

THE LOGIC AND SCOPE OF VOLUMES II AND III OF CAPITAL (including
Theories of Surplus Value)

"Wherever there is movement, wherever there is life, wherever anything is carried into effect in the practical world, there Dialectic is at work. It is also the soul of all knowledge which is truly scientific."

Hegel, Encyclopaedia, Sec. 81

"All science would be superfluous if the appearance, the form and the nature of things were wholly identical."
--Marx, Capital, Vol. III, p. 951

1) Marxist textbooks vs. Marx

Marxist textbooks for generations have repeated the following truisms: Capitalism is a form of society in which the means of production and the land are the private property of the capitalists and the worker is compelled to sell his labor power at the cost of his production and reproduction in order to be able to live. The motive force of this mode of production is the desire of the capitalist for profit. This profit is gained in the following manner: capitalist production produces commodities; commodities are sold for money. The money contains what the capitalist spent plus a surplus, part of which is his profit. In order that the society may be looked upon as capitalist, it seems essential to have this process of money in the pocket of the private capitalist, buying of labor power and means of production, the production of commodities, the selling of the commodities on the market for more money, etc. All this is true, but it is not the whole truth. Marx did not have to spend all the years to prove that.

Marx's primary theory is a theory of what he first called alienated labor and then abstract or value-producing labor. He analyzed commodities and showed that the exchange of commodities is an exchange of certain quantities of labor. Now commodities were exchanged sporadically for centuries before capitalism.

Capitalism begins when the function of the laborer becomes a commodity. As we saw in Volume I, it is only from the moment that the direct producer must "instead of a commodity sell his own capacity to labor as a commodity" (p.59) that commodity production becomes capitalist commodity production. Hence it is more correct to call the Marxist theory of capital not a labor theory of value, but a value theory of labor.

Marx repudiates entirely the idea that the sale and purchase of labor power is the essential mark of capitalist society. "The peculiar characteristic, ~~the essential mark of capitalist society~~ is not that the commodity, labor power, is saleable, but that labor power appears in the shape of a commodity." This perversity is due to the perverse nature of capitalism where dead labor dominates over living labor and where relations between men appear as if they were relations between things.

In Volume I he showed how this pertained only on the surface, was only "an apparent exchange... The relation of exchange subsisting between the capitalist and the laborer become a mere semblance pertaining to the circulation, a mere form, foreign to the real nature of the transaction and only to mystify it. The ever repeated purchase and sale of labor power is now mere form; what really takes place is this--the capitalist again and again appropriates without equivalent, a portion of the previously materialized labor of others and exchanges it for a greater quantity of living labor." (p.659. In Volume II he writes:

"It is, however quite characteristic of the bourgeois horizon, which is entirely bounded by the craze for making money, not to see in the character of the mode of production the basis of the corresponding mode of circulation, but vice versa." (II, pp.132-3"

It is obvious from the very nomenclature that the primary feature of commodities in general, of commodities of commercial capitalism, is that they are sold on the market. It should be equally obvious that the fundamental feature of labor power as a commodity is not that it is bought or sold on the market, but the specific function it performs in the process of production, where it is "a source not only of value, but of more value than it itself has." This is the issue. This is the hub around which all Marxist economic theory, "production" (Volume I), "circulation" (Vol. II), and "forms of the process as a whole" (Vol. III) revolves.

Marx develops his analysis of capitalism on different levels of abstraction and each level, of course, has its own dialectic. In Volume I the categories which enabled us to ~~know~~ take a great step forward in the realities of production philosophic cognition and thus to comprehend ~~the~~ constant and variable capital. In Volume II where we are on the surface, in the market, the categories which show us the inner mechanism are: means of production and means of consumption. It is impossible, in fact, to have the slightest comprehension of the economic laws of capitalist production without being oppressively aware of the material form of constant capital as means of production, as the immense amount of literature on Volume II among Marxists proves. While polemic is not outside of the actual development of the analysis of Volume II, we will deal with this anti-Marxist Marxism after we have dealt with Marx himself.

