

CAPITAL

VOLUME 1

KARL MARX was born at Trier in 1818 of a German-Jewish family converted to Christianity. As a student in Bonn and Berlin he was influenced by Hegel's dialectic, but he later reacted against idealist philosophy and began to develop his theory of historical materialism. He related the state of society to its economic foundations and mode of production, and recommended armed revolution on the part of the proletariat. In Paris in 1844 Marx met Friedrich Engels, with whom he formed a life-long partnership. Together they prepared the *Manifesto of the Communist Party* (1848) as a statement of the Communist League's policy. In 1848 Marx returned to Germany and took an active part in the unsuccessful democratic revolution. The following year he arrived in England as a refugee and lived in London until his death in 1883. Helped financially by Engels, Marx and his family nevertheless lived in great poverty. After years of research (mostly carried out in the British Museum), he published in 1867 the first volume of his great work, *Capital*. From 1864 to 1872 Marx played a leading role in the International Working Men's Association, and his last years saw the development of the first mass workers' parties founded on avowedly Marxist principles. Besides the two posthumous volumes of *Capital* compiled by Engels, Karl Marx's other writings include *The German Ideology*, *The Poverty of Philosophy*, *The 18th Brumaire of Louis Bonaparte*, *The Civil War in France*, *A Contribution to the Critique of Political Economy*, *Grundrisse: Foundations of the Critique of Political Economy* and *Theories of Surplus-Value*.

ERNEST MANDEL was born in 1923. He was educated at the Free University of Brussels, where he was later Professor for many years, and the École Pratique des Hautes Études in Paris. He gained his Ph.D. from the Free University of Berlin. He was a Member of the Economic Studies Commission of FGTB (Belgian TUC) from 1954 to 1963 and was chosen for the annual Alfred Marshall Lectures by Cambridge University in 1978. His many books include *The Formation of the Economic Thought of Karl Marx*, *Late Capitalism*, *The Long Waves of Capitalist Development*, *The Second Slump* and *The Marxist Theory of Bureaucracy*. His influential pamphlet, *An Introduction to Marxist Economics*, sold over half a million copies and was

translated into thirty languages. Ernest Mandel died in July 1995. In its obituary the *Guardian* described him as 'one of the most creative and independent-minded revolutionary Marxist thinkers of the post-war world'.

KARL MARX

Capital

A Critique of
Political Economy

Volume One

Introduced by
Ernest Mandel

Translated by
Ben Fowkes

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Introduction

When Volume 1 of *Capital* was first published, capitalist industry, though predominant in a few Western European countries, still appeared as an isolated island encircled by a sea of independent farmers and handicraftsmen which covered the whole world, including the greater part even of Europe. What Marx's *Capital* explained, however, was above all the ruthless and irresistible impulse to growth which characterizes production for private profit and the predominant use of profit for capital accumulation. Since Marx wrote, capitalist technology and industry have indeed spread all over the world. As they have done so, moreover, not only have material wealth and the possibilities for freeing mankind definitively from the burden of meaningless, repetitive and mechanical work increased, but so too has the polarization of society between fewer and fewer owners of capital and more and more workers of hand and brain, forced to sell their labour-power to these owners. The concentration of wealth and power in a small number of giant industrial and financial corporations has brought with it an increasingly universal struggle between Capital and Labour.

Periodically the bourgeois class and its ideologues have thought they have found the stone of wisdom; have felt able, accordingly, to announce the end of crises and socio-economic contradictions in the capitalist system. But despite Keynesian techniques, notwithstanding all the various attempts to integrate the working class into late capitalism, for over a decade now the system has appeared if anything more crisis-ridden than when Marx wrote *Capital*. From the Vietnam war to the turmoil of the world monetary system; from the upsurge of radical workers' struggles in Western Europe since 1968 to the rejection of bourgeois values and culture by large numbers of young people throughout the world; from the ecology and energy crises to the recurrent economic recessions: there is no need to look very far for indications that capitalism's heyday is over. *Capital* explains why the sharpening contradictions of the system were as inevitable as its impetuous growth. In that sense,

contrary to a generally accepted belief, Marx is much more an economist of the twentieth century than of the nineteenth. Today's Western world is much nearer to the 'pure' model of *Capital* than was the world in which it was composed.

