposited in the banking system, which can in turn lend them in any sector of the economy, means that a balance between new fixed capital investments and available depreciation funds does not have to be achieved within each individual sector. Rather, a balance has to be attained for the economy as a whole. The credit relations of the banking system allow merely the *spreading of the problem to a total social level*. Credit relations also enable the total social depreciation fund for fixed capital replacement to be reduced, since the same money-capital can, at different times, finance the purchase of several fixed capital replacements. The money-capital necessary also does not necessarily have to be saved by the individual capitals, or even functioning capital as a whole, because money-capital is placed at the disposal /484> of the banking system also by other figures. Marx, in abstracting from credit relations and proceeding from the assumption that the capitalists operate with their own money-capital, comes to the result that those capitalists who replace their fixed capital *in natura* in a given period, by throwing accumulated depreciation funds into circulation, provide the money which can be again withdrawn from circulation by those capitalists who are still saving up in their depreciation funds. Under the assumption that the capitalists operate with loan capital, the situation is reversed: those capitalists who put something aside from the sale price of commodities into a depreciation fund for eventual replacement of fixed capital provide funds to the banking system which can be loaned to those capitalists who are wanting to replace fixed capital. Since Marx abstracts from credit relations, the depreciation fund takes the shape of a

*HOARD* in the hands of the capitalists which is not loaned to any other capitalist. His simplified reproduction schema nevertheless provides the key to an understanding of fixed capital reproduction. The money mediation of the replacement of fixed capital is the one side of the problem. The other is that of material disproportionality, i.e. that the right fixed capital means of labour are produced in the right quantities at the right time. This proceeds through a tapping around in the dark on the various markets. Any material disproportionality has to be adjusted in the context of a complex (cob-)web of *a posteriori* market relations. The process of adjustment may be of a more or less violent nature. On the ever-changing sands of the capitalist economy, the reactions of individual capitalists can turn out to be precisely false reactions which exacerbate the disproportionality. They pay dearly for their false 'judgment', through valorization difficulties, including bankruptcy. The individual capitalist however cannot be held responsible for inherent contingency of the value-forms, in spite of accusations of mismanagement levelled by naive consciousness when things obviously go badly wrong.

### **§63 Accumulation and Expanded Reproduction**

The total social new-value is represented in the sum of revenues /485> plus profit of enterprise, i.e. the sum of incomes of the various classes, plus that component of total social value needed to replace consumed means of circulation. The total social old-value, on the other hand, is that sum required to replace consumed means of production (cf. §44). Of the total sum of incomes, part is spent on articles of individual consumption, and the other part is saved. i.e. it is deposited in the banks and there earns interest as deposited money-capital. This additional total social money-capital can be employed by functioning capitals, but only if the material presuppositions for its employment are fulfilled. Of interest here are only the industrial commodities which have to be available on the market if the activities of total social functioning capital are to be expanded (that is, the question of additional labourers and land is here left aside). These additional commodities have to possess the appropriate use-value form if they are to be employed in an *EXPANDED REPRODUCTION PROCESS*. Since the decisions as to saving or consuming incomes are taken individually, the correspondence or otherwise between commodities determined for individual consumption and income spent is purely accidental. The supply of articles of

individual consumption (the product of Dept. IV) can either exceed or fall short of the total amount of money put aside for spending on individual consumption commodities. Through price changes and changes in the relations of savings to spending funds, the two quantities can be brought back into relation with one another. Similarly, the total accumulated money-capital bears only an accidental relation to the commodity-product which can be used to expand the activities of individual functioning capitals. Through the metabolism of the market, including the money-market, the amount of accumulated money-capital alters, and the prices of the commodities available as means of production or as means of circulation change. The *ACCUMULATION OF CAPITAL* and the resulting *EXPANDED REPRODUCTION OF CAPITAL* rests on the basis of its material presuppositions in the total social commodity-product. Accumulation, however, is one aspect of the production of relative surplus-value through the employment of larger masses of means of production (since increases in productivity of a labour process are often accompanied /486> by an increase in the scale of production). Expanded reproduction thus corresponds to the tendency of capital to enlarge its total movement of valorization, as a characteristic relation of content and form in the capitalist mode of production.

The money-capital which becomes available to the total reproduction process only finds employment as functioning capital because some individual capital requires it to expand its operations. This expansion is one aspect of relative surplus-value production (in the case of industrial capital) or of lessening the total social circulation costs (in the case of circulation capital). How this expansion is forced on the individuals through the mechanism of competition is a theme of the competition-analysis (cf. CCF&B-DS §§28, 29, 35, 36).

The competition forces the immanent laws of the capitalist mode of production onto every individual capitalist as an external compulsive law. It forces him to continually expand his capital in order to maintain it, and he can maintain it only by means of progressive accumulation. (CI 555;KI 618)

Scientific analysis of the competition is only possible once the inner nature of capital has been grasped... (CI 300;KI 335)