2) Significance of Volume II, *The Two Departments of Social Production*

The outstanding characteristic of Volume II, whose subject is the process of circulation, is its demonstration that the market is not the problem in "realizing surplus value," ^{v.e. selling} The significance of the first two parts dealing with the metamorphoses and turnover of capital lies in the analysis that the very continuity of the process of circulation involves the sphere of reproduction. Marx's point of departure in approaching part three dealing with reproduction is that it must be posed "in its fundamental simplicity" which necessitates not getting lost in "a vicious circle of prerequisites" --of constantly going to market with the products produced and returning from market with commodities bought.

To cut through the tangle of markets Marx divides the entire social product into ^(and only two) ~~two~~ two main departments: Department I producing means of production, and Department II producing means of consumption. Marx establishes that the total social product cannot be "either" means of production "or" means of consumption. There is a preponderance of means of production over means of consumption. Marx's point here is that the bodily form of value predestines the destination of commodities: Iron is not consumed by people but by steel; sugar is not consumed by machines but by people. Value may be indifferent to the useful form in which it is embodied, but it must be incorporated in some use-value to be realized. Just because the capitalist is only interested in surplus value (profit) doesn't mean that he can disembodify from the article of which it is an integral part. ^{is} Thus the division of the whole product into two departments is not a hypothesis. It is a fact. It not only is so. It must be so for the use-values produced are not those used by workers, nor even by

capitalists, but by capital. In the United States, for example, 90 per cent of pig iron is 'consumed' by the companies which produce it; 50 per cent of the "market" for ^{the products of the} steel industry is the transportation industry. Where all utilitarian economists were floundering in talking of use-values because they were talking of articles of consumption, Marx shows that the use-value of means of production shows how important is "the determination of use-value in the determination of economic orders." (Theories, I, Part II, p. 170) Under capitalism the means of production forms the greater part of the two departments of social production and therefore also of the "market. That is what Marx called "the real being of capital" and that is why the market was not the problem. To illustrate this for both simple and expanded reproduction Marx

Levied certain formulae
Marx's famous formulae in Part III of Volume II were designed to serve two purposes: 1) On the one hand Marx wished to expose the "incredible aberration" of Adam Smith, who "spirited away" the constant portion of capital by asserting that "in the final analysis" it dissolved itself into wages. 2) On the other hand, Marx wanted to answer the underconsumptionist argument that continued capital accumulation was impossible because of inability to sell or "overproduction".

Marx spends a seemingly interminable time in exposing the error of Smith. This is because it is the great divide not alone between bourgeois economics and Marxism but also between petty bourgeois criticism or utopian socialism and scientific socialism.

*(ftn. to p. 4 on 2 departments) It wasn't only the Marxists who saw that this division had more theoretic sense than all which political economy has produced on the question of "market". After the 1929 crash some academic economists realized that if they are going to get any distance in understanding the crisis they will have to understand production better. By 1942 Joan Robinson admitted that Marx had devised "a simple and penetrating argume" by this division of total output into two ~~major groups~~ and only two major groups. (Cf. Joan Robinson, An Essay on Marxian Economics, p. 51)

Smith's error became part of the dogma of political economy because it dovetailed with the class interests of the bourgeoisie to have that error retained. If, as Smith maintained, the constant portion of capital "in the final analysis" dissolved itself into wages, then the workers need not struggle against a "temporary" appropriation of the unpaid hours of labor. They need merely wait for the product of their ~~unpaid~~ labor to "dissolve" itself into wages. Marx proves the contrary to be true. Not only does the constant portion of capital not "dissolve" itself into wages, but it becomes the very instrumentality through which the capitalist gains the mastery over the living worker. Utopian socialists who didn't grasp this were freeing themselves from the actualities of the class struggle, ~~for~~ the division of the social product into two departments, each of which in the formulae is, of course, composed not only of variable capital and surplus value but constant capital as well, is not merely a technical one but is rooted in the relationship of worker to capitalist. This, however, is not a moral question but inseparable from the inherent laws of capitalist production.

