When he assessed his intellectual career in 1859, Karl Marx condemned to deserved obscurity all of his previous works but four. *The Poverty of Philosophy* (1847) first set forth the decisive points of his scientific views, although in polemical form, he wrote; and he implied that the same description applied to the *Manifesto of the Communist Party* (1848), a *Speech on Free Trade* of the same year, and an unfinished series of newspaper articles entitled *Wage-Labour and Capital*, published in 1849. He made no mention of the *Economic-Philosophical Manuscripts* (1844), *The Holy Family* and the *Theses on Feuerbach* (1845), and he referred to the manuscript of *The German Ideology* (1846) without naming its title as a work which he and Engels gladly abandoned to the mice. Three years before his death, when he received inquiries regarding the eventual publication of his complete works, he is reported to have answered dryly, ‘They would first have to be written.’
Marx, then, viewed most of the early works which have so aroused the enthusiasm of contemporary interpreters with scepticism bordering on rejection, and was painfully conscious toward the end of his life that the works which he had presented or was ready to present to the public were mere fragments.

The Publication of the ‘Grundrisse’

Only once in his life did he speak with a tone of achievement and a sense of accomplishment about one of his works. Only once did he announce that he had written something which not only encompassed the whole of his views, but also presented them in a scientific manner. That occasion was in the Preface to the Critique of Political Economy (1859), a work which also remained merely a fragment, due to difficulties with its publisher. Only two chapters of the Critique reached the public, but their content, while of importance, hardly justified the claims implicitly made for them in their Preface. The Preface outlines a whole world-view, a set of scientific doctrines which explains the movement of history in its sociological, political and economic dimensions, and demonstrates how and why the present organization of society must collapse from the strain of its internal conflicts, to be replaced by a higher order of civilization. The published chapters, however, demonstrate no such breadth, nor is the ultimate emergence of a new order clearly derivable from their content. They deal, rather, with fairly technical economic questions, and promise a long, arduous road with no clearly visible goal. What, then, was Marx talking about in the Preface? Was he making claims for theories he had not yet constructed, for ideas he had not yet written down?

Until 1939, this question remained largely a mystery. The bold generalizations made in the Preface could be traced back to equally bold but equally general statements in The Poverty of Philosophy and in the Manifesto; the volumes of Capital contain some echoes, again polemical and general. But it was difficult, if not impossible, to derive from the extant portions of Capital the answers to the most important question which the Preface announces as theoretically solved, namely the question of how and why the capitalist social order will break down. Thus Rosa Luxemburg wrote her Accumulation of Capital (1912) precisely for the purpose of filling this most important gap in Marx’s unfinished writings, thereby throwing gasoline on a fiery intra-party dispute which still flickers today. Why the manuscript on the basis of which Marx wrote the Preface of 1859 remained buried until the outbreak of World War Two remains a mystery still; but in any case, in 1939 the Marx-Engels-Lenin Institute in Moscow brought out of its files and

---


2 Quoted in Maximilien Rubel: Karl Marx, Essai de Biographie Intellectuelle, Marcel Riviére, Paris 1957, p. 10.

published an enormous volume containing Marx's economic manuscripts from the years 1857–58. A second volume followed two years later; and in 1953 the Dietz publishing house in Berlin republished the two volumes in one. Entitled by the editors *Grundrisse der Kritik der Politischen Ökonomie (Rohentwurf)*—Fundamental Traits of the Critique of Political Economy (Rough Draft)—and published together with important extracts from Marx's notebooks of 1850–51, this work at long last permits an examination of the material of which the generalizations in the Preface are the distillate.\(^4\)

The *Grundrisse* has not been ignored since its publication, but neither has it been appreciated for its full importance. Assessed initially as interesting material for a reconstruction of the genesis of *Capital*, the work long vegetated in the Marxologists' underground.\(^5\) Eric Hobsbawm introduced a fraction of it, chiefly the historical passages, as *Pre-Capitalist Economic Formations* in 1965.\(^6\) Of late, isolated excerpts have appeared in the works of André Gorz and Herbert Marcuse.\(^7\) Together, these seem to have sharpened the appetite of a growing body of intellectuals, in the amorphous New Left especially, for a closer look at this hitherto unknown but obviously important work. A French translation of the first part of the whole has finally appeared this year, but readers who remain imprisoned within the English language will have to wait.\(^8\) No definite plans for an English translation have been made public.

All the same, the work is of epochal significance. The fruits of 15 years of economic research, the best years of Marx's life, are contained in these pages. Marx considered it not only a work which overthrew the central doctrines of all previous political economy, but also the first truly scientific statement of the revolutionary cause.\(^9\) Although he could not know it at the time, it was to be the only work in which his theory of capitalism from the origins to the breakdown was sketched out in its entirety. However obscure and fractured, the *Grundrisse* may be said to be the only truly complete work on political economy that Marx ever wrote.

**Marx's Focus on the Market**

The *Grundrisse* is a summit at the end of a long and difficult climb. Marx had published the first of what he considered his scientific works, the *Poverty of Philosophy*, a decade before; and he did not publish the first


\(^9\)Grundrisse, p. xiii; cf. also Marx to Engels, January 14th, 1858: ‘I am getting some nice developments. For instance, I have thrown over the whole doctrine of profit as it has existed up to now.’ *Selected Correspondence*, London and New York, 1942, p. 102.
volume of *Capital* unit a decade after. To understand the significance of the *Grundrisse*, it will be necessary to survey briefly the economic writings which preceded it.