## **§64 Reproduction of the Value-Forms, of the Capital-Relation and of Class Relations**

The reproduction process of total social capital is reproduction within unvarying form-relations. The product is produced as commodity within a circuit of functioning capital, which incorporates labourers under the wage-relation and land through leasing into the labour process. Irrespective of the quantitative proportions of commodity-product, prices, loan-capital, etc., the reproduction process reproduces the value-form relations. Class relations are reproduced, and more specifically, the working class, which in the next period, again offers its labour-power for hire to the functioning capitalists. Apart from individual exceptions, the individual consumption undertaken by the working class reproduces it as working class, as the living material for the valorization of capital through production and circulation. An historical movement beyond this circle of reproduction presupposes the conscious, collective construction of an alternative. /487>

a) Marx treats the reproduction of the capital – wage-labour relation as an aspect of the reproduction of capital already in Part VII of Vol. 1 (CI 535;KI 595). It is striking that reproduction is investigated not only at the end of Vol. 2 but also at the end of Vol. 1. The restrictive assumptions made by Marx for the reproduction schemata reduce the analysis of reproduction effectively to the systematic level of the production analysis. The only conceptual development in the circulation analysis which is substantially taken into account is the concept of fixed and circulating capital. Apart from this single topic, the treatment of reproduction in Part III of Vol. 2 does not differ in substance from the presentation of the same matter in Part VII of Vol. 1. This double treatment by Marx can be interpreted as one more sign of the fact that “*Capital...*, in spite of the Engelsian supplements, has remained a torso” (H. Cunow *Die marxsche Geschichts- Gesellschafts- und Staatstheorie* Bd. I Berlin 1920 p. 6).

b) This conclusion of a *VALUE-FORM ANALYTIC RECONSTRUCTION OF CAPITAL* prepares the transition to a form-analytic competition-analysis. With the increasing mystification of the process of capital through the progressive superficiality of the concept of capital, and the increasing role which *PARTICULARITY* has played in the analysis, we have approached stepwise the *SURFACE OF CAPITALIST SOCIETY*, namely, the *ECONOMIC COMPETITION*, borne by the individuals precipitated by the particularisation of the total movement

of capital. The presentation thus cannot rest on the level reached here. The reader who wants to *GRASP THE WHOLE IN THOUGHT* also cannot rest content with the present stage of the dialectical dialogue. /488>



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## APPENDIX

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# Abbreviations

The following abbreviations with an adjoining page number are used for the works listed below. References in the text of the form §\_A resp. App.§\_ refer to the additions to the numbered paragraphs resp. to the Appendix. Note that all translations from the German are my own, and may therefore not correspond to extant English translations.

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KI, KII, KIII: *Das Kapital: Kritik der politischen Ökonomie* Bd. I, II, III in *Marx-Engels Werke* Berlin Bd. 23, 24, 25

EK: *Das Kapital: Kritik der politischen Ökonomie* Erster Band Urausgabe. Reprint of the 1867 first edition. Hildesheim 1980

GE: *Grundrisse* Translated by M. Nicolaus, Harmondsworth 1973

G: *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf) 1857-1858* Berlin 1953

TSV1,2,3: *Theories of Surplus value* Parts 1,2,3 Moscow 1975

TM1,2,3: *Theorien über den Mehrwert* Bd.26.1, 26.2, 26.3 MEW

Z: *Zur Kritik der politischen Ökonomie* in Bd.13 MEW

B: *Briefe über das 'Kapital'* Berlin DDR 1954

## Hegel

Rph: *Grundlinien der Philosophie des Rechts* Werke Bd.7 Suhrkamp Verlag Frankfurt/Main 1970

E: *Enzyklopädie der philosophischen Wissenschaften im Grundrisse (1830)* Bd. 8,9,10 Werke Frankfurt/Main 1970

LI, LII: *Wissenschaft der Logik I und II* Bd. 5, 6 Werke 1970

Ph.G: *Phänomenologie des Geistes* Bd. 3 Werke 1970

**Other**

DgV: Die gedoppelte Verdopplung (Roth/Kleiber/Hanlon/Eldred) [was not forthcoming – 1910]

RVfA: ‘Reconstructing Value-form Analysis’ (Eldred/Hanlon 1981)

App.: Appendix (Eldred/Hanlon/Kleiber/Roth). Slightly revised version of RVfA1-4. ‘Reconstructing Value-form Analysis 1-4’

VRAK1-4: ‘Vaerdiformanalytisk rekonstruktion af Kapitalen 1-4’ (Eldred/Hanlon/Kleiber/Roth)

SW1,2,3: *Lenin Selected Works in Three Volumes* Moscow 1970

CCF&B-DS: M. Eldred *Critique of Competitive Freedom and the Bourgeois-Democratic State: Outline of a Form-Analytic Extension Of Marx’s Uncompleted System* first published by Kurasje, Copenhagen in 1984 (this study). /507>

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# Notes

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## Notes to 2010 Preface

- 1 M. Eldred *Social Ontology: Recasting Political Philosophy Through a Phenomenology of Whoness* Ontos, Frankfurt 2008 pp. xiv + 688.
- 2 A phenomenology of whoness could be regarded as a surrogate for the projected analysis of the bourgeois private sphere. Cf. M. Eldred *Der Mann: Geschlechterontologischer Auslegungsversuch der phallogischen Ständigkeit* Haag + Herchen, Frankfurt/Main 1989b and M. Eldred *Phänomenologie der Männlichkeit: kaum ständig noch* J.H. Röhl, Dettelbach.
- 3 Cf. M. Eldred 'Capital and Technology: Marx and Heidegger' in *Left Curve* No.24, May 2000 (German: *Kapital und Technik: Marx und Heidegger* J.H. Röhl, Dettelbach, 2000; also in Chinese and forthcoming in Spanish) and op. cit. 2008.