"It is purely a tautology to say that crises are caused by the scarcity of solvent consumers, or of a paying consumption. The capitalist system does not know any other modes of consumption but a paying one, except that of the pauper or of the 'thief'...But if one were to attempt to clothe this tautology with a semblance of profounder justification by saying that the working class receive too small a portion of their own product, and the evil would be remedied by giving them a larger share of it, or raising their wages, we should reply that crises are precisely always preceded by a period in which wages rise generally and the working class actually get a larger share of the annual product intended for consumption. From the point of view of the advocates of 'simple' (!) common sense, such a period should rather remove a crisis." (ii, pp. 475-6)

Political economy has produced two theories between which it has varied: 1) that production created its own market, and 2) that it was impossible for the worker "to buy back" the products

he himself produced. Marx's great contribution consisted in dialectically combining these. The dominant feature remained the fact that production did create its own market. But this did not negate the existence of underconsumption. It merely showed that within capitalist production there resides a disregard for the limits of consumption. ~~It is not the case that the market is limited to the luxuries of the capitalists, and the workers paid at value. It cannot be larger. The only market that can expand beyond the limits of the workers paid at value is the capital goods market and that means of production department literally shoots up to the sky.~~

The consumption market is shown to be limited to the luxuries of the capitalists, and the workers paid at value. It cannot be larger. The only market that can expand beyond the limits of the workers paid at value is the capital goods market and that means of production department literally shoots up to the sky.

Thus production creates its own market. It would be the height of stupidity, however, to think that thereby (the so-called proportional relationship between Departments I and II in the Marxian formula) means that there is a balance between production and consumption. The exact opposite is the case. In these formulae Marx is basing himself on the laws of accumulation he analyzed in Volume I (p.690):

"With the advance of accumulation, therefore, the proportion of constant to variable capital changes. If it was originally say 1:1, it now becomes successively 2:1, 3:1, 4:1, 5:1, 7:1, &c. so that, as the capital increases, instead of $\frac{1}{2}$ of its total value, only $\frac{1}{3}$, $\frac{1}{4}$, $\frac{1}{5}$, $\frac{1}{6}$, $\frac{1}{8}$ &c. is transformed into labor power, and, on the other hand, $\frac{2}{3}$, $\frac{3}{4}$, $\frac{4}{5}$, $\frac{5}{6}$, $\frac{7}{8}$ into means of production."

Thus the "balance" that exists in the formulae, which are built on the extreme assumptions of "an isolated nation" with no foreign trade and yet with no ordinary headaches of sales, exists solely because of the production relations under capitalism which has resulted of this fantastic proportion of 7/1. That is why the categories of Marx are so immutable to capitalism and apply to no other society. They assume that which is produced is consumed

because it is capitalist production and capitalist production is the production of capital and hence 7x is consumed by capital. To deduce from this that there is no "disproportion" in this ideal capitalism with no market troubles is enough to make Marx, ~~the~~ ~~one~~ who built his theory of capitalist breakdown on this, turn in his grave.

What Marx did in disproving the underconsumption theory is to demonstrate that there is no direct connection between production and consumption. As Lenin phrased it in the most profound analysis Volume II of Capital received: (Wks. Vol. II, p. 424, Rus):

"The difference in view of the petty-bourgeois economists from the views of Marx does not consist in the fact that the first realize in general the connection between production and consumption in capitalist society, and the second do not. (This would be absurd). The distinction consists in this, that the petty bourgeois economists considered this tie between production and consumption to be a direct one, thought that production follows consumption. Marx shows that the connection is only an indirect one that it is connected only in the final instance, because in capitalist society consumption follows production."

The underconsumptionists construed the preponderance of production over consumption to mean the "automatic" collapse of capitalist society. Where the classicists saw only the tendency toward equilibrium, the petty-bourgeois critics see only the tendency away from equilibrium. Marx demonstrates that both tendencies are there, inextricably connected. Part III of Volume II is both a critique of bourgeois and petty-bourgeois thought, and an analysis of the actual movement of capitalist production. As Trotsky put it when Stalin suddenly found that because ~~the~~ the formulae appear in Marx, they therefore "apply to a socialist society": "Marx's formulae deal with a chemically pure capitalism which never existed and does not exist anywhere now. Precisely because of this, they revealed the basic tendency of every capitalism but precisely of capitalism and only of capitalism."

