

MARX'S CAPITAL

Philosophy and
Political Economy

GEOFFREY PILLING

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List of abbreviations

The following abbreviations have been used throughout the text:

- I *Capital*, I, Lawrence & Wishart, London, 1961
- II *Capital*, II, Lawrence & Wishart, London, 1957
- III *Capital*, III, Lawrence & Wishart, London, 1959
- G The *Grundrisse*, Penguin, Harmondsworth, 1973
- LCW The Collected Works of Lenin (in 50 Volumes)
 London, Lawrence & Wishart

Contents

Acknowledgments · vii

List of abbreviations · viii

1 Introduction · 1

2 Marx's critique of classical economics · 9

3 The concepts of *Capital* · 67

4 The significance of the opening chapters · 116

**5 Some aspects of Marx's notion of commodity
fetishism · 157**

Notes · 197

Bibliography · 208

Name index · 211

Subject index · 213

1 · Introduction

After more than thirty post-war years, during which time most commentators believed that the outstanding questions in economic theory had been resolved, considerable doubt once again pervades the subject. In the opinion of increasing numbers, economics has singularly failed to find any coherent answers to the mounting problems facing capitalist economy throughout the world. Our purpose is not to examine this crisis in conventional economic theory, but we can certainly note the growing scepticism about the ability of Keynesianism to provide the basis for a viable economic policy in the capitalist world. After years during which it was complacently taken as read that 'Keynes had answered Marx' many now see in Keynesian deficit financing the source of the inflationary pressures currently threatening the stability of the western monetary system. Apart from this question of Keynesianism, of equal significance has been the attack launched against several of the principal tenets of neo-classical theory. It has been argued, for instance, that attempts to relate the return to capital to its 'contribution' are based upon circular reasoning, since it is impossible to conceive this return independently of the rate of profit. Other serious blows have also been struck at the marginal productivity theory of distribution in so far as it has been demonstrated that no unique relationship holds between the degree of capital intensity and the distribution of income. One effect of this work (for a selection see Hunt and Schwartz, 1972) has been seriously to undermine one traditional neo-classical justification for the existing pattern of income distribution by reference to technology.

This new crisis in economic theory, stimulating as it has a return to the preoccupations of nineteenth-century political economy, has led to a revived interest in Marxian economics. This new interest has in part been reflected in the emergence of bodies such as the

2 · Introduction

Conference of Socialist Economists. It is within such bodies that several aspects of Marxist political economy have been debated. But it must be acknowledged at the outset that little, if anything, has been settled in the course of these debates. The arguments have been heated, acrimonious, often abusive, but quite inconclusive. (Fine and Harris, 1976, provide a useful survey of some of these debates.) The fact that these controversies have often ended with a mere reassertion of previously-held positions is no doubt a reflection of political and ideological differences which can only be resolved in practice. But another important aspect of many of these disputes has been the relative neglect of the fundamental questions of Marxist method. Thus discussion has been interminable about the nature of Marx's value theory and its true relationship to the more 'concrete' categories such as prices, wages, rate of profit, etc. Yet in most cases these aspects of Marx's work have been considered apart from *Capital* as a whole. Marx's work cannot be reduced to a series of *results*, to be tested against the 'facts' of capitalist development. What is involved here is nothing less than the struggle between the Marxist method and the method of empiricism. It was this empiricism which Marx had to overcome in his critique of political economy. And it is this same empiricist tradition which has dominated much Marxism in Britain. Until this tradition is faced up to and overcome, then the disputes in Marxian economics will remain unresolved.