## Notes to 1984 Preface

- 1 See e.g. A. Callinicos 1982, S. Aronowitz 1981, L. Althusser 1979. G.H.R. Parkinson 1982, P. Sweezy 1979, R.L. Heilbroner 1980, R. Jacoby 1981, P. Patton 1983, M. Campioni & E. Gross 1983, Agazzi 1983, M. Hanlon 1983.
- 2 See O. Negt 1983.
- 3 Backhaus 1981 p. 163.
- 4 See e.g. G29, 175, Marx to Engels 2.4.1858 B87, 1859 Preface.
- 5 After Rosdolsky 1977 p. 12.
- 6 Marx is here referring to the *Critique*, published in 1859.
- 7 Cf. Schwarz' criticism of Rosdolsky's interpretation of Marx's changes in plan in Schwarz 1974.
- 8 Cf. Rosdolsky's discussion of Marx's plan and its changes in Rosdolsky 1977 pp. 10-56. The seven variants of this plan are given in overview in Wygodski 1967 pp. 114-117.
- 9 Cf. I. Glaser 1982 where a radical thesis for the fragmentary character of *Capital* is presented and defended.
- 10 The difficulties lying in the way of producing a publishable version of *Marx's* capital-analysis which can in any way be regarded as a finished product are in fact insurmountable. The incompleteness of the manuscripts - above all the manuscript to Volume 3 written 1864-65 - is attested to by a letter from Marx to Engels written at the time he was preparing the manuscript for Volume 1 for publication: "Although ready, the manuscript,

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enormous in its present form, is uneditable by anyone except myself, not even by you.” (B130 13.2.1866) As it turned out, Engels became, in spite of this caveat, Marx’s editor.

<sup>11</sup> One could question whether such a subject matter is subsumable under a theory described by Marx as “the system of bourgeois economy” (MEW 13 p. 7). Regardless of this problem of interpretation, it is clear that the famous sentences about social being determining consciousness remain empty and unsubstantiated without the theory which conceptualises what “social being” and consciousness in the bourgeois form of society are. The critics of the hitherto most influential attempt to formalise these contentless unsubstantiated statements, Althusserian marxism, correctly point to the meaninglessness of phrases such as “determination in the last instance” and relative autonomy”.

<sup>12</sup> Cf. Schrader 1980.

<sup>13</sup> A daring attempt at an alternative to Marx’s theory is made by Albert & Hahnel (1978), intellectual offspring of the American New Left. One can wish the adventurous will to break out of the straight-jacket of orthodox Marxism well, as well as the perspective which criticises economism, “which dissects one aspect of society isolating it from the totality” (A&R 1978 p. 130). The positive result however is disappointing. The alternative “political economy of praxis” starts from a formal model in which absolutely everything is crammed in by being assigned a variable within a matrix (ibid. pp. 132ff). The attribution of labels to phenomena is a taxonomic activity useful to stamp collectors and orderly housepersons, but falls short of anything which could be called theoretical systematicity.

<sup>14</sup> Another version of these sections has appeared in Roth et al. *La Forma-Valore*, and is to appear in German under the title *Die gedoppelte Verdopplung*. [was not forthcoming - 2010]

<sup>15</sup> The discussion of capital-analysis in West Germany has been lively and thoroughgoing. We mention here the works of Backhaus, Krause, Nanninga, Steinvorth, Göhler, Roth, Glaser, Rünzi, Reichelt, Projektgruppe Entwicklung des Marxschen Systems and Hartmann.

<sup>16</sup> One can take any of the Soviet textbooks on political economy or the work of an orthodox marxist economist such as Mandel. Other marxist theorists in non-economic areas of theory, such as Poulantzas and Gramsci, have ignored the theoretical problems in the critique of political economy. Still other vast areas of modern marxism have no connection whatever with capital-analytic categories (notwithstanding that they talk sometimes of labourers, labour-power, capital, etc.).



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- 17 Cf. also my ‘Material Dialectics and Socialist Politics’ (1981) and Eldred et al. ‘Is Dialectics Dead? Introductory Remarks on Form-analytic Theory and Politics’ to appear in *Science & Society*. [never published - 2010]
- 18 My debt to Backhaus will be obvious to readers of German. To date only the first of Backhaus’ articles, from 1969 (written in 1965! Cf. the list of Backhaus’ work in the bibliography), has appeared in English translation.
- 19 Cf. Backhaus ‘Materialien 3’ 1978 (now in: H-G. Backhaus *Dialektik der Wertform: Untersuchungen zur Marxschen Ökonomiekritik* Ça ira, Freiburg i. Br. 1997), Holzkamp ‘Die historische Methode des wissenschaftlichen Sozialismus und ihre Verknennung durch J. Bischoff’ in *Das Argument* 1974.
- 20 Cf. I. Glaser ‘Das dialektische Denken und das natürliche Bewußtsein’ in K. Lorenz (ed.) 1979; Eldred/Roth 1978 pp. 10ff; Roth 1976.
- 21 The inspiration for these formulations I owe to Lucia Kleiber; cf. Kleiber ‘Schein und Fetisch’ (1983).
- 22 Cf. K. Lorenz (ed.) 1979 and Mittelstraß (ed.) 1975.
- 23 Cf. M. Roth *Thesis Eleven* No. 3 1982.
- 24 Interestingly enough, in an interview shortly before the appearance of his two-volume work *Theorie des kommunikativen Handelns* in December 1981, Habermas refers expressly to Sweezy’s book as having influenced him at the end of the fifties (in *Kommunikation und Ästhetik* No. 45 1981).
- 25 See I. Steedman 1977 and M. Eldred et al. ‘Is Dialectics Dead?’.
- 26 Cf. Kleiber 1983 ‘Schein und Fetisch’.
- 27 Cf. LII 249: “With regard to the refutation of a philosophical system ... the queer notion is to be dispelled, that the system should be presented as thoroughly false and as if the true system were only to be *counterposed* to the false system.” Hegel is not arguing here for pluralism, but for the overcoming of a theory by reaching a higher standpoint from which the theory criticised is seen to be a “*necessary standpoint*” (ibid.).
- 28 An aspect of Marx’s critique of Proudhon can be seen in Proudhon’s demand to simply realise existing bourgeois ideals. Schrader (1980) writes:
- Instead of from the beginning positing ideal forms of the bourgeois society against their bad reality and wanting to realise them for the first time or once again, Proudhon, according to Marx, should have posed the question, why must products take on the form of exchange-values and humans the form of free and equal rightful persons at all. (p.171)
- Marx treats the forms of equality and freedom prematurely, at the level of the simple circulation of commodities in the *Grundrisse* and following texts on the critique of political economy; cf. §§14A, 21.