3) The Breakdown of Capitalism: Colsa, Human Freedom,
and Volume III of Capital

"At last we have arrived at the forms of appearances which serve as the starting point in the vulgar conception: ground rent, coming from the earth, profit (interest) from capital, wages from labor... Finally, since these three (wages, ground rent, profit, interest) constitute the respective sources of income of the three classes of landowners, capitalists, and wage laborers, we have in conclusion the class struggle, into which the movement of the whole genesis is resolved."--Letter of Marx to Engels on Vol. I

It took the crash of 1929 to open the skulls of the academic economists to Marx's analysis of the breakdown of capitalism. It then became a popular pastime to say that if Marx had only shed his "Hegelianism", taken off the "mysticism" with which he enveloped the concept of value, and begun instead with Volume III where he deals with "real life", that is to say the surface phenomena of competition, profit, rent, etc., his "prophecies" of Big Business and cyclical crises would have been easy to see and they would have learned "much" from him. More than a half century ahead of them the predecessor of these bourgeois economists were saying similar things of Marx--how well he moved among empiric data and how wrong he was in his "conclusions". Marx answered them all when he wrote of one

of them: ~~Marx~~ "Lange extremely naively speaks about my moving freely in empiric material. It does not enter his head that this free movement is nothing other than a paraphrase of a method of study of material, i.e., dialectic method." (6/17/70) Such an attitude, in fact, is precisely what he warned against right within Volume I: "I shall show in Book III that the rate of profit is no mystery so soon as we know the laws of surplus value. If we reverse the process we cannot comprehend either the one or the other." (p. 239)

And again: "The annual process of re production is easily understood so long as we keep in view merely the sum total of the year's production. But every single component of this product must be brought into the market as a commodity, and there the difficulty begins. The movement of the individual capital, and of the

personal revenues, cross and intermingle and are lost in the general change of places, in the circulation of wealth of society this dazes the sight and propounds very complicated problems of solution." (I, 647)

The third volume then which ^{presumably} best meets the tastes of academic economists Marx warns us in the volume itself deals with

"the movements of capitalist production as a whole ... (which) approach step by step that form which they assume on the surface of society, in their mutual interactions, in competition and in the ordinary consciousness of the human agencies in this process. (III, p. 26)

Here we see then life in the capitalist market as it really is; we learn that commodities sell, not at values, but at prices of production; that surplus value is not an abstraction, congealed unpaid labor, but that its real form is threefold:

profit for the industrialist, rent for the landlord and interest for the banker; that capital is not only a social relation of production, but it has a bodily form of money-capital. Here we study the role of credit and even learn about gambling and swindling.

And what is the grand result of learning all the facts of life? How have they changed the laws that arise from the strict process of production which the academic economists call "abstract"? Not at all! At the end of all these intricate transformations of surplus value into ground rent, interest and profit, values into prices, rate of surplus value into rate of profit, etc. etc. at the end of all these we have to get back to that which underlies it all: production of value and surplus value. The sum of all prices, Marx tells, is in the final analysis equivalent to the sum of all values; where the worker has created nothing, the capitalist manipulator can get nothing. Profit, even as surplus value, comes not from "ownership" but from production. Finally, in order to get at the real cause of crises Marx has to make an abstraction of "the bogus transactions and speculations which the credit system favors" (III, p. 566)

Nothing fundamental has changed, nothing whatever. Labor, which is the supreme commodity of capitalist production because it creates capital, is still a commodity, sold at value, and still in the process of production, and not in the process of exchange or the market, creates a greater value than it itself is.

And now note the far-reaching sight of Marx in going straightaway to another "abstraction" to show the doom of value p reduction out of its own inherent laws of development :

"In order to produce the same rate of profit, when the constant capital set in motion by one laborer increases ten-fold, the surplus labor time would have to increase ten-fold, and soon the total labor time, and finally the fully 24 hours a day, would not suffice, even if wholly appropriated by capital." (III, p. 463)

In a word, if this crazy system of production whose motive force is the extraction of ever greater amounts of surplus value from the worker and paying him ever lesser amounts, relatively, for his labor power, there would come a time when even if the worker learned to live on air and could work all 24 hours a day to keep this ever greater monster of machine expanded, that this machine would collapse, since living labor is the only source of this value and surplus value, ~~the just amount~~ and since it exactly is what is being cut relatively to the ever greater machines that are being used, there just wouldn't be sufficient surplus value to keep the thing going.

"The real barrier of capitalist production," Marx concludes, "is capital itself." It is the fact that capital and its self-expansion appear as the starting and closing point, as the motive and aim of production; that production is merely production for capital, and not vice versa, the means of production more means for an ever expanding system of the life process for the benefit of the society of producers."