Immediately after the completion of his critique of Hegel's philosophy of law, in which he had concluded that the anatomy of society was not to be found in philosophy, Marx began to read the political economists. In this project he was preceded and no doubt also guided by the young Engels, who had published his *Umrisse zu einer Kritik der Nationalökonomie* in Marx's and Ruge's *Deutsch-Französische Jahrbücher* for the same year, 1844. Engels argued in this article that the development of the bourgeois economy for the last century, as well as the development of the economic theory which corresponded to it, could be summarized as one long, continuous, and increasingly outrageous affront to all fundamental principles of morality and decency, and that if a rationally ordered, moral economic system were not immediately installed, then a monstrous social revolution must and ought to occur shortly. The brunt of Engels' attack was directed at what he considered the fundamental principle of the bourgeois economy, namely the institution of the market. All moral bonds in society have been overthrown by the conversion of human values into exchange-values; all ethical principles overthrown by the principles of competition; and all hitherto existing laws, even the laws which regulate the birth and death of human beings, have been usurped by the laws of supply and demand. Humanity itself has become a market commodity.\(^{10}\)

With one significant difference, this line of reasoning was taken up and developed by Marx throughout his economic writings from 1844 to 1849. The difference is that (as is plain from his 1844 *Manuscripts*) Marx immediately rejected the one-sided moralism of Engels' critique to replace it with a dialectical basis. He threw out the categorical imperatives which lurked beneath the surface of Engels' paper. Competition and the market, he wrote, were not so much an affront to morality as rather a fragmentation and surrender of the developmental potentialities inherent in the human species. Within the society based on private property, the products of human labour belong not to the labourer for his own enjoyment; rather, they become the property of alien persons and are used by them to oppress him. The clearest symptom of this fact, Marx wrote, is that the labourer does not produce the things most useful to him, but instead the things which will fetch the highest exchange-value for their private owner. Thus the process of material creation becomes fractured into segments, and the product itself becomes fractured into use-value and exchange-value, of which the latter alone is important. 'The consideration of division of labour and exchange is of the greatest interest, since they are the *perceptible, alienated* expression of human activity and capacities. . .' In sum, from an entirely different

---


\(^{11}\) The 1844 Manuscripts are only to be published in a supplementary volume of the *Werke* edition. The reference here is from the Bottomore translation in Marx: *Early Writings*, London, 1963, p. 187.
philosophical starting-point, Marx arrived at the same critical perspective as Engels, namely that the crux of bourgeois society was to be found in competition, supply and demand, the market; that is, in its system of exchange.

The notion of alienation (as an economic category) also contained within it the seeds of a different insight, but one which did not rise to prominence until the Grundrisse, as will be seen. Meanwhile, however, Marx continued along with the majority of his radical intellectual acquaintances to sharpen his attack on the sovereignty of competition. His polemic against Proudhon (The Poverty of Philosophy) reveals him in sharp disagreement with that self-declared luminary on almost every point of economics and philosophy, including especially every issue relating to the institutions of exchange and competition in bourgeois society, except one: that competition is basic. If the bourgeoisie abolishes competition to replace it with monopoly, it thereby only sharpens the competition among workers. In the Manifesto Marx writes: 'The essential condition for the existence, and for the sway of the bourgeois class, is the formation and augmentation of capital; the condition for capital is wage-labour. Wage-labour rests exclusively on competition between the labourers.' From which Marx concludes that if the workers can, by forming associations, eliminate the competition among themselves, then 'the very foundation on which the bourgeoisie produces and appropriates products' will be cut out from under its feet. In Marx's Speech on Free Trade, the same theme recurs: if industrial development slumps, workers will be thrown out of jobs and their wages must fall; if industry grows, the workers will enjoy a momentary upswing, only to be cast down again when machinery replaces them. Here as in Wage-Labour and Capital, Marx's 'law' that wages must always tend toward the absolute minimum necessary to keep the worker barely alive is derived straight-forwardly from the principles of supply and demand, with the additional assumptions that the supply of the labour commodity must always tend to exceed demand. We find here occasional hints of insight that other processes are at work also, but the only systematically worked-out doctrines are those which analytically derive the future course of capitalist development and the role of the working class within it from the competitive mechanism, from the expected shape of the market for the commodity, labour. The economics of commodity exchange and of money formed Marx's chief study.

From Competition to Production

The first and most important thing that needs to be made clear about the place which the Grundrisse occupied in Marx's intellectual development is that it represents a critique of all of these earlier ideas. 'Critique' does not mean 'rejection', rather in this case it means, penetration to a deeper level. The great advance which the Grundrisse represents in Marx's thinking lies in its rejection, on grounds of superficiality, of the

thesis that the market-mechanism is a motivating, causal, or fundamental factor; and in its recognition that the market is merely a device to co-ordinate the various individual moments of a process far more fundamental than exchange. While Marx’s earlier economics had centred around the movement of competition, in the Grundrisse he analyses systematically, and for the first time in his work, the economics of production.

Before we examine the text more closely, a few examples may be in order for the sake of gaining an overview.

1. The most obvious and most easily traceable difference between pre- and post-1850 economic theory in Marx is a shift in terminology. Before, Marx consistently refers to the commodity which the worker offers for sale as ‘labour’, and makes explicit that this commodity is exactly like any other commodity. If one sees bourgeois society exclusively as a system of markets, this definition is true enough. In the Grundrisse and thereafter, however, Marx arrives at the view that labour is not a commodity like any other, that labour in fact is unique, and that the commodity which the worker sells must be called ‘labour-power’. In later re-editions of the earlier economic works, Marx and Engels duly alter the terminology to correspond to the new view, and in various prefaces state their reasons for so doing, and the importance of the change.16

2. In the earlier economic writings, the course of capitalist development is derived analytically, as noted, from the projected motion of supply and demand. Compare this with Marx’s flat statement at several occasions in Capital that the mechanisms of competition ‘show everything backward’17 and that analytic deductions made from supply and demand alone are superficial, in fact, contradictory to the hidden but essential core-processes of capitalist production and accumulation. The intellectual foundations for these later statements in Capital are laid in the Grundrisse.