<sup>29</sup> ‘Gesellschaft’ in Adorno 1970 p. 148. Cf. also ‘Spätkapitalismus oder Industriegesellschaft’ *op. cit.* p. 166.

<sup>30</sup> The situation is no better in the United States. In a review of Holloway and Picciotto’s book, Fay (1978) confirms first of all that the American reception of the debate forecloses any serious appreciation of conceptual development:

One reason why the Anglo-American world has always found it hard to get excited about the state-derivation debate is the high level of abstraction at which the debate has been conducted. (Fay 1978 p. 138)

Because of the common assumption of not only British and American audiences but also of the participants in the state derivation debate itself, namely to develop a conceptual apparatus adequate to carry out urgently-needed (who sets the deadline?) empirical research into concrete historical situations (*ibid.* p. 140, my quip), the elements of the debate which are concerned with “abstract concepts and logical derivations” (*ibid.* p. 130) are presented as a

failing (which ME) lies in the amount of debate that has been devoted to the issue of precisely which concept is the valid point of departure. (*ibid.*)

Conceptual thinking gets short shrift. Marxist common-sense accepts unquestioningly that theory is a tool for empirical research, just as in the social sciences. It would be amusing to see someone try to employ the *Grundrisse* as a ‘theoretical framework’ for “empirical research”, like hanging a wet dog out to dry on a clothesline. The reader of Marx’s main work is invited to stretch his/her imagination:

Certainly Marx never intended (to which letter is she referring? ME) *Capital* to be read as a purely economic analysis (Marx talks of a “critique of economic categories” ME), but rather as a total analysis of capitalist society. (*ibid.* p. 131)

The project of developing a concept of state is (from the start, on the basis of bloody-minded preconceptions) pronounced a still-birth in the Anglo-American context:

The rigorously logical derivation of the bourgeois state from ‘capital’ at its most abstract level will have to be dropped. (*ibid.* p. 149)

The Germans do indeed have a reputation for being dry and stodgy, and some contributions to the debate in Germany do treat the derivation problem in a formal-logical way. The reader not hampered with blinkers however could discover some more fruitful elements in the debate. The source-texts to the debate by Backhaus, Krahl and Reichelt have never received any attention in the Anglophone world.

31 Cf. Gerd Rudel 1981.

32 This approval of the *dissolution* of the derivation debate does not prevent Boris Frankel from including Holloway and Picciotto in his list of the “new generation of derivative theorists” (Frankel 1982 p. 115). Frankel sees no differences between the various contributions to Holloway and Picciotto’s volume, and caricatures them all as derivations “from an analysis of the capital accumulation process” (p.116). He shows interest in the question:

Can one derive an explanation of the widespread oppression of women and blacks which has been present in the very structure and practice of all capitalist and pre-capitalist state apparatuses?! (ibid.)

As far as I know, no ‘derivationist’ ever had such Napoleonic delusions of grandeur. The author probably developed an aversion to logic in his maths classes in school days. In spite of the new orthodoxy which quickly precipitated in the West German debate, which Frankel refers to, it was not such a bad thing that they “rediscovered the three volumes of *Capital*” (ibid.). Frankel laments that a ‘general analysis, such as capital cannot provide a “political strategy” (ibid. p. 118) and echoes the oft-heard anguished cry for historical specificity. According to the author, a good marxist should support “women’s groups, ecologists, the anti-nuclear movement, numerous nationalist movements such as the Basques, discriminated minorities and races” (ibid. p. 117) He regrets only that these movements

have generally been supported by Marxists only *after* they became mass movements - simply because their existence couldn’t be ‘derived’ from capital when they were silent or non-existent problems. (ibid.)

Frankel can be thankful; at least *after* these movements have arisen the Marxist is so busy in solidarity groups that he/she can do nothing but give up the bad habit of trying to derive nuclear reactors and suchlike from *Capital*. Frankel shows himself to be a well-versed dialectician:

A totality is made up of the dialectical relations between the general and the particular. (ibid. p. 118)

Because however, generally speaking, Marxists are so general, preferring to be Generals (rather than particulars), they

have tended to ignore the particular, the specific; and to derive the particular from the general. (ibid.)