In opposition to this he points to the fact that "the realm of freedom does not commence until the point is passed where labor under the compulsion of necessity and external utility is required. In the very nature of things it lies beyond the sphere of material production in the strict meaning of the term." (pp. 954-55)

The constant revolutions in production and constant expansion of constant capital, writes Marx once again, necessitates of course an extension of the market. But as he has explained over and over again but theoretically and empirically, the enlargement of the market in a capitalist nation is limited by the fact that the worker is paid at value. This is the supreme manifestation of his simplifying assumption that the worker is paid at value, and now in Volume III, we see that ^{this is} the innermost cause of crisis, that in production not in the market he creates a value greater than it itself is. The worker is a producer of overproduction. It cannot be otherwise in a value-producing society, where the means of consumption, being but a moment in the reproduction of labor power, cannot be bigger than the needs of capital for labor power. That is the fatal defect of capitalist production. On the one hand, the capitalist must increase his market. On the other hand it cannot be larger.

The crisis that follows is not caused by a shortage of "effective demand". On the contrary, it is the crisis that causes a shortage of "effective demand". The worker employed yesterday is unemployed today. A crisis occurs not because there has been a scarcity of markets—the market, ~~assumes~~ ^{as we saw in theory and as 1929 showed us} is largest just before the crisis—but from the capitalist viewpoint there is occurring an unsatisfactory distribution of "income" between recipients of wages and those of surplus value or profits. The capitalist decreases his investments and the resulting stagnation of production appears as overproduction. Of course, there is a contradiction between production and consumption. ^{of course,} there is "inability to sell". But the inability to sell manifests itself as such because of the fundamental antecedent decline in the rate of profit, which has nothing whatever to do with inability to sell.

Marx considered the theory of the declining rate of profit to be "the point of crisis" of the whole of political economy, that which divides one theoretic system from another. The classical political economists felt it but they couldn't understand it because they could not conceive that the capitalist system, which they considered not a historical, transitory system, but a permanent one, had something in its vitals that would doom it. When Marx showed that decline in the rate of profit was due to the fact of the ever smaller use of living labor, which is the only source of surplus value, to ~~surrounding~~ ever greater use of machines, the capitalists pointed instead to the mass of products and hence the mass of profits. They thought thereby to forget in the fall in the rate. Even some Marxists (Luxemburg) considered that the tendency for the decline in the rate of profit had so many counter-acting tendencies in the mass of profits from mass production and in imperialist expansion that it was not central to her thinking. It was not in fact until the 1929 crash that people began to see that this was not theory, but reality and promptly they looked for solutions everywhere except in the process of production itself by laborer himself.

What Marx is describing in his analysis of what he calls "the general contradiction of capitalism" is 1) the degradation of the worker to an appendage of a machine 2) the constant growth of the unemployed army, and 3) capitalism's own downfall because of inability to give greater employment to labor. Since labor power is the supreme commodity of capitalist production, the only source of its value and surplus value, capitalism's inability to reproduce it dooms capitalism itself.

As we saw from the beginning Marx's critique of capitalist society was based primarily on ^{perverse,} that inverted relation of dead to living labor at the point of production, extended to the surface of society where the fetishism of commodities made the relations between people assume "the fantastic form of the relations between things". He now (in Volume III) says the very existence of commodities, and especially of commodities as products of capital, "implies the externalization of the conditions of social production and the personification of the material foundation of production, which characterize the entire capitalist mode of production. The personification of things keeps the worker from realizing that the means of production are not just property, an object outside of him, but they are the materialization of his labor, that is, the worker reifies himself. Ideological reification keeps the worker from sensing the violent contradiction in the capitalist mode of production, the fact that dead labor dominates living labor. And the capitalist is satisfied, "not because the worker has fallen under the spell of the fetishism of commodities. But, far more important, because the worker is in awe of the property of the capitalist and does not realize that he himself has created it. We are here confronted not with the fetishism of commodities, therefore, but with the "personification of things and the reification of people."

Marx categorically asserts that since all labor under capitalism is forced labor, plan can be nothing but the organization of production under the domination of the machine. As he told Proudhon from the first, to try to bring order into the anarchy of the market of a society based on the factory plan, could only mean subjecting society to "one single master." Marx warned them: not to see the plan inherent in the activity of the revolu-

tionary proletariat must force one to pose an external factor to do the planning. He dismissed with utter contempt Proudhon's plan to do away with exchange. For the practical and violent actions of the proletariat, Marx wrote, Proudhon substitutes the "evacuating motion of his head". Marx now says, in Unraveling the Inner Contradiction, "In its (capitalism's) disorder is its order."