3. Finally, a general overview of the analytic progress which the Grundrisse represents can be gained by tracing Marx’s attitude toward Ricardo, especially toward Ricardo’s theory of the surplus. At the time of his first encounter with Ricardo and the surplus in 1844, Marx noted only that the emphasis Ricardo lays on the surplus proves that profit, not human beings, are the chief concern of bourgeois economics, and that this theory is the ultimate proof of the infamy to which political economy has sunk.18 In the Poverty of Philosophy (1847), Ricardo is treated with somewhat more respect, and Marx quotes at length from the English socialist Bray, who uses the Ricardian surplus-theory to prove the exploitation of the working class. Yet Marx quotes Bray not in order to emphasize the fundamental importance of this theory, but

18 Quoted in Rubel: Biographie Intellectuelle, p. 119.
merely to criticize certain deductions derived from it. Likewise, in *Wage-Labour and Capital*, Marx simply states the Ricardian thesis that the product of labour is worth more than the reproduction of the labourer, but without analysing it further. He is clearly aware at this point of the existence of a surplus, but he is clearly not conscious of the enormous implications for economic theory of this fact; the theory, in short, is not central to his analysis, but co-exists passively together with, and in the shadow of, the dominant supply and demand analysis. When he began his economic studies all over again from the beginning in 1850, however, Marx plunged directly into Ricardo and spent at least the next two years absorbing Ricardo in detail. His notebooks and excerpts from this period, which are appended to the text of the *Grundrisse* by the editors, show that Ricardo’s surplus theory then began to reveal its implications for Marx, and that he concentrated his attention upon it. Finally, in the *Grundrisse* itself, although Marx criticizes Ricardo at several points, he treats him with a great amount of respect and calls him the ‘economist par excellence of production.’ This gradual shift of attitude corresponds to, and reflects, Marx’s growing awareness of the importance of the theory of surplus value, on which Marx begins to base his entire theory of capitalist accumulation in the *Grundrisse*.

Like any exercise in comparative statics, these before/after examples may give rise to the mistaken idea that the application of Ricardian concepts changed Marx overnight from a supply-demand theorist into a surplus-value accumulationist. The change, to be sure, was much more gradual; there are elements of the surplus theory, as we have said, scattered in the early works, and the later works by no means assert the unimportance of the competitive mechanism, quite the contrary. These subtleties should not obscure the fact that a qualitative breakthrough beyond the surface of market-based analysis took place, and that this breakthrough is the chief analytic problem with which the *Grundrisse* is concerned.

**The Social Bond of Money**

Although gnomic in detail, the larger structure of the *Grundrisse* text moves consistently toward the solution of clearly defined problems. After a brilliant, unfinished Introduction—which cannot detain us here—the work consists of two chapters, the first dealing with money (pp. 32–149) and the second, much longer, with capital (150–764). The latter is subdivided into three parts, dealing respectively with production, circulation, and the transformation of surplus value into profits. The problems and issues with which the text deals, however, are not so narrowly economic as the chapter-headings might imply. Here as elsewhere, but perhaps more clearly here than elsewhere, Marx’s ‘economics’ is also and at the same time ‘sociology’ and ‘politics’. The first chapter immediately makes this clear.

---

21 See *Grundrisse*, pp. 787–92, 829.
22 *Grundrisse*, p. 18 and R: 20.
On one level, the chapter on money is a polemic against the monetary-reform scheme then newly proposed by Alfred Darimon, a follower of Proudhon and therefore a bitter opponent of Marx. On a somewhat less superficial level, it is merely a treatise on money, and can be read as the first draft of Marx’s developed monetary theory as it appears in the *Critique*. Its most important aspect, however, is its sociological and political critique of a society in which money is the predominant medium of exchange. Under what historical circumstances can money become the abstraction of exchange-values, and exchange-values become the abstraction of all forms of exchange? What social preconditions must exist in order that money may function as a nexus between individuals engaged in exchange-relations? What are the social and political consequences of this form of the exchange-relation? What larger forms of social organization correspond to this molecular constellation of individuals engaged in private transactions? These are the problems with which Marx is concerned, just as Sombart, Weber, Simmel and Tönies about a half-century later investigated the effects of money-exchange on societal bonds. Marx writes:

‘The convertibility of all products and activities into exchange-values presupposes the dissolution of all fixed personal (historic) relations of dependence in production, and presupposes the universal dependence of all producers on one another. The production of every individual is dependent on that of all the others, and the conversion of his product into articles for his consumption has become dependent on the consumption of all the others. Prices *per se* are old; exchange, likewise; but the growing determination of prices by production cost and the increasing role of exchange among all relations of production are things which first develop, and continue to develop more fully, within bourgeois society, the society of free competition. Relegated by Adam Smith in true 18th-century fashion to the prehistoric period, these developments are in truth the product of history.

‘This reciprocal dependence can be seen in the ever-present need to exchange, and the fact that exchange-value is the universal medium. The economists express this as follows: everyone pursues his private interest and only his private interest, and thus without knowing or willing it, everyone serves the private interests of all, the general interests. The point here is not that, in following his private interests, everyone attains the totality of private interests, namely the collective interest. One could as well conclude from this abstract slogan that everyone reciprocally blocks the interests of the others, so that, instead of a general affirmation, this war of all against all produces a general negation. The point is rather that private interest is itself already a socially determined interest, which can be attained only within certain socially ordained conditions and with socially given means, and which is therefore dependent on the reproduction of these conditions and means. It is the interest of a private person; but its content and the form and means of its realization are set by social conditions independently of the individual.

‘This universal reciprocal dependence of individuals who are [otherwise] indifferent to one another forms their social bond. This social bond is
expressed in *exchange-value*. . . . An individual exercises power over the actions of others, he lays a claim to social wealth, in so far as he possesses *exchange-value, money*. He carries his social power and his bond with society in his pocket. . . .

‘Every individual possesses social power in the form of an object, a thing. Take away from this thing its social power, and this power over persons must be invested in persons.

‘Relations of personal dependence . . . are the first forms of social organization, in which human productive powers are but little developed, and only in isolated points. Personal independence, based on dependence on *things*, is the second great form, which for the first time allows the development of a system of universal social exchange, universal relations, universal needs, and universal wealth. Free individuality, based on the universal development of individuals and on their joint mastery over their communal, social productive powers and wealth, is the third stage. The second creates the preconditions of the third.’

