# The *Grundrisse* (The 1857-58 Manuscript)

## The Chapter on Capital: Part 2

*A Preliminary Discussion: What is Capital?* (pp. 250-261)

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At this point in Manuscript Marx undertakes a (rather rambling) examination of what "capital" actually *is*, basing himself in part on what capital is taken to be in the work of the political economists, and in part on what he has already himself developed in the Manuscript.[1]

Marx begins by noting that capital is to be distinguished from money; or, more precisely, money that is capital is to be distinguished from money that is not. "Money as capital is an aspect of money which goes beyond its simple character as money," Marx points out. (Marx 1973, p. 250) But to posit money as capital is to posit capital as a form (money) which pre-exists it. We have already discussed money as money; what we need then to establish is, in the abstract, what capital is.

First, it is not adequate to state that capital is a "sum of values" (Marx attributes the notion to Jean-Baptiste Say), for this would be to equate capital with exchange value. But, says Marx, "I cannot get from exchange value to capital by means of mere addition. In the pure accumulation of money, as we have seen, the relation of capitalising is not yet posited." (Marx 1973, p. 251)

Marx expands on the point. In what he calls the "retail trade", where "the aim on one side is to exchange the commodity for money and on the other to exchange money for commodity", there proceeds the circulation of exchange values "in its pure form." Here, buyers and sellers appear *only* as buyers and sellers: "[a]ll other aspects are here extinguished." (Marx 1973, p. 251)

In theory, Marx tells us, "the concept of value precedes that of capital, but requires for its pure development a mode of production founded on capital"; the same happens in practice. This leads economists sometimes to see capital as the creator of values, and sometimes as their source. However, "[t]he existence of value in its purity and generality presupposes a mode of production in which the individual product has ceased to exist for the producer in general and even more for the individual worker, and where nothing exists unless it is realised through circulation." At the same time, for the person who, in a bourgeois society, produces, say, part of

[1] The topic subheading that appears on p. 250 of Marx 1973 is an addition by the Manuscript's editors, and is not Marx's. (Compare with Marx 2006, p. 173.)

a yard of cotton, that this cotton is exchange value (i.e. a commodity) "is not a formal matter[,] [...] [for] [i]f he had not created an exchange value, he would have created nothing at all." (Marx 1973, p. 252) Hence it is the case that "individual acts of value production" both result in, and are presupposed on, the "historic process of social production," (Marx 1973, p. 252) whatever that historic process actually obtaining may be.

If we look at the emergence of capital historically, we see that, within the bourgeois "system", capital immediately *succeeds* money, while at the same time, since it is based on landed property, it is based on systems that precede it. Marx here refers to *landed property* (despite the fact, he notes, that in the present day landed property could not exist without the presupposition of capital.)

> The history of landed property, which would demonstrate the gradual transformation of the feudal landlord into the landowner, of the hereditary, semi-tributary and often unfree tenant for life into the modern farmer, and of the resident serfs, bondsmen and villeins who belonged to the property into agricultural day-labourers, would indeed be the history of the formation of modern capital. It would include within if the connection with urban capital, trade, etc. But we are dealing here with developed bourgeois society, which is already moving on its own foundation.[2] (Marx 1973, pp. 252-3)

The circulation of money is "the first concept" of capital, and the first form in which it appears in the movement M-C-C-M: the "*movement of buying in order to sell, which makes up the formal aspect of commerce, of capital as merchant capital*, is found in the earliest conditions of economic development". (Marx 1973, p. 253)

At first, this "first movement in which exchange value as such forms the content" can take place either within peoples, or between peoples whose production is not based on exchange value, in which case the movement—exchange—is limited to surplus production. "Commercial capital is only circulating capital, and circulating capital is the first form of capital; in which it has *as yet by no means become the foundation of production*." (Marx 1973, p. 253) Merchant capital is presupposed by "the *circulating commodity*": C-M-M-C. (A more developed form is money capital and money interest (usury).)

The "simple movement of exchange values" on its own is unable to realise capital: money can be withdrawn from circulation and hoarded but these hoards are dissipated as soon as the money they are composed of returns to the sphere of circulation. "Since equivalents are exchanged for one another, the form of wealth which is fixed as money disappears as soon as it is exchanged for the commodity; and the use value present in the commodity, as soon as it is exchanged for money." (Marx 1973, p. 254) "Circulation therefore does not carry within itself the principle of self-renewal"; (Marx 1973, p. 254, italicisation suppressed) unless (newly produced) commodities continuously enter it, "it flickers out in indifference." (Marx 1973, p. 255) Circulation, always present on the surface of bourgeois society, requires that it be constantly mediated (by production). "*It is the phenomenon of a process taking place behind it.*" (Marx 1973, p. 255)

So it is production that posits circulation, but production is in turn presupposed on circulation.

> The movement which creates exchange value thus appears here in a much more complex

[2] Marx is here distinguishing, without signalling the fact specifically, between the (conditions of the) emergence of capital (what he will subsequently label "original ("primitive") accumulation"), and (those of) its modern existence (and self-reproduction).