I. THE PURPOSE OF *CAPITAL*

In *Capital* Marx's fundamental aim was to lay bare the laws of motion which govern the origins, the rise, the development, the decline and the disappearance of a given social form of economic organization: the capitalist mode of production. He was not seeking *universal* laws of economic organization. Indeed, one of the essential theses of *Capital* is that no such laws exist. For Marx, there are no economic laws valid for each and every basically different form of society (aside from trivialities like the formula which points out that no society can consume more than it produces without reducing its stock of wealth – whether the natural fertility of the land, the total population, the mass of means of production, or several of these). Each specific social form of economic organization has its own specific economic laws. *Capital* limits itself to examining those which govern the capitalist mode of production.

Capital is therefore not 'pure' economic theory at all. For Marx, 'pure' economic theory, that is economic theory which abstracts from a specific social structure, is impossible. It would be similar to 'pure' anatomy, abstracted from the specific species which is to be examined. We can push the analogy further. Although, of course, *comparative anatomy* is a branch of natural science, useful for increasing our knowledge of human and animal physiology, it can be only a by-product of the development of the anatomical understanding of specific given species. In the same way, Marx's theory of historical materialism does indeed include comparative economic analysis – for example an examination of the evolution of human labour, human labour productivity, social surplus product and economic growth, from slave society through feudalism to capitalism. But such comparison can result only from the analysis of specific modes of production, each with its own economic logic and its own laws of motion. These cannot be superseded by or subsumed under 'eternal' economic laws. We can even push the analogy to its final conclusion. If one tries to find some basic common kernel in 'all' anatomy, one leaves the realm of that specific science and enters another: biology or biochemistry. In the same way, if one tries to discover basic working hypotheses valid for 'all' economic systems, one passes from the realm of economic theory to that of the science of social structures: historical materialism.

In this way, Marx's economic theory and its crowning work *Capital* are based upon an understanding of the *relativity, social determination and historical limitation* of all economic laws. In the socio-economic development of mankind, commodity production, market economy or the distribution of social resources among different branches of production by 'objective economic laws' operating 'behind the back of the producers' do not correspond to 'human nature', have not always existed and will not always exist. *Capital*, explaining the origins of the capitalist mode of production, points towards the inevitable historical decline and fall of this same social system. An economic theory based upon the historical relativity of every economic system, its strict limitation in time, tactlessly reminds Messrs the capitalists, their hangers-on and their apologists that capitalism itself is a product of history. It will perish in due course as it once was born. A new social form of economic organization will then take the place of the capitalist one: it will function according to other laws than those which govern the capitalist economy.

Nevertheless, *Capital* does not deal exclusively with the capitalist mode of production, although the discovery of the laws which govern this mode of production is its fundamental objective. Capitalist production is generalized commodity production. Generalized commodity production fully unfolds trends and contradictions which are latent in every one of its basic 'cells', the commodities. It is no accident that Marx starts *Capital* Volume 1 with an analysis neither of 'the capitalist mode of production', nor of capital, nor of wage-labour, nor even of the relations between wage-labour and capital. For it is impossible to analyse any of these basic concepts or categories – which correspond to the basic structure of capitalist society – scientifically, totally and adequately without a previous analysis of value, exchange-value and surplus-value. But these latter categories in turn hinge upon an analysis of the commodity and of commodity-producing labour.

Just as surplus-value and capital emerge *logically* from an analysis of value and exchange-value, so too does the capitalist mode of production emerge *historically* from the growth of commodity production: without simple commodity production no capitalism can come into existence. *Capital*, the *Grundrisse* and the other basic economic writings of Karl Marx therefore include many analyses of simple commodity production, a form of production which existed in manifold ways for nearly 10,000 years before modern capitalism was born, but which found its fullest flowering only between the thirteenth and sixteenth centuries A.D. in the Low Countries, northern Italy, and later Britain (and to a lesser degree in Japan before

the Meiji revolution).