Here we see the interpenetration of economic, social and political categories clearly developed. Whatever Marx may have had to say about the specific fluctuations of monetary value, or about the effects of metalism or paper currency, is of minor importance to his system of ideas compared to the fundamental thesis, here expressed, that money is an object which expresses a certain type of historically produced relationship among human beings. Money is a *social bond*; that is, it links together and reciprocally governs the most diverse activities of otherwise isolated individuals. He who possesses this objectified social bond can dominate the activities of others; he represents the social bond *per se* and can thus act in the capacity of the representative of the generality, the collectivity, to govern the activities of individuals within the society.

**The Equal Exchange that reproduces Inequality**

So far, Marx’s analysis of money formulates more sharply and more clearly the ideas about alienated exchange developed by him in the *Manuscripts* of 1844. In a brief transitional section which introduces the chapter on capital, however, Marx progresses a significant step beyond the earlier analysis. He no longer stops short at this point to bewail the alienation of individuals from each other and from themselves, which are results of bourgeois exchange-relations, but goes on to inspect this form of social relationships in historical and political perspective. Basic here is the comparison of bourgeois relations with feudal relations. After all, the revolutionary rise of the bourgeoisie did bring with it the political emancipation of the individual from the bonds of statutory domination, and did change the polity from a closed chain of inborn privilege and serfdom into an open market place of freely-contracting adults. No longer is the worker bound for life to his overlord, nor are there statutes to empress from the labouring classes a steadily growing

---

secular tithe. The merchant who sells and the housewife who buys loaves of bread; the entrepreneur who buys and the worker who sells hours of labour—all are free persons freely engaged in the free exchange of equivalents. This is a line of argument which the socialists of Marx’s time, at least in his estimation, could not systematically refute. While the socialists damned the competitive society, the market relation and the cash nexus, the bourgeois ideologists were only too happy to reply by praising these very conditions as the basis of political freedom.\(^{24}\)

‘In these simple forms of the money-relation, all the immanent contradictions of bourgeois society appear extinguished, and that is why bourgeois democrats take refuge within them . . . to justify the existing economic relationships. In truth, so long as a commodity or labor is seen only as an exchange-value, and the relations between them are seen only as exchange-relations, as equilibration of these exchange-values, then the individuals, the subjects between whom this process takes place, are merely partners in exchange. There is absolutely no formal difference between them . . . Each subject is a partner in exchange; that is, each has the same relation to the other as the other has to it. Thus, as subjects of exchange, their relationship is one of equality. It is impossible to find a trace of distinction, much less of contradiction among them, not even a mere difference. Furthermore, the commodities which they exchange are, as exchange-values, equivalents; or at least count as equivalents. (There could at most be subjective error in their reciprocal appraisal, and in so far as one individual gained an advantage over another, this would not be in the nature of the social function which brings them together, for this function is identical for both, and within it they are equal. It would rather be the result of natural cleverness, persuasion, etc, in short, a result of the purely individual superiority of one individual over another. . . .) Thus if one individual accumulates wealth and the other does not, neither is doing it at the expense of the other. . . . If one becomes poorer and the other richer, it is of their own free will, and proceeds in no way out of the economic relation, the economic situation in which they meet.’\(^{25}\)

The argument which Marx is here putting into the mouth of an imaginary bourgeois antagonist is a telling one. For if it is true that the labourer, in selling labour, and the capitalist, in paying wages, are engaged in the reciprocal exchange of commodities having equal value—i.e. if their exchange is an exchange of equivalents—then the capitalist class structure is only coincidentally related to the capitalist economic system. The rich get richer not because of any inherent, structural necessity, but only by the accident of superior judgment and persuasiveness. Nor is the historic existence of the capitalist class economically accounted for by saying that the worker does not receive full value in exchange for his labour. If that were the case, if the capitalist paid the labourer less than an equivalent for his labour, then the capitalist could

\(^{24}\) ‘The analysis of what free competition really is, is the only rational answer to its glorification by the middle-class prophets or its damnation by the socialists.’ \textit{Ibid.}, p. 545 and R: 198.

gain only to the extent that the labourer lost, but no more. The capital-
ist as buyer and the worker as seller of labour could disadvantage one
another only to the degree that two nations engaged in foreign trade
can; if one consistently pays the other less than full value, one can grow
richer and the other poorer, but the total wealth of both together can
be no greater at the end than at the beginning of their intercourse (or so
the mercantilists believed). It is evident that such a process could not
continue for long or on a large scale; soon the disadvantaged party
must become extinct. The problem which must be solved is: how can it
be that the worker does receive the full exchange-value for his com-
modity, and nevertheless there exists a surplus from which the capital-
ist class lives? How is it that the worker is not cheated in the wage-con-
tract, and is nevertheless exploited? What is the source of surplus
value? That is the question to which Marx addresses himself in the first
hundred pages of the chapter on capital.

The Emergence of Surplus-Value

After a systematic review of earlier forms of capital (merchant capital or
money capital), and after placing the problem in proper historical
focus, Marx summarizes the analysis by condensing the process of
capitalist production into two fundamental components, two basic
elements:

'1. The labourer gives his commodity, labour, which has a use value
and a price like all other commodities, and receives in exchange a cer-
tain sum of exchange values, a certain sum of money from the capitalist.

'2. The capitalist exchanges labour itself, labour as value-creating
activity, as productive labour; that is, he exchanges the productive
force which maintains and multiplies capital, and thereby becomes the
productive and reproductive force of capital, a force belonging to
capital itself.'

On inspection, the first exchange-process appears plainly compre-
hensible; Marx says simply that the labourer gives labour and receives
wages in exchange. But the second process does not appear to be an
exchange at all; even its grammar is one-sided, asymmetrical. That is
precisely the point, Marx writes. In an ordinary exchange transaction,
what each of the parties does with the commodity each receives is
irrelevant to the structure of the transaction itself. The seller does not
care whether the buyer uses the commodity acquired for productive
purposes or not; that is his private affair and has no economic relevance
for the process of exchange pure and simple. In the specific case of the
'exchange' between labour and wages, however, the use to which the
buyer of labour puts his purchase is of the utmost importance to him
not only in his private capacity, but in his capacity as *homo oeconomicus*.
The capitalist gives wages (exchange-value) for the use of labour (for
its use-value) only in order to convert this use-value into further ex-
change-value.