Frankel omits that marxists also tend to twist their opponents words in employing unfair polemical tactics. He gets reinforcement from a Sydney colleague, who very well could have just finished speaking long distance with Frankel, when he writes:

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What is required in Marxist scholarship is more concrete empirical work. (E. Jones 1983 p. 30)

Ugh! More drudgery! I s'pose it keeps someone employed. This acquaintance with the concrete-empirical should

bring the overly-abstract and fragmented theoretical constructions down to earth, and in the process ground the theoretical process in concrete historical detail. Marxists need more exposure to the fine detail of history, both past and present. ... My view is that, in the context of contrary values within the academic community (How right you are, Professor! ME), the position has to be constantly reasserted. (ibid.)

Jones will find no lack of academic colleagues who are willing to reassert again and again the central tenet of Marxist, or more generally, Anglo-Saxon empiricist common sense. Anyone who doesn't hold it is obviously off his/her rockers. Evan Jones would in all probability be deeply disappointed by the present work.

33 Backhaus' first article already casts doubt on the success of Marx's form-analysis. More detailed discussions of the same problems, among other things, are contained in the *Materialien*. On the problem of the relation between historical and logical moments see especially 'Materialien 3 and 4' (now in: H-G. Backhaus *Dialektik der Wertform: Untersuchungen zur Marxschen Ökonomiekritik* Ça ira, Freiburg i. Br. 1997), and Backhaus 1981. Reichelt, whose name is associated with Backhaus as founder of the so-called *Kapitallogik* school (cf. P. Ruben 1977), cannot be regarded as having consistently followed a program of logical reconstruction of Marx's theory. His critique of Flatow and Huisken (H&P 1978 pp. 43-56) for instance, reveals that logical and historical elements are for him still mixed together.

34 Hirsch substitutes the problem of a conceptual development of the state form with an assertion:

The fundamental form-determination of the bourgeois state, namely, the doubling of bourgeois society into society and state and the formal particularisation of the state as an administrative apparatus separated from society, cannot be derived out of the abstraction of isolated structural elements, but requires an analysis of the social reproduction process and the laws determining it in its totality. (Hirsch 1974a p. CXL)

A conceptual problematic is passed over in favour of historico-empirical research:

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The investigation of the capitalist process of accumulation and crisis therefore forms the central foundation of a historically concretised state-analysis. (ibid. p. CXLIII)

Down with philosophy! Long live sociology!

### **Notes to Part I**

- <sup>1</sup> This introduction briefly summarises some results of the capital-analysis to provide a bridge to the competition-analysis proper. The strict systematic development however would put the entire appendix in place of this introduction. Throughout the presentation reference will be made to the Appendix for arguments which depend on the capital-analysis. The reconstruction of the revenue-form analysis follows essentially that of Eldred 1980 and the joint paper Eldred et al. ‘Zur Bedeutung der Revenueformanalyse für Rekonstruktion und Ausbau des Marxschen Systemfragments’. As reconstruction, it is simultaneously a critique of Marx. This cannot be said of the recent English book by Sayer (1979) whose third chapter contents itself with an uncritical recounting of Marx’s presentation of the analysis of labour-power, profit, interest, rent and the trinity formula. (p. 1)
- <sup>2</sup> The following remarks are based on Eldred et al. ‘Sul significato dell’analisi della forma di reddito nella ricostruzione ed elaborazione del frammento di sistema di Marx’. (§7A)
- <sup>3</sup> Marx attempts to distinguish between functioning capitalist and money-capitalist by using a distinction between economic and juridical categories: “However here the capitalist exists in doubled form, the owner of capital and the industrial capitalist, who really transforms money into capital. Factually, the capital flows out from him and returns to him. But only as the possessor. As property it returns also to the juridical capitalist, to the left-handed Sam.” (TSV3 458;TM3 450) The money-capitalist is indeed the owner of the money-capital, whereas the entrepreneur (the “industrial capitalist”) is its possessor. As will be seen in Part II however, the entrepreneur is just as much a “juridical person” as the money-capitalist; as juridical person, the entrepreneur is rightful possessor of the money-capital, just as the money-capitalist is rightful owner, who has temporarily parted with possession. Similarly, on the purely economic level, independently of categories of right, a distinction exists between money capitalist and entrepreneur as loaner/user of money-capital. The distinction between the two cannot be articulated as one between juridical and economic characters. (§7A)