Objections have been advanced – by early Russian Marxist authors like Bogdanov, by later commentators like Rubin and by contemporary Marxists like Lucio Colletti and Louis Althusser¹ – to the view, originating with Engels and held by Rosa Luxemburg, to which I subscribe,² that Marx's *Capital* provides not only a basic analysis of the capitalist mode of production, but also significant comments upon the whole historical period which includes essential phenomena of petty commodity production. These objections, however, are based upon a double confusion. It is true that the capitalist mode of production is the only social organization of the economy which implies *generalized* commodity production. It would thus be completely mistaken to consider, for example, Hellenistic slave society or the classical Islamic Empire – two forms of society with strongly developed petty commodity production, money economy and international trade – as being *ruled* by the 'law of value'. Commodity production in these precapitalist modes of production is intertwined with, and in the last analysis subordinated to, organizations of production (in the first place agricultural production) of a clearly non-capitalist nature, which follow a different economic logic from that which governs exchanges between commodities or the accumulation of capital.

But this in no way implies that in societies in which petty commodity production has already become the *predominant* mode of production (that is where the majority of the producers are free peasants and free handicraftsmen who own and exchange the products of their labour), the laws governing the exchange of commodities and the circulation of money do not strongly influence the economic dynamic. Indeed, it is precisely the *unfolding* of the law of value which leads in such societies to the separation of the direct producers from the means of production, although a whole series of social and political developments influence this birth-process of modern capitalism, hastening it, slowing it down, or combining it with trends going in different directions.

On the other hand, if it is true that fully-fledged 'economic accounting based upon quantities of socially equalized labour' comes into its own only under capitalism, and this only as an objective economic law and not as conscious decisions of owners of commodities, it does not follow at all from this statement that 'labour quantities accounting' cannot *begin* to appear in precapitalist societies, in which commodity production becomes a regular institution. Indeed, it is precisely when petty commodity production is already largely developed, but at the same time still intertwined with traditional forms of 'natural' economy

organization, which imply conscious allocations of economic resources and social labour between different forms of production (through customs, habits, rites, religion, deliberation of elders, assemblies of participants etc.), that the need for a conscious accounting of 'labour quantities' can and must appear, in order to avoid basic injustices and inequalities in social organizations still based upon a high degree of social equality and coherence. I have tried to prove by empirical data that this has in fact been the case, at different historical periods, in different parts of the world.³

This does not mean that the 'law of value' is a 'product of precapitalist history'. Nor does it mean that such still relatively primitive societies were burdened with the same manic pursuit of material rewards, and measurement of labour-time expenditure down to fractions of seconds, as our own; for these are, indeed, 'pure' products of bourgeois society. It only means that the embryonic forms of the 'law of value' can be discovered in the embryonic developments of commodity production, just as the 'elementary cell' of capital, the commodity, contains in an embryonic way all the inner qualities and contradictions of that social category. To deny this historical dimension of Marx's analysis is to transform the origins of capitalism into an insoluble mystery.

One could argue that this is rather a moot point for economists, interesting only for anthropologists, ethnologists or historians. But its implications are in fact extremely far-reaching. By stating that the analysis of the laws of motion governing the capitalist mode of production necessarily includes at least some essential elements of an analysis of economic phenomena valid for the whole historical epoch encompassing economic organizations in which commodity production exists, one extends the validity of parts of Marx's *Capital* not only into the past but also into the future. For phenomena of commodity production obviously survive, at least partially, in those societies in which the rule of capital has already been overthrown, but which are not yet fully-fledged classless, that is socialist, societies: the USSR and the People's Republics of Eastern Europe, China, North Vietnam, North Korea and Cuba. *Capital* is no more a guide to understanding the laws of motion of these societies than it is a guide to understanding the laws of motion of developed late medieval society based upon petty commodity production. But it can tell us a lot about the dynamics (and disintegrating logic) of commodity production and money economy in such non-capitalist societies, and the contradictions which these introduce into the specific and 'pure' laws of motion of the latter.