Proudhon was neither the first nor the last of the planners, as our age knows much better than Marx's. Planning is not limited to idealists. The abstract materialist who views technological development outside of the class relationship also slips back into considering the capitalistic factors of production as mere factors of any/^{social}form of production. That is why Marx created new categories--constant and variable capital in Volume I and the two departments of production in Volume II--to describe the manner in which machines and labor united under a capitalist economy. In opposition to all the planners,--abstract materialist as well as idealist--Marx elaborated his analysis of capitalist production.

In Volume I of CAPITAL the scientific nature of the cooperative form of the labor process is held out in sharp contrast to the hierarchic structure of capitalist control. In Volume II Marx isolates the capitalist nation and analyzes it as a unit:

"...we must not follow the manner copied by Proudhon from bourgeois economics, which looks upon this matter as though a society with a capitalist mode of production would lose its specific historical and economic characteristics by being taken as a unit. Not at all. We have in that case to deal with the aggregate capitalist." (II, p.503)

As we saw, the whole of Volume II is built not on individual, private capital, but on aggregate, national capital. In Volume I Marx returns to the creative plan of the workers as the plan most adequate to their human nature and most worthy of it.

"Just as the savage must wrestle with nature in order to satisfy his wants, in order to maintain his life and reproduce it, so civilized man has to do it, and he must do it in all forms of society and all possible modes of production." With his development the realm of natural necessity expands, because his wants increase; but at the same time the forces of production increase ~~and the realm of natural necessity expands~~ by which these wants are satisfied. The freedom in this field cannot consist of anything else but of the fact that socialized man, the associated producers, regulate their interchange with nature rationally, bring it under their common control, instead of being ruled by it as by some blind power; that they accomplish their task with the least expenditure of energy under conditions most adequate to their human nature and most worthy of it. But it always remains a realm of necessity.

"Beyond it begins that development of human power which is its own end, the true realm of freedom, which, however, can flourish only upon the realm of necessity as its basis. The shortening of the working day is its fundamental premise."

Thus we see that it isn't only the young Marx but the mature Marx to whom the ^{creative} ~~creative~~ role of labor is the key to all else. ^{It isn't only} ~~It isn't only~~ that this creative plan of the workers in opposition to the authoritarian plan of the capitalist runs like a red thread through all three volumes of CAPITAL. It is that Marx, the revolutionary Hegelian, had a conception of the freedom of the socialist individual as activity, completely different from the utilitarian conception of the economists who could see freedom, at best, as satisfied hunger and "culture". These saw free time only as enjoyment. Marx saw it as involving the greatest earnestness and exertion. The free time liberated from capitalist exploitation would be for the free development of the individual's powers. The developed productive powers of the individual are the actual wealth of society. ~~But the~~ The actual necessity of revolt will arise out of the necessity that capitalism as conditions, activity and purpose is destroying society. The

only force which can overcome this necessity therefore is a freedom which itself, in and for itself, combines inseparably objective conditions, subjective activity and purpose.

There was no difference--all totalitarians noted-- between Marx the Hegelian and Marx the revolutionary, nor between Marx the theoretician and Marx the practical organizer. He finished Capital and turned to the Paris Commune not merely as "activist" and "materialist" but as idealist and man of practice. ~~and that is how he saw the~~ That is how he saw the solid ground underneath the Communards and said: "They have no ideals to realise but to set free the elements of the new society."

POSTSCRIPT: APPEARANCE AND REALITY--THEORY, HISTORY AND THE CLASS STRUGGLE

With the sole exception of Lenin, the posthumous publication of volume II of CAPITAL hit a blank wall in the Second International from both reformists and revolutionaries alike. In fact, the greatest revision came from the revolutionary martyr, Rosa Luxemburg, who argued that a "precise demonstration" from history would show that expanded reproduction has never taken place in a closed society, but rather through distribution to, and expropriation of "non-capitalist strata and non-capitalist societies." /Her critique sprung theoretically from this one fundamental error. She was betrayed by the powerful historical development of imperialism that was taking place to substitute for the relationship of capital to labor, the relationship of capitalism to non-capitalism. This led her to deny Marx's

assumption of a closed society. Once she had given up the basic premise of the whole of Marxist theory, there was no place for her to go but to the sphere of exchange and consumption.