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## **Notes to Part II**

- <sup>1</sup> The economic process plays itself out in these ‘individual economies’ in the form of many individual work processes (*Leistungsprozesse*).” (Dülfer 1962 p. 14) Economics has built up an entire alternative terminology to the Marxian for the same phenomena, which is usually not as clear as Marx’s. (§12)
- <sup>2</sup> “For with the supposition of a typical mode of behaviour ... a structure of interests, of the ‘enterprise in itself’ appears which aims precisely at self-maintenance in the total economy. /499> This structure of interests dictates striving for gain, since ‘our economic order’ does not allow the survival of anything else.” (Dülfer 1962 pp. 32f) Dülfer nevertheless contests that striving for gain is the sole aim of an enterprise (cf. *ibid.* p. 25). As an example he cites a possible entrepreneurial motive as the realisation of an invention for the sake of “economic progress” (*ibid.* p. 96). The subjective intentions of the entrepreneur may well indeed be very noble; s/he may believe in the progress of humankind through science. The subjective intentions however are annulled if the entrepreneur does not take care that the objectively given subjective aim of earning profit of enterprise is not heeded. (§12A)
- <sup>3</sup> Both the Moscow and Penguin translations are at this point unusable. (§14A)
- <sup>4</sup> “In the sense of the particular relation between the giver of capital and real assets ... the givers of capital (*Kapitalgeber*) – in the case of the share enterprise these are without doubt the shareholders – can be viewed as the representatives of the real assets (in the shape of means of operation, means of labour, work materials).” (Dülfer 1962 p. 58) (§17)
- <sup>5</sup> Hegel does acknowledge that the augmentation of property through taking possession is an infrequent phenomenon in the modern world: “The unmediated grasping of possession of external objects as means (for the satisfaction of need ME) no longer or scarcely takes place in the circumstances where this standpoint of mediation (of the social connection ME) is realised; the objects are property.” “Unmediated taking of possession happens seldom ...” (Rph §58 Notiz) (§18A)
- <sup>6</sup> Friedrich A. Hayek reckons we should continue playing handies with the ‘invisible hand’: “The market order, in particular, will regularly secure only a certain probability that the expected relations will prevail, but it is nevertheless the only way in which so many activities depending on dispersed knowledge can be effectively integrated into a single order.” (Hayek 1973 p. 42) It should be some consolation that the labourer for example, only has a

“certain probability” of showing up in the unemployment statistics. Who precisely expects their relations? Hayek does not give a source as to whose crystal ball he used to find out that the market order is “the only way”. (§24)

<sup>7</sup> See e.g. the critique of simple commodity production in Eldred/Hanlon 1981 n. 9 p. 53, n. 19 p. 57 and Backhaus 1981. (§24A)

### **Notes to Part III**

<sup>1</sup> In this presentation in general we leave the capital gains made in buying and selling shares aside. (§31A)

<sup>2</sup> An article from the *Financial Times* reprinted in the *Australian Financial Review* of 05.07.1978 demonstrates the peculiar position of managers vis-à-vis workers on the one hand and entrepreneurs (their “employers”) on the other: “That managers and professional staff are now the biggest growth area for trade unions could be seen as evidence that today’s manager is a pretty disconsolate beast (= labourer, like the others ME). ... What is clear is that more and more managers are departing from their traditional individualist roles and are seeking the strength of collective representation.” The managers are having to take account of their economic status as labourers - wouldn’t you? They are in a delicate position, however: “By being in the same union as their subordinates ... managers could face difficulties in their working relationships (*quel horreur!* ME) especially if there were a conflict between unions and the employers.” In plain English: the managers have the job of supervising exploitation and ensuring its continuity. Mr. Hayward-Jones, general secretary of the Shipbuilding and Allied Industries Management Association, “pointed out that a manager held a dual role – as an employee and as an agent of the employer.” Caught between the entrepreneur on the one hand and their “subordinates” on the other, the managers “feared they could be called upon by their union to take part in action ‘which they might consider at variance with their managerial or professional obligation’.” The managers have the task of putting in the boot when the crew gets rowdy. The cherished “managerial obligation” should also carry some privileges with it. The managers can use their favoured position in the hierarchy and their special role as an effective lever to screw (achieve conditions of employment more in keeping with their greater responsibility) the entrepreneur. If the entrepreneur or company executive is not prepared to acknowledge and suitably reward managerial exertion, the managers could well be – regrettably – forced to take more vulgar forms of action usually reserved to their subordinates. (§53A)

<sup>3</sup> Cf. the discussion of the logical-historical mode of presentation in Backhaus 1978, who makes the observation that, in the debate between the old orthodoxy and the new orthodoxy, whereas the new orthodoxy criticises the old for accepting Engels' thorough-going historicisation of categories, they cling to the same aspects to be found in Marx. (§55A)

<sup>4</sup> A theorist of share-company law writes: "The incorporation of the labourer into the operations occurs from the viewpoint of the object-boundedness (*Objekthaftigkeit*) of the labouring unity ("labour is a commodity") according to the rules of the individualistic property order. The purchased commodity is subject to complete domination by the property-owner. In this the circumstance is overlooked that the performance of labour is inseparably bound to its bearer, the co-worker, and that therefore ... the claim to property necessarily /501> touches the person of the bearer. Here lies the point of attack for a reconsideration of the thesis that the performance of labour only lay in the giving over of labour-power for a time. The strict, property-right (in the individualist sense) thoroughly consistent treatment of this thesis can lead to a collision with the personal rights of the labourer. The idea of a property-right treatment of the performance of labour, which is 'sold' must come to grief on its inseparable boundedness to the bearer of the performance ... If one now views again the insertion of the factor 'human performance of labour' from the labourers' standpoint, it can be seen that the above thesis is not sufficient in order to delimit the extent of this insertion. It is not necessarily assumed that the co-worker, after the end of the time, has preserved the starting position, that s/he has only given the use of labour-power. Rather, the danger exists ... that s/he loses something of his/her *human substance* in a social, existential respect. ... Today this finding is a commonplace and has *found its precipitation* in comprehensive rights of labour and social rights. In that the legislation has acknowledged this further definition of the performance of labour (of the individual) and has drawn consequences of a legislative kind, the *object-character of the economic power has been restricted but not abolished.*" (Dülfer 1962 pp. 64, 65, my emphases) It is just this form of consciousness articulated by Dülfer which is here incorporated into the presentation: the ultimate right of the person vis-à-vis property rights. The remarks on legislation derive from the superiority (for consciousness) of the right to existence. Systematically speaking, the comments on legislation belong to the analysis of state (cf. §§73ff). (§61)