If *Capital* is not a treatise on eternal economic laws, does it at least contain a science of the capitalist economy? Some Marxists, in the first place the German Karl Korsch, have denied this.⁴ For them – as for so many bourgeois critics of Marx – *Capital* is essentially an instrument for the revolutionary overthrow of capitalism by the proletariat. According to them, it is impossible to separate the ‘scientific’ content of *Capital* from its ‘revolutionary’ intention, as the Austro-German Marxist Rudolf Hilferding tried to do.⁵ This contention overlooks a basic distinction which Marx and Engels introduced between Utopian and scientific socialism. Marx remained indeed a revolutionary during the whole of his adult life after 1843. But he considered it essential to base socialism (communism) upon a scientific foundation. The scientific analysis of the capitalist mode of production was to be the cornerstone of that foundation, showing why and how capitalism created, through its own development, the economic, material and social preconditions for a society of associated producers. In that sense, Marx strove, not indeed in contradiction to, but precisely as a function of this intention, to analyse capitalism in an objective and strictly scientific way. In other words, he did not simply give vent to an aggressive hostility towards a particular form of economic organization, for reasons of revolutionary passion and compassion for the downtrodden and oppressed; nor, it hardly needs to be said, was he motivated by personal spite, material failure or psychotic imbalance. Marx sought to discover objective laws of motion. There was nobody – not even the typical bourgeois *Spiesser* – whom he despised more than the man with scientific pretensions who nevertheless deliberately twists empirical data or falsifies research results to suit some subjective purpose. Precisely because Marx was convinced that the cause of the proletariat was of decisive importance for the whole future of mankind, he wanted to create for that cause not a flimsy platform of rhetorical invective or wishful thinking, but the rock-like foundation of scientific truth.

2. THE METHOD OF CAPITAL

The purpose of *Capital* is itself a clear reminder of the method of knowledge applied by Marx to his main work: the method of the materialist dialectic. Marx left no doubt that this was indeed how he himself understood his labours. In a letter sent to Maurice Lachâtre, the editor of the first French edition of *Capital* Volume 1, he insisted on the fact that he was the first person to have applied this method to the study of economic problems.⁶ Again in his own postface to the second German edition of *Capital* Volume 1, Marx specified this use of the

dialectical method as the *differentia specifica* of *Capital*, which distinguished it from all other economic analyses.⁷

When the dialectical method is applied to the study of economic problems, economic phenomena are not viewed separately from each other, by bits and pieces, but in their inner connection as an integrated totality, structured around, and by, a basic predominant mode of production. This totality is analysed in all its aspects and manifestations, as determined by certain given laws of motion, which relate also to its origins and its inevitable disappearance. These laws of motion of the given mode of production are discovered to be nothing but the unfolding of the inner contradictions of that structure, which define its very nature. The given economic structure is seen to be characterized at one and the same time by the unity of these contradictions and by their struggle, both of which determine the constant changes which it undergoes. The (quantitative) changes which constantly occur in the given mode of production, through adaptation, integration of reforms and self-defence (evolution), are distinguished from those (qualitative) changes which, by sudden leaps, produce a different structure, a new mode of production (revolution).

Marx clearly opposes his own dialectical method of investigation and knowledge to that of Hegel, although he never hesitates to recognize his debt of gratitude to the German philosopher who, spurred on by the French Revolution, catapulted dialectical thought back into the modern world. Hegel's dialectics were idealist: the basic motion was that of the Absolute Idea; material reality was only the outward appearance of ideal essence. For Marx on the contrary, the dialectic is materialist, 'the ideal is nothing but the material world reflected in the mind of man, and translated into forms of thought'.⁸ The basic laws of motion of history are those of real men, themselves producing their own material existence in a given social framework. The development of thought corresponds in the final analysis to that basic movement, and reflects it, albeit through many mediations. Thus the scientific thought process through which Marx came to understand the operations of the capitalist mode of production was itself a product of that mode of production, of bourgeois society and its contradictions. Only secondarily can it be seen as a product of the development of many human sciences and ideologies: classical German philosophy; English political economy; French historiography and political science; pre-Marxian socialism. Only the growth of bourgeois society and its contradictions, above all the struggle between capital and labour, enabled Marx to assimilate, combine and transform these sciences in the specific way and the

specific direction he did. Nevertheless, while the materialist dialectic is Hegel's (idealist) dialectic 'turned right side up again', both have basic common traits. Dialectics as the logic of motion presupposes that *all* motion, *all* evolution, whether of nature, society or human thought, adopts certain general forms which are called 'dialectical'.⁹ Engels and Lenin both saw, in the very way in which *Capital* Volume 1 was constructed, a striking application of this general dialectical method; thus Lenin wrote that although Marx had never written his projected short treatise on dialectics, he had nevertheless left us *Capital*, which is the application of the materialist dialectic in the field of economic phenomena.¹⁰