> form, since it is no longer only the movement of presupposed exchange values, or the movement which posits them formally as prices, but which creates, brings them forth at the same time as presuppositions. Production itself is here no longer present in advance of its products, i.e. presupposed; it rather appears as simultaneously bringing forth these results; but it does not bring them forth, as in the first stage, as merely leading into circulation, but as simultaneously presupposing circulation, the developed process of circulation.[3] (Marx 1973, pp. 255-6)

The emergence of commodity circulation— the movement from simple circulation to value production—can take many historical forms. One scenario that Marx repeatedly directs his attention to is that involving different groups of what Marx calls "semi-barbarian or completely barbarian peoples", between whom trading peoples (the Jews, the Lombards, the Normans) interpose themselves.

If such trade assumes a continuous, non-accidental nature, then domestic production will itself tend to take on a tendency to produce for circulation. The degree to which production itself is transformed in this way depends on the one hand the intensity of the external trading influence and on the other the level of development of domestic production.

Marx cites in this respect the example of the English wool trade from the sixteenth to seventeenth centuries. In order to import commodities from the Netherlands, surplus wool was exported. To produce more wool, arable land was converted into sheep pasture, the small tenant system was broken up, and estates were cleared. "Agriculture thus lost the character of labour for use value, and the exchange of its overflow lost the character of relative indifference in respect to the inner construction of production." (Marx 1973, p. 257) In this process,

> [a]t certain points, agriculture itself became purely determined by circulation, transformed into production for exchange value. Not only was the mode of production altered thereby, but also all the old relations of population and of production, the economic relations which corresponded to it, were dissolved. Thus, here was a circulation which presupposed a production in which only the overflow was created as exchange value; but it turned into a production which took place only in connection with circulation, a production which posited exchange values as its exclusive content.[4] (Marx 1973, p. 257)

(Marx contrasts this with what takes place in modern production, where " prices [...] determine production on one side, and production [....] determines prices on the other." (Marx 1973, p. 257))

Marx now steps back from his historical perspective. He refers to the claim in political economy[5] that capital "is accumulated (realised) labour,[[6]] which serves as the means for new labour

[3] Again, the subheading that appears at this point in the text is an artefact of the edition; in the original (Marx 2006, p. 178) Marx just moves from one paragraph to the next.

[4] Note here in Marx's account that the impulse to the production of exchange values—to capitalist production—comes from the existence of *trade*: it is not a revolution in production that leads to the growth in trade, but the pressure of trade which leads to a revolution in production.

[5] He will have here in mind, as Marx 1973, p. 257n notes, Adam Smith, as well as Ricardo (cf. Marx 2006, p. 990).

[6] Better, Marx says, to say "objectified" labour. "Objectified" here is *vergegenständlichte* (Marx 2006, p. 179), from *Gegenstand*, "object". Note, however, that for Marx "object" (*Gegenstand*) is not synonymous with "thing" (*Ding* or *Sache*). *Gegenstand* is "object" in the sense of what is *opposed*, not in that of what is *material*. The

(production)". The problem with this, says Marx, is that it ignores the social form of the "capital" that *makes* it capital.

> This means nothing more than that capital is [] an instrument of production, for, in the broadest sense, every object, including those furnished purely by nature, e.g. a stone, must first be appropriated by some sort of activity before it can function as an instrument, as means of production. According to this, capital would have existed in all forms of society, and is something altogether unhistorical. Hence every limb of the body is capital, since each of them not only has to be developed through activity, labour, but also nourished, reproduced, in order to be active as an organ. (Marx 1973, p. 257)

(This is, of course, an idea widely held within mainstream economic thinking.) The problem here is that capital is conceived of as a thing (*Sache*), not a relation; but it is not the case that all labour objectified in means of production is capital, only that that exists within a certain historically specific stage of social production.

If, on the other hand, capital is conceived of as "a sum of values used for the production of values", this amounts to saying that capital is "self-reproducing exchange value" (Marx 1973, p. 258). The problem here is that exchange value is self-reproducing in circulation by its very nature.[7]

If, alternatively, we say that capital is exchange value that produces (at least potentially) *profit*, then we already *presuppose* capital ("for profit is a specific relation of capital to itself" (Marx 1973, p. 258)), assuming what it is we intend to explain.

Therefore, and in summary, to say that capital is accumulated (objectified) labour is to fail to identify the historically specific conditions within which capital emerges; to say that it is self-reproducing exchange value is to collapse all exchange value into category of capital. To say that capital is profit-producing exchange value is to assume what it is to be explained.

Perhaps, Marx seems to want to say, capital is *all* of these things, simply not just one of them to the exclusion of the others. "Capital is not a simple relation, but a *process*, in whose various moments it is always capital. This process therefore [needs] to be developed." (Marx 1973, p. 258)

(Marx closes his discussion by quoting Ganilh[8] to the effect that the "formal positing of exchange values [...] necessarily advanced towards the subjection of production [...] to exchange." (Marx 1973, p. 259))

objectivity of labour that Marx talks about emphasises not the conversion of something into a *material* thing, but into an entity different and opposed (*objecting*) to the active subject from with it emanates. (See the discussion on the meaning of *Gegenstand* in Hegel in Wolf 2026.)

[7] And note his critical comments on Say's notion of capital as a "sum of values" at the beginning of this section of the Manuscript.

[8] Charles Ganilh (1758-1836), a French defender of the mercantilist proposition that profit emerges in exchange against the labour theory of Adam Smith.

## References

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