<sup>5</sup> Eldred/Hanlon 1981 pp. 44ff; Roth 1976; App. §11. (§61A)

<sup>6</sup> I owe inspiration for these remarks on consciousness and self-consciousness to Hanlon 'Zum Programm einer sozialphilosophischen Kritik der



bürgerlichen Gesellschaft' MS Basel 1983 and to Kleiber 'Thesen zum Programm einer Kritik burgerlicher Subjektivität im Zusammenhang einer philosophischen Gesellschaftstheorie' MS Konstanz 1983. The latter paper was presented to the Philosophisches Kolloquium der Universität Konstanz on 13. Jan. 1983. (§64)

7 For an explanation of this term see Eldred/Hanlon 1981 pp. 28ff and App. §4. (§65)

8 Inflation is properly speaking a phenomenon associated with inconvertible gold-denomination or fiat state paper money, not with gold-money and gold-convertible paper money. (§65)

9 For the case where additional capital can be invested without employing more labourers, see §69 below. (§66)

### **Notes to Part IV**

1 "The capitalist claims his right as buyer... On the other hand, the specific nature of the sold commodity (labour-power ME) includes a limit to its consumption by the buyer and the labourer claims his right as seller. ... An antinomy arises here, right against right,... Between equal rights force decides." (CI 226;KI 249) (§73)

2 Campbell et al. (ALR No. 74 1980), in a reply to Beilharz' critical appraisal of Poulantzas' work (ALR No. 73 1980), hold it for one of Poulantzas' main achievements to have retained "the marxist emphasis on classes or, more correctly, class struggle." (ALR 74 p. 39) "It is the fashion of youth to dash about in abstractions (here: class struggle ME)" (E §80A). This "marxist emphasis" is a dead-sure means of turning marxism into a fortress with absolutely sealed walls. That Poulantzas proceeds from aprioristic assumptions that class struggle is primary, one could say, everything, the authors turn into the bald claim that Poulantzas "clearly established the primacy of class struggle" (ibid. p. 40). (§74Ab)

3 The conceptual distinction between character-mask and subject is not always observed by F&H, perhaps because the mediation from character-mask to subject is not carefully performed (cf. §§11-13): "They act subjectively in following their interests as character-masks of capital..." (F&H 1973 p. 131). (§74Ad)

4 According to Göhler, Hegel rejected the logic of subsumption in working out his social theory, replacing it with a speculative logic of spirit; cf. Göhler's commentary in Hegel 1974. (§74Ad)

5 As the MG points out in its critique of Flatow and Huisken, "the state is a power relation and not an association of interests" (Arbeitskonferenz 1974

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p. 153). The MG (at that time the AK) criticises Flatow & Huisken for their attempt to derive the state as an instance necessarily separated from society and from common interests: “No longer out of the *antithesis* of particular interest, which each pursues in the competition, does the reciprocal acknowledgement as persons (abstract free will) arise, but out of peaceful *communality*... in the existence as abstract-universal person, the individuals obtain not an objective determination *besides* their social particularity, but are, corresponding to their subjective interests, people who pursue *common aims* ...” (ibid.) The contradiction in the relation between particular interests and the universal forms (not universal interests) is not taken into account by Flatow & Huisken: “The fundamental contradiction of the *bellum omnium contra omnes* is, against better knowledge, continually harmonised: instead of recognising in freedom the pursuit of the individual’s particular interests, which necessarily finds its limit in the competitor, that is, instead of retaining the definite form of dependency of possessors of revenue-sources, the authors (F&H ME) fall continually into the error of uniting, via the category of interest, the particularity of the individuals with the *necessities* growing out of their restriction, with definite preconditions of their action which are not at hand in the competition and which they declare to be ‘universal (common ME) interests’.” (ibid. p. 152) (§74Ad)

<sup>6</sup> Marx’s opinion of Stein bears repetition: “Dühring has obviously misunderstood various things (in the first edition of KI ME). The most droll however is that he compares me with Stein, because I engage in dialectics, and Stein, in wooden trichotomies, with his own Hegelian categorial wrappers (*Kategorieumschlägen*) thoughtlessly strings together the most simple trivialities.” (Marx to Engels 8.1.1868 in MEW32 9) (§76Ab)

<sup>7</sup> P. Koslowski (1982) macht einen Schein von Gründlichkeit. Er geht gar nicht auf den Grund, sondern erzählt Geschichten. Although his book carries the title *Gesellschaft und Staat: Ein unvermeidlicher Dualismus*, one seeks in vain for anything approaching a *CONCEPT* of *Verdopplung*. Spaemann sees nothing exceptional in the fact that Hegel makes no major appearance in a work which otherwise strives to erect a scholarly facade, and takes it as a positive sign of the author’s pluckiness: “Koslowski obviously does not want the problematic to be prescribed by Hegel” (ibid. p. XVI). He supports the author in his quest to bolster the “European idea of freedom” (ibid.); (again, no association with the Hegelian Idea is intended). Through a narration of European history, Koslowski wants to show that the “dualism of state and society” (p. 1) is an historical “constant”, which could only be abolished at the cost of sacrificing “individual freedom” (p. 293). His misrepresentation