Precisely because Marx's dialectic is a materialist one, however, it does not start from intuition, preconceptions or mystifying schemes, but from a full assimilation of scientific data. The method of investigation must differ from the method of exposition. Empirical facts have to be gathered first, the given state of knowledge has to be fully grasped. Only when this is achieved can a dialectical reorganization of the material be undertaken in order to understand the given totality. If this is successful, the result is a 'reproduction' in man's thought of this material totality: the capitalist mode of production.

The main danger for any scientist involved in the study of social phenomena is that of taking anything for granted, of 'problem-blindness'. The distinction between appearance and essence, which Marx inherited from Hegel¹¹ and which is part and parcel of the dialectical method of investigation, is nothing but a constant attempt to pierce farther and farther through successive layers of phenomena, towards laws of motion which *explain* why these phenomena evolve in a certain direction and in certain ways. Constantly searching for questions – calling into question! – where others only see ready-made answers and vulgar 'evidence': this is certainly one of Marx's main merits as a revolutionary innovator in economic science.

But for Marx, the materialist dialectician, the distinction between 'essence' and 'appearance' in no sense implies that 'appearance' is less 'real' than 'essence'. Movements of value determine in the last analysis movements of prices; but Marx the materialist would have laughed at any 'Marxist' who suggested that prices were 'unreal', because in the last analysis *determined* by value movements. The distinction between 'essence' and 'appearance' refers to different levels of determination, that is in the last analysis to the process of cognition, not to different degrees of reality. To explain the capitalist mode of production in its totality it is wholly insufficient to understand simply the 'basic essence', the 'law of

value'. It is necessary to integrate 'essence' and 'appearance' through all their intermediate mediating links, to explain how and why a given 'essence' appears in given concrete forms and not in others. For these 'appearances' themselves are neither accidental nor self-evident. They pose problems, they have to be explained in their turn, and this very explanation helps to pierce through new layers of mystery and brings us again nearer to a full understanding of the specific form of economic organization which we want to understand. To deny this need to reintegrate 'essence' and 'appearance' is as un-dialectical and as mystifying as to accept 'appearances' as they are, without looking for the basic forces and contradictions which they tend to hide from the superficial and empiricist observer.

The way in which *Capital* starts with an analysis of the basic categories of commodity production, with the 'basic unit' (fundamental cell) of capitalist economic life, the commodity, has often been cited as a model application of this materialist dialectic. Marx himself makes it clear that he does not start from a basic concept – value – but from an elementary material phenomenon – the commodity-which is at the basis of capitalism, as the only economic organization based upon generalized commodity production.¹² It is therefore correct but incomplete, strictly speaking, to say that Marx's method consists of 'rising from the abstract to the concrete'.¹³ In fact, he starts from elements of the material concrete to go to the theoretical abstract, which helps him then to reproduce the concrete totality in his theoretical analysis. In its full richness and deployment, the concrete is always a combination of innumerable theoretical 'abstractions'. But the material concrete, that is, real bourgeois society, exists before this whole scientific endeavour, determines it in the last instance, and remains a constant practical point of reference to test the validity of the theory. Only if the reproduction of this concrete totality in man's thought comes nearer to the real material totality is thought really scientific. At first sight, the movement which dominates *Capital* Volume 1 appears as a movement of economic 'categories', from the commodity and its inner contradictions to the accumulation of capital and its breakdown. The question has often been asked: is this movement just an abstract synopsis of the 'essence' of capitalism, or is it a greatly simplified reflection of real economic development, that is, the real history leading from the first appearance of commodity production up to full-scale capitalist production in the West, purified of all secondary and combined forms which would only obscure the basic nature of this movement?