---

‘Here . . . the use-value of the thing received in exchange appears as a specific economic relation, and the specific use to which the thing bought is put forms the ultimate purpose of both processes [1 & 2 above]. Thus, the exchange between labour and capital is already formally different from ordinary exchange; they are two different processes. . . . In the exchange between labour and capital, the first act is an exchange and can be classified entirely as ordinary circulation; the second process is qualitatively different from exchange, and to have called it exchange at all was a misuse. This process is the direct opposite of exchange; it is an essentially different category.’27

After several digressions, Marx then examines this ‘essentially different category’ at length. Approaching the question via the distinction between the use-value and the exchange-value of the labour commodity, he notes that the exchange-value of labour is determined by the value of the goods and services necessary to maintain and to reproduce the labourer. In so far as the capitalist pays the labourer wages high enough to permit the worker to continue to live and to work, he has paid the full value of labour and the exchange-relation defined in the wage contract is a relation of equivalence. The capitalist has paid the full and fair exchange-value of the commodity. But what he has, in fact, purchased is a certain number of hours of control and disposition over the worker’s productive activity, over his ability to create, his capacity to labour. Here Marx introduces for the first time the shift in terminology which corresponds to his discovery of the ‘essentially different category’. What the worker sells is not ‘labour’ but labour-power (Arbeitskraft); not a commodity like any other, but a commodity which is unique.28

Labour alone has the capacity to create values where none existed before, or to create greater values than those which it requires to sustain itself. Labour alone, in short, is capable of creating surplus value. The capitalist purchases control over this creative power, and commands this power to engage in the production of commodities for exchange during a specified number of hours. The worker’s surrender of control over his creative power is called by Marx exploitation.

This is not the occasion to review in detail Marx’s theory of surplus value, of which the ideas here formulated are the cornerstone. Suffice it to say that Marx here begins not only to solve the problem of how exploitation can occur despite the fact that the wage-contract is an exchange of equivalents, but begins also the essential scientific task of quantification. Exploitation is for Marx a process verifiable in specific empirical variables which are at least in principle subject to precise measurement along the economic dimension. The variables which Marx would have us measure, however, are not those which are usually cited in critical reviews of his theory. Exploitation does not consist in the disproportion between the income of the working class and the income of the capitalist class; these variables measure only the disproportion between wages and profits. Since profits are only a fraction of surplus value as a whole, such an index would capture only a fraction of

27 Ibid., pp. 185–86.
28 Cf. ibid., pp. 193–194 and R: 66. For ‘control’ and ‘disposition’ see pp. 193, 195, 201, 215, etc, or R: 66, 67, 73, 89, etc.
Marx’s meaning. Nor is exploitation fully measured in the ratio of wages as a percentage of GNP; this index measures only the rate of exploitation in a given year. Perhaps more clearly than elsewhere, Marx states in the *Grundrisse* that the worker’s *impoverishment* is to be measured in the power of the entire world which he constructs to capitalist specifications: ‘He inevitably impoverishes himself . . . because the creative power of his labour establishes itself in opposition to him, as the alien power of capital . . . Thus all the progress of civilization, or in other words every increase in the productive power of society, if you want, in the productive power of labour itself—such as results from science, invention, division and organization of labour, improved communications, creation of the world market, machinery, and so on—does not enrich the worker, but capital, and thus increases the power that dominates labour.’

An index of exploitation and impoverishment which accurately captures the variables to which Marx was referring, therefore, would have to array on one side the net property holdings of the working class, and on the other side the value of the entire capital stock of all the factories, utilities, infrastructural investments, institutions, and military establishments which are under the control of the capitalist class and serve its policy aims. Not only the economic value, but also the political power and social influence of these established assets would have to be included in the equation. Only a statistic of this kind would be adequate to test whether or not Marx’s prediction of increasing exploitation and increasing impoverishment had been validated by the course of capitalist development.

**What is the Fundamental Contradiction?**

The various steps by which Marx builds his fundamental insight that capitalist production involves a category radically different from mere commodity exchange into the fully fledged theory of capitalist accumulation which he later presents in *Capital* need not arrest us here. Exploitation proceeds ‘behind the back of the exchange-process’; that is the basic insight which marks his penetration beyond the critique of bourgeois society as a market society. We may proceed now to examine to what extent the text of the *Grundrisse* justifies the sweeping claims made for Marx’s new scientific achievements in his 1859 Preface. In particular we will be interested in knowing whether the *Grundrisse* provides further elucidation of the famous passage in the Preface about *revolution*: ‘At a certain stage of their development, the material forces of production in society come into conflict with the existing relations of production, or—what is only a legal expression of the same thing—with the property relations within which they had been at work before. From forms which developed the forces of production, these relations now turn into their fetters. Then comes the period of social revolution.’

While there are echoes of this passage in some of the earlier works as

---

well as on one occasion in Capital, they remain on a level of generality so high as to be virtually useless. Above all, it is never made clear exactly what is meant to be included under the rubric of ‘forces of production’ or ‘relations of production’. Are we to understand ‘material forces of production’ as meaning merely the technological apparatus, and ‘relations of production’ as the political-legal system? In other words, is the phrase ‘material forces’ only another way of saying ‘infrastructure’ and does ‘relations’ mean ‘superstructure’? What precisely do these terms refer to?

The basic clue for the deciphering of what Marx had in mind with the phrase ‘relations of production’—to begin with this half of the dichotomy—is already provided in the Preface itself. Marx writes that legal-political forms such as property relations are not these ‘relations of production’ in themselves, but are merely an expression of these relations. From this starting point, the text of the Grundrisse can be seen as an extensive and detailed commentary on the nature of these ‘relations’. For what else is the chapter on money? Here Marx demonstrates, as we have seen, that money in bourgeois society is no mere natural object, but rather the objectified form of the basic social relation within which capitalist production takes place. Money is the social bond which links the otherwise isolated producers and consumers within capitalist society together, and which forms the starting and ending points of the process of accumulation. The social relation which lies at the basis of all capitalist legal and political relations, and of which the latter are mere expressions—as Marx shows in the chapter on money—is the exchange-relation. It is the social imperative that neither production nor consumption can take place without the mediation of exchange-value; or, in other words, that the capitalist must not only extract surplus value but must also realize surplus value by converting the surplus product into money, and that the individual must not only have a need for consumer goods, but must also possess the money to purchase them. Far from being immutable natural laws, these twin imperatives are characterized by Marx as historically produced social relations specific to the capitalist form of production.