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of Marx is a pardonable peccadillo: Marx appears as the Utopian who yearned for the “species-being human, which no longer produces in a division of labour.” (p. 27) Proof for this is supposed to be provided with a global reference to *Zur Judenfrage*, regardless of the fact that one finds not one word there about abolition of division of labour. Never mind! (§76Ab)

8 Nowhere is the naive bourgeois conception of human rights as rights of nature better represented than in Paine’s *Rights of Man*, composed with blue-eyed naivety at the opening of the buds of the American and French Revolutions. In his polemic published in 1791-92 against the hereditary aristocracy, which created a storm in England forcing Paine to flee, he appeals again and again to natural rights which spring from human reason. In an aside he acknowledges too a positive right to existence: “Humanity dictates a provision for the poor.” (Paine, 1969 p. 226) (§81)

9 Cf. Eldred/Hanlon 1981 p. 33 and App. §9Aa. (§85)

10 For further details of state paper money cf. the appendix to DgV ‘Zum Begreifen der Gestalten des Geldes’. [was not forthcoming - 2010] (§85)

11 On the level of parliamentary democracy (cf. §§100ff), subsidies can be given or continued out of electoral considerations of parliamentary parties. Such considerations however do not belong to the analysis of the outer state. (§86)

12 Further consideration of the individual’s enjoyment of nature belongs to the analysis of bourgeois private life. (§93)

13 Cf. the work of Hanlon and Kleiber. (§99)

### Notes to Appendix

1 This Appendix is a slightly modified version of our *Thesis Eleven* series, ‘Reconstructing Value-form Analysis’. It is the text employed (apart from introductory pages to each instalment) for the Danish translation published in *Kurasje* (transl. by Knud Pedersen, Agnete Raaschou-Nielsen and Thomas Stenderup).

2 Mike Rot *Kernstruktur unserer kapitalistischen Gesellschaft* Athäneum Frankfurt 1972 p. 11. (§1A)

3 See the transl. by Roth/Suchting in *Capital & Class* No. 4 1978. (§5Ab)

4 *Lenin and Philosophy and Other Essays* London 1971 p. 81. (§5Ab)

5 Backhaus was the first to emphasise the Marxian value theory, at least in Marx’s intentions, as a critique of premonetary value theories. We have gained further insights in discussions with Knud Pedersen and Thomas Stenderup on their dissertation (U. Copenhagen 1982). The Danish value-form analytic school has been decisively influenced by Backhaus. (§6A)

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- 6 Note that in the *Critique*, Marx had not yet developed the conceptual distinction between value and exchange-value. (§8A)
- 7 Warning: the published English translation is here completely unusable. (§8A)
- 8 The following outline is a modified and considerably abridged version of the appendix to DgV ‘Zum Begreifen der Geldgestalten’. [was not forthcoming - 2010] (§9Aa)
- 9 Cf. DgV Abschn. VIII or CCF&B-DS Part IV. (§9Aa)
- 10 Cf. DgV Abschn. VII or CCF&B-DS Part II. (§9Aa)
- 11 Obst & Hintner *Geld- Bank- und Börsenwesen* Stuttgart 1980 p. 7. (§9Aa)
- 12 O. Veit *Reale Theorie des Geldes* Tübingen 1966 pp. 245ff, 272ff contains an enlightening discussion of the failed attempts to create a supra-national money. Cf. also CCF&B-DS §91A. (§9Aa)
- 13 Cf. the appendix ‘Family in *Capital*’ in Eldred/Roth 1978. (§11Ab)
- 14 Cf. CCF&B-DS Preface II and RVfA2 p. 110 n. 5. (§13Ab)
- 15 Here, and in the following paragraphs, value is spoken of quantitatively, i.e. strictly speaking, we should employ the term ‘magnitude of value’. The abbreviation does no harm if it is borne in mind that value is no purely quantitative concept. (§14)
- 16 In RVfA the comparison was made between two capitals, which may have suggested aspects of competition. (§15Aa)
- 17 Eldred/Roth 1978 p. 31. (§16Ab)
- 18 In RVfA p. 49, this point is treated differently. (§18Ab)
- 19 Cf. the appendix ‘Science in *Capital*’ in Eldred/Roth 1978. (§19)
- 20 Mike Rot 1972 p. 48. (§20A)
- 21 Rudolf Bahro 1980 p. 118. (§21Ab)
- 22 Unclarity in the specification of labour and the elements of labour already occurs in the investigation of the labour process in Vol. 1. There Marx writes: “The simple moments of the labour process are purposeful activity, or labour itself, its object and its means.” (CI 174;KI 193). This formulation misleads in the direction of identifying the labourer with “purposeful activity”. This becomes crucial in the conceptualisation of the role of the means of production in the production process. Marx wrongly treats them as a value which is “transferred” during production; cf.§18Ab. (§31A)
- 23 Cf. P. A. Samuelson 1971, R. Picard 1974, 1975, 1979 and D. Foley ‘The Value of Money, The Value of Labor Power and the Marxian Transformation Problem’ *Review of Radical Political Economy* Vol. 14 No. 2 1982. (§35Ab)
- 24 Cf. Hansen, Pedersen & Stenderup 1983. (§57A)