The *Grundrisse* (The 1857-58 Manuscript)

The Chapter on Capital: Part 14

The Transformation of Surplus Labour into Profit (I): The Accumulation of the Surplus (pp. 365-373)

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We have just seen that in the production process the action of living labour preserves the labour-time objectified in the commodities that serve as materials and instruments in the new use-value form of the commodity product; reproduces the cost of its own reproduction; and produces a new value, surplus labour-time.

The use of the living labour that functions in production costs the capitalist only the cost of its reproduction. Therefore, "the capitalist, by means of the exchange process with the worker [...] obtains two things free of charge, first the surplus labour which increases the value of his capital; but at the same time, secondly, the quality of living labour which maintains the previous labour materialized in the component parts of capital and thus preserves the previously existing value of capital." (Marx 1973, p. 365)

However, the preservation of the labour-time objectified in the materials and instrument "does not take place as a result of an *increase in the amount of labour objectified* by living labour, a creation of value, but simply as a result of its existence as living *labour* in the proper relation with material and instrument, i.e. through its *quality* as living labour." (Marx 1973, p. 365) The preservation of the value of the means of production transformed in production costs capital nothing. The only part of captital that is in any meaningful sense "consumed" is the wage.

Marx returns to the numerical example he has been using in this part of the Manuscript.[1]

A capital of 100 thalers is advanced: 40 as wages, 50 as material and 10 as instrument. The working day is 8 hours, 4 of which represent the cost of the worker's reproduction. Surplus labour-time is therefore 4 hours. The value of the product is 140: 60 preserved from the means of production, 40 reproduced cost of reproduction of labour capacity, and 40 surplus (profit). If

[1] Marx's example is riddled with arithmetical errors, and there arise several translation issues over its development. I shall do with it the best I can.

we assume that the capitalist requires 20 of this surplus to live.[2]

The 20 thalers for the capitalist's own unproductive consumption "enter into simple circulation." Another 100 thalers also enter into simple circulation, "but only in order to be transformed again into the conditions of new production, 50 thalers of raw material, 40 subsistence for workers, 10 instrument." (Marx 1973,p. 366) These replace the elements of capital used up in production.

There remains the 20 surplus, the excess surplus product in excess of the capitalist's unproductive consumption. "This is *money*, posited as a negatively independent value against circulation." (Marx 1973, p. 366) But the money exists in order to be realised as new capital, and will have to be exchanged against new materials, instrument and workers' subsistence. "*Money*, then, in so far as it now already *in itself* exists as capital, is therefore simply a *claim on future* (new) labour. [...] Here capital already no longer enters into relation with ongoing labour, but with future labour." (Marx 1973, p. 367)

Given that this money is now a future claim it counts not as money as such but as any other kind of property title.[3] Given its nature as a *claim* there is as yet no currently existing equivalent for it. In order to function as capital the surplus produce in the form of money has to cease to function as money *as such*.

Now imagine a change in the productivity of labour, of the kind that we have already seen. Instead now of necessary labour being equal to 4 hours, it now stands at 2 hours. Surplus labour is now 6 hours. A product of the same value (of 140 thalers) is produced (we are clearly assuming no change in the configuration of the production process; the cheapening of commodities supposed by the change in the productivity of labour only affects the means of workers' subsistence). If we continue to assume that the capitalist consumes 20 of the surplus, the surplus in excess of this now stands at 40 thalers.

In the case of the first capital (that before the increase in the productivity of labour, there is a surplus product of 40 thalers, 20 of which is accumulable, i.e. not accounted for by the unproductive consumption on the part of the capitalist. In the case of the second (that subsequent to the rise in the productivity of labour) there is a total surplus of 60, an increase of 20 (relative surplus) over the surplus previously produced.

Marx now asks: in both cases the simple exchange value (the value of the total commodity product) is equal to 140, but, with the increase in the productivity of labour, "is it only the use values which have increased, or has a new value been created?" (Marx 1973, p. 368)

In the first case (from here on "first case" refers to the capital prior to the change in the productivity of labour and "second case" to that subsequent to it) there was a capital advance of 100, which produced an absolute surplus of 40 (20 of which remained afer discounting the capitalist's consumption). In the second case, a capital of 80 produces an absolute surplus of 60 (40 after discounting the capitalist's consumption). "What is gained in value on one side in one form is lost as value on the other side in another form." (Marx 1973, p. 368)

When the capital of the first case is readvanced, another 20 surplus (after accounting for the capitalist's consumption) is created, making now a total of 40.[4]

[2] "He had to own the latter [the surplus] apart from his capital of 100 thalers; hence equivalents for them had to be present in circulation. (How these arose does not concern us here.)" (Marx 1973, p. 366

[3] In modern terms, it functions now as an asset, rather than simple money, money as such.