It is impossible to answer this question simply with a 'yes' or a 'no'. Commodities

produced accidentally in pre-capitalist societies, at the very margin of the basic processes of production and consumption, obviously cannot trigger off the striking and terrifying logic of the 'law of value' which Marx majestically unfolds in *Capital*. Commodity production as a basic and dominant feature of economic life presupposes capitalism, that is a society in which labour-power and instruments of labour have themselves become commodities. In this sense it is true that the analysis of Volume 1 of *Capital* is logical (based upon dialectical logic) and not historical.

But dialectics imply that every phenomenon has an origin and an end, that nothing is either eternal or finished once and for all. Hence the historical cell of capital is at the same time the key to the logical analysis of capital: phylogenesis and embryology cannot be completely separated. Within capital accumulation in contemporary everyday capitalist life, some aspects of primitive capital accumulation are reproduced: without that primitive capital accumulation, there would be no capitalist mode of production. So the logical analysis does reflect some basic trends of historical development after all. The simplest forms of appearance of the 'economic categories' (which are just forms of material existence, of material reality as perceived and simplified by the human mind) are often also their primitive, that is their original, form. However controversial this interpretation may be, it is difficult to deny that this unity of historical and logical analysis is the way in which Marx and Engels understood their own method.¹⁴

A whole literature has been produced, from Bernstein to Popper and on to contemporary academic economists, on the subject of the 'useless', 'metaphysical' or even 'mystifying' nature of the dialectical method which Marx borrowed from Hegel.¹⁵ The positivist narrowness of outlook of these critics themselves generally bears eloquent testimony to the contrary, that is to the broad historical vision and the piercing lucidity which the dialectical method helped Marx to achieve. Thanks to that method, Marx's *Capital* appears as a giant compared to any subsequent or contemporary work of economic analysis. It was never intended as a handbook to help governments to solve such problems as balance-of-payments deficits, nor yet as a learned, if somewhat trite, explanation of all the exciting happenings in the market place when Mr Smith finds no buyer for the last of his 1,000 tons of iron. It was intended as an explanation of what would happen to labour, machinery, technology, the size of enterprises, the social structure of the population, the discontinuity of economic growth, and the relations between workers and work, as the capitalist mode of production unfolded

all its terrifying potential. From that point of view, the achievement is truly impressive. It is precisely because of Marx's capacity to discover the long-term laws of motion of the capitalist mode of production in its essence, irrespective of thousands of 'impurities' and of secondary aspects, that his long-term predictions – the laws of accumulation of capital, stepped-up technological progress, accelerated increase in the productivity and intensity of labour, growing concentration and centralization of capital, transformation of the great majority of economically active people into sellers of labour-power, declining rate of profit, increased rate of surplus value, periodically recurrent recessions, inevitable class struggle between Capital and Labour, increasing revolutionary attempts to overthrow capitalism – have been so strikingly confirmed by history.¹⁶

This judgement has generally been challenged on two grounds. The easiest way out for critics of Marx is simply to deny that the laws of motion of the capitalist mode of production which he discovered have been verified at all. This is generally done by reducing them to a couple of misstated and oversimplified formulae (see below): 'progressive immiseration of the working class' and 'ever-worsening economic crisis'.¹⁷ A more sophisticated objection was advanced by Karl Popper, who denied the very possibility, or rather the scientific nature, of such 'laws', calling them 'unconditional historical prophecies' to be clearly distinguished from 'scientific predictions'. 'Ordinary predictions in science,' says Popper, 'are conditional. They assert that certain changes (say, of the temperature of water in a kettle) will be accompanied by other changes (say the boiling of the water).'¹⁸ Popper denies the scientific nature of *Capital* by asserting that, unlike scientific theories, its hypotheses cannot be scientifically tested.¹⁹

This is obviously based upon a misunderstanding of the very nature of the materialist dialectic, which, as Lenin pointed out, requires constant verification through praxis to increase its cognition content.²⁰ In fact, it would be very easy to 'prove' Marx's analysis to have been wrong, if experience had shown, for example, that the more capitalist industry develops, the smaller and smaller the average factory becomes, the less it depends upon new technology, the more its capital is supplied by the workers themselves, the more workers become owners of their factories, the less the part of wages taken by consumer goods becomes (and the greater becomes the part of wages used for buying the workers' own means of production). If, in addition, there had been decades without economic fluctuations and a full-scale disappearance of trade unions and employers' associations (all flowing from

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