As for the other side of the dichotomy, it is easy to be misled by the word ‘material’ in the phrase ‘material forces of production’. Indeed, the German original (materielle Produktivkrafte) could as well be translated as ‘forces of material production’, and it is clear in any case that the term ‘material’ for Marx did not refer merely to the physical attributes of mass, volume, and location. A machine is always a material thing, but whether it is utilized in a productive capacity, whether or not it becomes a force of production, depends on the social organization of the productive process, as Marx goes to great lengths to point out in the Grundrisse. The forces of production are themselves a social and historical product, and the productive process is a social process for Marx. It is necessary to emphasize this point in order to make clear that the important role which Marx assigns to the development of the


32 Grundrisse, pp. 169, 216, 579, etc, and R: 89–90.
material production forces under capitalism does not make Marx a technological determinist. Quite the opposite is the case; it is not technology which compels the capitalist to accumulate, but the necessity to accumulate which compels him to develop the powers of technology. The basis of the process of accumulation, of the process through which the forces of production gain in power, is the extraction of surplus value from labour-power. The force of production is the force of exploitation.

It is apparent, then, that the dichotomy formulated by Marx in the Preface is identical to the dichotomy between the two distinct processes which Marx identifies as basic to capitalist production in the Grundrisse: on the one hand, production consists of an act of exchange, and on the other, it consists of an act which is the opposite of exchange. On the one hand, production is an ordinary exchange of equivalents, on the other, it is a forcible appropriation of the worker's world-creating power. It is a social system in which the worker, as seller, and the capitalist, as purchaser, are juridically equal and free contracting parties; and it is at the same time a social system of slavery and exploitation. At the beginning and at the end of the productive process lies the social imperative of exchange-values, yet from beginning to end the productive process must yield surplus values. The exchange of equivalents is the fundamental social relation of production, yet the extraction of non-equivalents is the fundamental force of production. This contradiction, inherent in the process of capitalist production, is the source of the conflicts which Marx expected to bring about the period of social revolution.

The Road to Revolution

The problem of precisely how this contradiction can be expected to lead to the breakdown of the capitalist system is one which has plagued students of Marx for at least half a century. The volumes of Capital provide no very clear answer. This deficiency is at the root of the 'breakdown controversy' which agitated German Social Democracy and which continues intermittently to flare even today. Veritable rivers of ink have been spent in an effort to fill up this gap in Marx's theoretical system. Yet this gap is present not because the problem was insoluble for Marx, not because he saw no answer, but because the conclusions he had reached in the Grundrisse lay buried and inaccessible to scholars until 20 years after the First World War. Capital is a work which proceeds slowly and carefully from pure forms of economic relationships step by step toward a closer approximation of economic-historic reality; nothing is prejudged and no new theories are introduced until the basis for them has been prepared. At that rate, it is easily conceivable that several more volumes of Capital would have been necessary before Marx could catch up with the point he had reached in the outline of his system in the Grundrisse. Capital is painfully unfinished, like a mystery novel which ends before the plot is unravelled. But the Grundrisse contains the author's plot-outline as a whole.

From the very beginning, the economics of the Grundrisse are more ambitious and more directly relevant to the problem of the capitalist
breakdown than the economics of the extant portions of *Capital*. In the latter work, Marx relegates the relationship between persons and commodities (the utility relation) to a realm with which he is not then concerned, and he accepts the level of consumer needs which prevails in the economic system as a historical given which receives little further analysis. In general, he takes consumption for granted, and concentrates his investigation on the how, instead of on the whether, of surplus realization. In the *Grundrisse*, however, he begins with the general assertion that the process of production, historically considered, creates not only the object of consumption but also the consumer need and the style of consumption. He specifically criticizes Ricardo for consigning the problem of utility to the extra-economic sphere, and states that the relation between the consumer and the commodity, because this relation is a product of production, belongs squarely within the proper purview of political economy. That he is aware not only of the qualitative but also of the quantitative aspects of the problem of consumption is apparent from excerpts such as this: 'Incidentally, . . . although every capitalist demands that his workers should save, he means only *his own* workers, because they relate to him as workers; and by no means does this apply to the remainder of the workers, because these relate to him as consumers. In spite of all the pious talk of frugality he therefore searches for all possible ways of stimulating them to consume, by making his commodities more attractive, by filling their ears with babble about new needs (*neue Bedürfnisse ihnen anzuschwatzen*). It is precisely this side of the relationship between capital and labour which is an essential civilizing force, and on which the historic justification—but also the contemporary power—of capital is based.'

These general remarks are then set aside with a reminder to himself that 'this relationship of production and consumption must be developed later'. A hundred pages later on the problem is taken up again. After a critique of Ricardo’s neglect of the problem of consumption, and of Sismondi’s utopian panaceas against overproduction, Marx formulates the inherent contradiction of capitalism as a ‘contradiction between production and realization’ of surplus value. ‘To begin with, there is a limit to production, not to production in general, but to production founded on capital. . . . It suffices to show at this point that capital contains a specific barrier to production—which contradicts its general tendency to break all barriers to production—in order to expose the basis of overproduction, the fundamental contradiction of developed capitalism.’ As is apparent from the lines which follow immediately, Marx does not mean by ‘overproduction’ simply ‘excess inventory’; rather, he means excess productive power more generally.

‘These inherent limits necessarily coincide with the nature of capital, with its essential determinants. These necessary limits are:

1. *necessary labour* as limit to the exchange-value of living labour-power, of the wages of the industrial population;

33 *Capital* I, W23: 49–50 (Section One, Chapter One, page one).
2. *surplus value* as limit to surplus labour-time; and, in relation to relative surplus labour-time, as limit to the development of the productive forces;  
3. what is the same thing, the *transformation into money*, into exchange-value, as such, as a limit to production; or: exchange based on value, or value based on exchange, as limit to production. This is again  
4. the same thing as *restriction of the production of use-values* by exchange-value; or: the fact that real wealth must take on a *specific* form distinct from itself, absolutely not identical with it, in order to become an object of production at all'.