[4] The text here is misleading, and makes it appear as if there had been a surplus of 40, after accounting for the

In the second case (we are now at the second full paragraph of p. 368), there is a capital advance of 20 (wages), equivalent to 2 hours' labour-time; material 50; and instrument 10. The 2 hours' labour cost produces a value of 8 hours (80 thalers), hence a surplus of 6 hours (60 thalers). The product is 80 (new value, surplus labour plus necessary labour; produced surplus plus reproduced cost of reproduction of labour) plus 60 (material and instrument; preserved value), a total of 140.[5] If there is a readvance, there is a further 40 surplus (60 less the capitalist's consumption of 20), a total of 80.[6]

If we imagine a third advance, in the first case the accumulable surplus is 60, in the second 120.[7]

Now consider a fourth advance. In the first case, the total accumulable surplus is now 80; in the second, 160.[8]

Hence, although there is less productive capital—capital advanced as wages, material and instrument—there is more surplus value, both absolutely and relatively (i.e. after accounting for the capitalist's consumption).[9]

Marx now supposes the accumulation of the surplus value "(leaving consumption aside)".

In the first case, 100 was advanced and 140 produced, a rate of return of 40%. In the second, a an advance of 80 produced a product of 140, a return of 75%.[10] Marx assumes now that, in both cases, (1) the whole surplus will be advanced as new capital, along with the original advance,and (2) the rate of return will be the same in both cases as that of the original advance: for the first and second cases, 40% and 75% respectively (I am correcting Marx's figures).

In the first case, the capital advance will 140 (100 original advance plus 40 surplus); at a rate of return of 40% the surplus will be 56, and the total product 196 (140 plus 56). In the second case, the advance will also be 140 (80 plus 60); at a rate of return of 75% the surplus will be 105, and a total product of 245 (140 plus 105).[11] The "absolute surplus value" in the second case is 49 thalers greater than in the first case.[12]

Now Marx says that in the first case there is a surplus of 40 thalers to be advanced as new capital (we are still disregarding the possibility of capitalist consumption). Suppose that this 40 is spent on living labour: it will buy 4 hours, which will produce a surplus of 4 hours (40 thalers) over the cost of its reproduction (40 thalers, equal to the surplus advanced in the form of wages).

capitalist's consumption, from the first advance; what Marx wants to say, I think, is that there is now a *total* of 40.

5 Marx's statement "60 + 60 = 120" is clearly an error.

6 Marx's figure of 60 is a mistake arising from the previous error.

7 Again, and for the same reason, Marx's figure of 80 is incorrect; he is here adding 40, 20, and 20; rather than 40, 40 and 40.

8 Marx says 100.

9 Marx says here: "The first capital has increased as *value* in proportion as its exchange value, as productive capital, has decreased." (Marx 1973, p. 368) This is a misleading translation. A better rendering would be: "The amount by which the exchange value of the first capital as productive capital has decreased corresponds to the amount by which its *value* has increased." (Cf. Marx 2006, p. 279) By "value" Marx means surplus value; what he is comparing is before and after the change in the productivity of labour (my first and second cases).

10 Marx here says 60%, but although the surplus 60, the advance is 80, not 100.

11 Marx, assuming a rate of return of 60%, gives a surplus of 84 and a product of 224.

12 As a result of the accumulation of previous errors, Marx says that the difference is of 28 thalers.

Now there will be a product of a value of 220: "reproduction of the capital of 140" plus the 80 surplus (40 from the original advance of wages plus the other 40 from the advance of the surplus). "[I]n the first case, 100 thalers reproduce themselves as 140; the second 40, since they are spent only to buy new labour [...] produce 80."[13] (Marx 1973, p. 369)

In the second case, under the same assumptions, the 60 surplus is advanced as wages. This represents 6 hours of reproduced labour; but given that the reproduction of one 8-hour day's labour carried out costs 2 hours (20 thalers) after the supposed increase in the productivity of labour, then 60 thalers of reproduced labour will create 24 hours of new value, i.e. 240 thalers, a surplus of 180. This means that the total new product will be equal to 380 thalers (the 80 original capital advanced plus 60 surplus on this plus the 60 surplus readvanced plus the 180 surplus on this last).[14] Marx concludes: "Thus the result is a greater exchange value, because more labour objectified [...]."[15] (Marx 1973, p. 369)