That there is no possible escape, once you veer of theoretically from the labor-capital relationship, is most clearly revealed by Luxemburg herself. Some of the best writing in her Accumulation occurs in her description of the "real" process of accumulation through the conquest of Algeria, India, the Anglo-Boer war, the carving up of Africa, the opium wars against China, the extermination of the American Indian, the growing trade with non-capitalist societies and an analysis of protective tariffs and militarism. Now Marx gave at least as graphic a description of primitive accumulation as Rosa did of imperialist exploitation of backward lands. Yet, although "capital comes dripping from hand to foot, from every pore with blood and dirt", nevertheless primitive accumulation created only the conditions for real capitalism: the propertyless workers and a certain accumulation of capital. Subordination of labor to capital still remained only "formal" because "as yet no specific capitalist character" was integral to it and could not be so long as "variable capital preponderated greatly over constant." (I, p.810)

It was only on the basis of machine industry that the specific capitalist production relation developed and with it the real subordination of labor to capital and then the capital-labor relationship was seen as a "preponderance of constant over variable capital" ~~and~~ while variable (living labor) became the primary source of surplus value and hence capital accumulation. Luxemburg denied that this preponderance of constant over variable was inherently capitalistic, was more than just "capitalist language" for the elements of production.

Yet Luxemburg was not a vulgar underconsumption. Along with Marx she took for granted that capitalist production developed beyond the consumption demand, given the class composition of society so that their promise was the same. There, however, the similarity ends. She said that that was so and that neither Marxist theory of expanded reproduction in general nor especially the formulae in Volume II gave the answer to this contradiction, that one must wonder what Engels made out of what Marx left him, and that in any case the answer didn't correspond to "life" for Marx didn't live to see the imperialist reality of her day and therefore she offered "to supplement" Capital. She ended by revising it because she was not oppressively aware of the role of constant capital that is to say the dead labor preponderating over living and instead, therefore, accused the Marxian formulae of standing for eternal fructification. This the reformists did too. The reformists stood by such an interpretation of the formulae because they were social patriots and wanted to do nothing to upset the system. Rosa vigorously protested against the formulae because she was a revolutionist and therefore said "long before" the capitalists have run their course in non-capitalist lands the proletariat would overthrow it, but it didn't flow from her theory that the primary source of surplus value was not the proletariat but the non-capitalist lands. ~~Marx's theory of expanded reproduction~~

Where Luxemburg maintained that Marx's formulae of expanded reproduction were incorrect both in theory and did not correspond to real life in any one living nation, Lenin said they were both correct in theory because you had to make the most extreme assumption to show the fundamental movement and were correct in life as well. In Russia the question whether capitalism could exist without a market was not a theoretical

abstraction that it seemed to be in Germany where German imperialism was just beginning to conquer new worlds. In backward Russia which could not successfully compete for the world market, there arose a whole school of theoreticians, the Narodniki (Populists) who maintained that "since" capitalism could not exist without a market, and "since" Russia had come too late on the historic scene to secure one, Russian could "therefore" skip capitalism and go directly from the "mir" (peasant commune) to communism. Lenin hit out against them theoretically and practically and then combined the two in the most profound study of "The Development of Capitalism in Russia". It cleared the ground for Marxism, but Russia, even as America, seems to have the perfect soil for all sorts of theories of "exceptionalism" from "skipping capitalism" to having "communism" under totalitarianism. When Lenin argued theoretically, they said he didn't know Russia. When he showed from exhaustive Russian statistics that capitalism was indeed in Tsarist Russia, they said he didn't understand theory. When won both on the theoretical front and routed the Narodniki on the organizational front as well, the ideological children of the Narodniki, present-day economists state that it wasn't after all a great feat for it was not Marxism but "irrefutable economic facts. That people who were willing to look at those facts a little earlier than their adversaries preferred to appeal to different aspects of Marxian theory...should not disguise what actually occurred." (Harvard University Study, 1955)

But there are some bourgeois theoreticians who are willing to say it applied in Russia but on the exceptional soil of America for if it wasn't the American frontier that made America different, it was the the American pragmatic character and if not that well, the American workers aren't "class conscious". Be that as it might, the economists do now give Marx credit for understanding "history". Some admit that

economic theory has indeed been running a losing race with history and one has even gone so far as to "admire" Marx for his "idea of theory" and his ability to transform historic narrative into historic raisonne".