While a proper analysis of the implications of these rather cryptic theses would require a book, it is immediately apparent that these four 'limits' represent no more than different aspects of the contradiction between 'forces of production' and 'social relations of production'. The task of maintaining the enormous powers of surplus-value extraction within the limits set by the necessity of converting this surplus value into exchange value becomes increasingly difficult as the capitalist system moves into its developed stages. In practical terms, these four 'limits' could be formulated as four related, but mutually contradictory political-economic alternatives between which the capitalist system must choose, but cannot afford to choose: 1. Wages must be raised to increase effective demand; 2. Less surplus value must be extracted; 3. Products must be distributed without regard to effective demand; or 4. Products that cannot be sold must not be produced at all. The first and second alternatives result in a reduction of profit; the third is capitalistically impossible (except as a political stopgap); and the fourth means depression.

**Surplus Labour**

What is most remarkable and ought most to be emphasized about Marx's theory of capitalist breakdown as we see it at this point is its great latitude and flexibility. Cataclysmic crises rising to a revolutionary crescendo are only one possible variant of the breakdown process; and indeed, Marx lays little stress on this type of crisis in the *Grundrisse*. For every possible tendency toward breakdown, Marx names a number of delaying tendencies; this list includes the development of monopoly, the conquest of the world market, and, significantly, Marx mentions the payment by capitalists to workers of 'surplus wages.' All things considered, Marx’s breakdown theory in the *Grundrisse* provides important amplification of the statement in the Preface that 'no social order ever disappears before all the productive forces for which there is room in it have been developed'. When one considers the requirements that must be met, in Marx’s view, before the capitalist order is ripe for overthrow, one comes to wonder whether the failure of pre-

---

38 Ibid., pp. 318–19. A five-element model of a closed capitalist system, from which Marx deduces the impossibility of expanded reproduction due to the impossibility of realization, appears on pp. 336–47. More on realization on pp. 438–442 (R: 174–176) and elsewhere.  
39 Ibid., p. 341.  
40 W 13: 9 and Selected Works I.
vious revolutionary movements in Europe and the US is not imputable simply to prematurity.

'The great historic role of capital is the creation of surplus labour, labour which is superfluous from the standpoint of mere use value, mere subsistence. Its historic role is fulfilled as soon as (on the one hand) the level of needs has been developed to the degree where surplus labour in addition to necessary subsistence has itself become a general need which manifests itself in individual needs, and (on the other hand) when the strict discipline of capital has schooled successive generations in industriousness, and this quality has become their general property, and (finally) when the development of the productive powers of labour, which capital, with its unlimited urge to accumulate and to realize, has constantly spurred on, have ripened to the point where the possession and maintenance of societal wealth require no more than a diminished amount of labour-time, where the labouring society relates to the process of its progressive reproduction and constantly greater reproduction in a scientific manner; where, that is, human labour which can be replaced by the labour of things has ceased.'

Noteworthy in this long sentence, among many other things, is the statement that the capitalist order is not ripe for revolution until the working class—far from being reduced to the level of ragged, miserable brutes—has expanded its consumption above the level of mere physical subsistence and includes the enjoyment of the fruits of surplus labour as a general necessity. Instead of the image of the starving proletarian slowly dying from an 18-hour day in a mine or a sweatshop, Marx here presents the well-fed proletarian, scientifically competent, to whom an eight-hour day would presumably appear as a mere waste of time. In another passage, Marx goes further; he envisages a capitalist productive apparatus more completely automated than that of any presently existing society, and writes that nevertheless, despite the virtual absence from such a social order of a 'working class' as commonly defined, this economic organization must break down.

'To the degree that large-scale industry develops, the creation of real wealth comes to depend less on labour-time and on the quantity of labour expended, and more on the power of the instruments which are set in motion during labour-time, and whose powerful effectiveness itself is not related to the labour-time immediately expended in their production, but depends rather on the general state of science and the progress of technology. . . . Large industry reveals that real wealth manifests itself rather in the monstrous disproportion between expended labour-time and its product, as well as in the qualitative disproportion between labour, reduced to a pure abstraction, and the power of the productive process which it supervises. Labour no longer appears as an integral element of the productive process; rather, man acts as supervisor and regulator of the productive process itself. . . . He stands at the side of the productive process, instead of being its chief actor. With this transformation, the cornerstone of production and wealth is neither the labour which man directly expends, nor the time he spends

\[\text{Grundrisse, p. 231 and R: 91.}\]
at work, but rather the appropriation of his own collective productive power, his understanding of nature and his mastery over nature, exercised by him as a social body—in short, it is the development of the social individual. The theft of other people’s labour-time, on which contemporary wealth rests, appears as a miserable basis compared to this new one created by large-scale industry itself. As soon as labour in its direct form has ceased to be the great wellspring of wealth, labour-time ceases and must cease to be its measure, and therefore exchange-value the measure of use-value. . . . With that, the system of production based on exchange-value collapses. . . . Capital is its own contradiction-in-process, for its urge is to reduce labour-time to a minimum, while at the same time it maintains that labour-time is the only measure and source of wealth. Thus it reduces labour-time in its necessary form in order to augment it in its superfluous form; thus superfluous labour increasingly becomes a precondition—a question of life or death—for necessary labour. So on the one side it animates all the powers of science and nature, of social co-ordination and intercourse, in order to make the creation of wealth (relatively) independent of the labour-time expended on it. On the other side it wants to use labour-time as a measure for the gigantic social powers created in this way, and to restrain them within the limits necessary to maintain already-created values as values. Productive forces and social relations—both of which are different sides of the development of the social individual—appear to capital only as means, and only means to produce on its limited basis. In fact, however, these are the material conditions to blow this basis sky-high."42

This passage and similar ones in the Grundrisse demonstrate once again, if further proof were needed, that the applicability of the Marxian theory is not limited to 19th-century industrial conditions. It would be a paltry theory indeed which predicted the breakdown of the capitalist order only when that order consisted of child labour, sweatshops, famine, chronic malnutrition, pestilence, and all the other scourges of its primitive stages. No genius and little science are required to reveal the contradictions of such a condition. Marx, however, proceeds by imagining the strongest possible case in favour of the capitalist system, by granting the system the full development of all the powers inherent in it—and then exposing the contradictions which must lead to its collapse.