"Something else should be noted here," Marx now tells us. (Marx 1973, p. 369)

In the first case, 100 capital advanced produced a product of 140, a rate of return of 40%. But 40% of 140 is 56, so 140 advanced at 40% yields 196,[16] yet in the example above we obtained, on the combined advance of the 100 original capital and the 40 surplus, a product of 220 thalers. Here there is a surplus of 80 on 140, a rate of return of $57\frac{1}{7}\%$.[17] In the second, 80 was advanced to produce 140, a rate of return of 75%. 75% of 200 (the original 140 plus the 60 surplus) is 150, which would yield a product ("capital and interest together") of 350, yet the product we obtained readvancing the surplus alongside the original capital value was 380: a surplus of 180, at a rate of 90%.[18]

In both cases, Marx notes, the actual rate of return on the combined advance is higher than that predicted on the basis of the return of the original advance. Marx asks as to why there is a difference, and why this particular difference (i.e. as to why the actual return is higher).

The answer to these questions are to be found in the (changing) ratios of capital advanced in the form of material and instrument to that in the form of wages (labour).

In the first case, the original advance of 100 was divided into material and instrument to wages (labour) 60 : 40, or $\frac{3}{5} : \frac{2}{5}$. "The first $\frac{3}{5}$ bring no interest at all; the last $\frac{2}{5}$ bring 100%." (Marx

[13] Marx notes that "the second 40 [...] only [...] buy new labour, hence do not *simply* replace value", which is an "impossible presupposition".

[14] This is Marx's account. "The second capital of 140; the 80 produce 40 [should be 60]; or the 80 thalers reproduce themselves as 120 [should be 140]; the remaining 60, however, reproduce themselves (since they are spent purely for the purchase of labour, and do not therefore simply replace any value, but reproduce out of themselves and posit the surplus) as 180 [should be 240]; then 120 + 120 = 240 [should be 140 + 240 = 380]." (Marx 1973, p. 369)

[15] Marx's conclusion that there are "2 hours more surplus labour" objectified in the first case than in the second is incorrect.

[16] Marx identifies this sum as the sum of capital and "interest" ("*Zins*"): Marx 1973, p. 369, and 2006, p. 280. I think the reason that Marx uses the word here is to highlight the fact that the discrepancy we have observed between the different rates of return is only a puzzle *if* we conceive of profit *as* interest (as Ricardo does) rather than being, as Marx is arguing, surplus *labour*-time.

[17] Marx says here that the surplus is 84, and the rate of return 60%.

[18] Marx gives here a rate of return of 60% on the original advance; then calculates (correctly) 60% of 140 as 84, giving a product ("capital and interest") of 224. He then contrasts this with the product (from his earlier calculations) of 240, which would suppose a surplus of 100 on 140, i.e. a return of $71\frac{3}{7}\%$.

1973, p. 369) The 100% return on the wages (labour) component amounts to a 40% return on the total ($\frac{2}{5}$ of 100 is 40). To maintain the rate of return at 40% would require an increase in the capital advanced which would maintain the ratio between material and instrument to labour (wages). But by readvancing the surplus only as labour (wages) that ratio is disturbed, and it is this that explains the rate of return on the whole capital. Profit is *not* interest on *money*, but surplus labour-time converted *into* money.[19]

Marx abandons the "highly irksome" calculation at this point,[20] but summarises what he has found like this.

> If, as in our first example, material and instrument amount to $\frac{3}{5}$ (60 out of 100), and wages $\frac{2}{5}$ (40), and if the capital yielded a gain of 40%, then it equals 140 at the end (this 40% gain equal to the fact that the capitalist made the workers put out 12 hours of labour, where 6 were necessary, hence gained 100% on the necessary labour-time). Now if the 40 thalers which were gained go to work again as capital with the same presuppositions—and at the present point, the presuppositions have not changed yet—then of the 40 thalers $\frac{3}{5}$ i.e. 24 thalers have to be used for material and instrument, and $\frac{2}{5}$ for labour; so that the only thing that doubles is the wage of 16 which becomes 32, 16 for reproduction, 16 surplus labour; so that altogether at the end of production 40 + 16 = 56 or 40%. Thus the entire capital of 40 would have produced 196 under the same conditions. It should not be assumed, as happens in most of the economics books, that the 40 thalers are spent purely for wages, to buy living labour, and thus yield 80 thalers at the end of production. (Marx 1973, p. 373)

[19] Marx's laborious calculations on p. 370, the details of which need not detain us here, are a further demonstration of this point.

[20] And also begins a new Notebook, Notebook IV.

References

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