But none have the slightest conception that Marx's "idea of theory" is as profound as it is because he had broken with the bourgeois conception of theory, placed the worker in the center of all his thinking. There is no other source for theory.

~~Marx's theory of history is not a theory of history, it is a theory of the worker's role in history.~~
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It isn't that Marx "glorified" workers. It is that he knew what was their role in production. Just as history has not discharged theory from its mission of criticizing existing society, so the workers on whose back all the exploitation occurs must, to straighten up to the height of men, throw all this off their backs and therefore can criticize it and overcome it and see ahead.

It isn't that Marx vilified capitalists and their ideologists. It is that he knew their role in production and how limited therefore their outlook. Because they were satisfied, they couldn't grasp all of reality; and therefore their ideology was false..

Marx himself, when he began, didn't know all the implication of the materialistic conception of history. Thus, although he saw the mode of production as determinant for ideology, ~~he didn't see that the mode of production is determinant for ideology.~~ he thought all that needs to be done to demonstrate the bankruptcy of bourgeois thought is to show that they can no longer be scientific and that with the development of the class struggle their economic science has become vulgar and their ideologists "prize fighters." He on

the other hand, would show the decline and then the workers as changing the world which had long had its interpreters.

It was only in the 1860s that he changed the very structure of CAPITAL and, instead as in the Critique arguing with the theoreticians at each step of the way, ~~plunging them~~ taking the whole History of theory out of the context and putting it at the end of all volumes. In a letter he mentions also that that which was written first was put last because that is the ordinary way a theoretical work develops. That is to say, as an intellectual ~~he needed to clear his own mind first~~ he needed to clear his own mind first. Now however the creative part comes with the workers themselves not only as activists but as thinkers. Thus, in the same way in which the Primitive Accumulation of Capital, was placed at the end of Volume I as its origin, so the History of Theory (or Theories of Surplus Value, as named by Kautsky) were put at the end of Volume III.

If there is any truth at all to the incomplete state in which Volumes II and III were published, it is the exact opposite of what those who speak about it think. Essentially Marx said what he wanted to say. This is true not only of Volumes II and III which Engels has edited with scrupulous care and presented exactly as Marx had written, but even ~~Volume~~ Book IV^s which Karl Kautsky did tamper with when he published separately as Theories of Surplus Value. The reason is that Volume I published by Marx is not alone, as he put it, a whole in itself. It is the whole. That is to say we know from it where Volumes II and III (including Theories) belong, how they are dialectically collected, and what is the ~~law~~ law of motion of capitalist society which moves to its doom through the absolute general law of capitalist accumulation, and on the other hand, the new passions and forces on the opposite side, those of the workers who would revolt and create the new society. The outline for ~~the~~ work he stated:

11942.

"Book I: Process of Production
Book II: Process of Circulation; both of the
books were intended as Volume I, but only Book I was published
by him during his life time.
Book III. Forms of the Process as a Whole
Book IV. History of Theory."

No, it is to Marx himself we have to look at to see how
he would have changed the volumes, or rather the extent to which
he would have changed had he lived to edit them himself. He says
in his letter to Danielson, the ^{Russian} translator of Volume I, not to
wait for Volume Two: "First of all I would under no circumstances
consent to publish the second volume before the present English
industrial crisis has reached its limit..it is necessary scrupu-
lously to follow the present development of events to their
full maturity before you are in a position 'to utilize' these
facts 'productive', I mean 'theoretically'...."

"Meanwhile --strikes and disturbances
everywhere.

"secondly a tremendous mass of material
was received by me not only from Russia but also from the United
States, etc. gives me a pleasant excuse to continue research
instead of definitively working over for publication."

"The United States at present have over-
taken England in the rapidity of economical progress, though they
lag behind in the extent of acquired wealth; but at the same time
the masses are quicker and have greater political means in their
hands to resent the form of a progress accomplished at their exp-
ense. I need not prolong the antitheses."

It is clear that Russia and America were
to play the role in Volumes II and III that England played in
Volume I. Lenin filled it out for Russia and there is no doubt
whatever that the American workers will "supplement" CAPITAL
for America.

August 22, 1956

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