The Unknown Pivot

The gradual emergence of the Grundrisse out of obscurity into the consciousness of students and followers of Marx should have a most stimulating influence. This work explodes in many ways the mental set, the static framework of formulae and slogans to which much of Marxism has been reduced after a century of neglect, 90 years of social democracy, 80 years of ‘dialectical materialism’, and 70 years of revisionism. To put it more pithily, the Grundrisse blows the mind. A number of conclusions seem inescapable.

42 Ibid., pp. 592–94 and R: 209–211.
First, this work will make it impossible or at least hopelessly frustrating to dichotomize the work of Marx into ‘young’ and ‘old’, into ‘philosophical’ and ‘economic’ elements. Hegel-enthusiasts and partisans of Ricardo will find the work equally stimulating or, conversely, equally frustrating, for the *Grundrisse* is so to speak the pineal gland through which these two great antecedents of Marx engage in reciprocal osmosis. It contains passages which formulate Ricardian ideas with Hegelian language and Hegelian ideas with Ricardian language; the intercourse between them is direct and fruitful. Although we have not here examined this point in detail, a reader of the *Grundrisse* will find a direct line of continuity going back to many of the ideas of the 1844 Manuscripts, and from the perspective of the *Grundrisse* it will not be clear whether the earlier manuscripts were indeed a work of philosophy at all, or whether they were not simply a fusion of economic and philosophical thoughtways for which there is no modern precedent. Likewise, from the perspective of the *Grundrisse*, the often apparently ‘technical’ obscurities of *Capital* will reveal their broader meaning. Between the mature Marx and the young Marx the *Grundrisse* is the missing link.

On the other hand, the fact that Marx makes a number of fresh discoveries and advances in the course of the *Grundrisse* must make students and followers of Marx more sensitive to the economic deficiencies of the earlier works. The *Grundrisse* contains the graphic record of Marx’s discovery and systematization of the theory of surplus value, about which his theory of capitalist breakdown is constructed. If it was not already clear, a reading of this work makes it clear that the theory of surplus value was not a functional element of the economic model on which the *Manifesto* is based. Marx was aware, in 1848, of the existence of a surplus; but certainly he was not aware of the importance of this element. There is evidence of Marx’s awareness of the Ricardian theory of the surplus in other early economic writings (the *Poverty of Philosophy* and *Wage-labour and Capital*), but these works equally demonstrate that the surplus-value theory had not become a functional part of the economic model on which Marx based his predictions. Marx’s early theory of wages and of profits, for example, is clearly a function of a supply-demand model of the economic system; and it will be necessary to re-examine this early theorizing critically in the light of the later surplus-value model. In at least one important problem-area, the question of class polarization, it can be demonstrated that the prophecy of the *Manifesto* is explicitly contradicted by Marx on the basis of his theory of surplus value in a later work. How many other such discrepancies exist, and how many of them are traceable to the differences between the early market-model and the later surplus-value model, is a question which ought to be examined not only for its own sake, but also to clear up the confusion which often results when it is asked what precisely Marx had to say on the question of increasing impoverishment, for example.

43 The editors have provided a most thorough index of all overt and covert references to Hegel, as well as Marx’s index to the works of Ricardo.

It follows that the most important Marxian political manifesto remains to be written. Apart from the brief *Critique of the Gotha Programme* (1875) there exists no programmatic political statement which is based squarely on the theory of surplus value, and which incorporates Marx’s theory of capitalist breakdown as it appears in the *Grundrisse*. No grounds exist to reject the 1848 *Manifesto* as a whole; but there is every reason to submit all of its theses and views to critical re-examination in the light of Marx’s own surplus value theory. Many startling surprises might come to light, for example, if an edition of the *Manifesto* were published containing thorough and detailed annotations drawn from the later writings, point by point and line by line. Clearly the theory of surplus value is crucial to Marx’s thought; one can even say that with its ramifications it is Marx’s theory. Yet how many ‘Marxist’ political groupings and how many ‘Marxist’ critics of Marx make the surplus value theory the starting point of their analysis? The only major contemporary work in which the surplus plays the central role is Baran and Sweezy’s *Monopoly Capital*. Despite the deficiencies of that work, it points the way in the proper Marxian direction and forms the indispensable foundation for the type of analysis which must be made if Marx’s theory of capitalism is to reassert its political relevance.

Unfortunately from several points of view, *Monopoly Capital* ends with the conclusion (or, perhaps more accurately, begins with the assumption) that domestic revolution within the advanced capitalist countries is not presently foreseeable. This argument can and must be confronted with Marx’s thesis in the *Grundrisse* that all of the obstacles to revolution, such as those which Baran and Sweezy cite, namely monopoly, conquest of the world market, advanced technology, and a working class more prosperous than in the past, are only the preconditions which make revolution possible. Similarly, it cannot be said that Marx’s vision of the central contradiction of capitalism, as he states it in the *Grundrisse*, has ever been thoroughly explored and applied to an existing capitalist society; here *Monopoly Capital* fall short quite seriously. The results of such an analysis might also contain some surprising insights. In short, much work remains to be done.

That, we may conclude, is after all the most important conclusion to be drawn from the *Grundrisse*. Because this work underlines the deficiencies of the earlier economic writings and throws into sharp relief the fragmentary nature of *Capital*, it can serve as a powerful reminder that Marx was not a vendor of ready-made truths but a maker of tools. He himself did not complete the execution of the design. But the blueprints for his world-moving lever have at last been published. Now that Marx’s unpolished masterwork has come to light, the construction of Marxism as a revolutionary social science which exposes even the most industrially advanced society at its roots has finally become a practical possibility.