As an instance of the impact of empirical methods of thought on these questions of political economy, let us take the example of the post-war boom. It was, of course, during this boom that Keynesianism came to prominence in the field of economic policy. But it must be recognized that this same Keynesianism also left its imprint upon Marxism. Many writers on *Capital* concluded that capitalism had indeed entered a new phase in its history. Special terms were coined to designate this new phase – 'neo-capitalism' and 'permanent arms economy' being amongst the most prominent. And from such notions definite political conclusions were drawn – by some that the major struggles in the world had passed from the metropolitan capitalist centres and had found a new epicentre in the colonial and semi-colonial world. Others concluded that in this new phase the working class no longer constituted a revolutionary force – the responsibility for carrying forward the revolution now

fell to the students and other layers increasingly alienated by capitalism (Marcuse's view was prominent in this area).

Now nobody would seek to deny that capitalism did indeed experience a significant period of extended reproduction after 1945. Indeed, far from denying this phenomenon, the task of Marxism is to explain its significance. But it is here that we run up directly against the problem of empiricism in its conflict with the method of Marxism. For if we wish to form an adequate conception of this period we must get to the *essence* of this boom, to its real contradictory nature. And this we cannot do simply by 'reading off' a series of surface phenomena (indices of production, of living standards, etc). In the historical development of capitalism there have been booms and there have been booms. There was the long secular boom from 1850 onwards, and there was the boom which preceded (and in several respects precipitated) the 1929 Wall Street Crash. As Lenin insisted, Marxism demands a 'concrete analysis of a concrete situation'. The period of relative expansion after 1945 cannot be taken as a thing-in-itself, to be judged against some abstract criteria. This has always been the essential feature of those works seeking to 'revise' Marx. A series of empirical data is advanced as evidence that Marx was either wrong or in need of updating. As against this method a real analysis of the post-war expansion has to be posited on to the *whole line* of capitalist development. For Marxism, the twentieth century represents the epoch not of capitalism as such, but of imperialism, the highest stage of capitalist development, the epoch when the productive forces find themselves in a *historically* irreconcilable conflict with the existing property relations. It is against *this* background that the nature of the post-war boom must be evaluated and it is not without significance to note in this connection that many who saw in the post-war boom period an entirely new phase of capitalist development also sought to reject Lenin's notion of imperialism. To deal with any phenomenon concretely means to treat *all* aspects of the phenomenon concerned in their origin and development. Specifically, in connection with the post-war period, it must be stressed that capitalism emerged after 1945 considerably weakened, weakened by a loss of territory in eastern Europe and China and having to face a working class which was quite different from the class defeated in the struggles of the 1930s. It is this *weakness*

4 · Introduction

which must be the starting point for any investigation of post-war economy, a weakness which was relatively hidden by the movement of those indices to which conventional economic theory confines its attention. It was out of *weakness* that capitalism was obliged to abandon the old gold standard and revert to a Keynesianism which in practice involved a controlled expansion of money and credit. One is reminded of what Trotsky said in this connection:

During the nineteenth century, gold as a universal means of value became the foundation of all monetary systems worthy of the name. Departures from the gold standard tear world economy apart even more successfully than do tariff walls. Inflation, itself an expression of disordered economic ties between nations, intensifies the disorder and helps to turn it from a functional into an organic one. (Trotsky, 1978)

Without at this point going into the question in detail, it is clear that the Bretton Woods monetary arrangements (from which followed the establishment of the International Monetary Fund and other bodies) gave to capitalism a strength which was entirely superficial, but a 'strength' to which many Marxists none the less fell victim. The restoration of post-war Europe rested upon the strength of the dollar. But this strength was not absolute, it was relative – relative, that is, to the strength of world economy as a whole. The convertibility of the dollar into gold at a fixed rate (initially 35 dollars to an ounce of gold) could continue only within certain limits. By 1971 – after years of accumulating American payments deficits with the rest of the world – these limits were transgressed. From that time onwards the Bretton Woods arrangements were effectively ended, with capitalist economy now facing its most severe recession since the 1930s and its worst inflationary pressures since the end of the war.

It must be remembered that in studying the vast literature of nineteenth-century political economy, Marx enjoyed one enormous advantage over his contemporaries. He came to the study of political economy having already worked over and mastered the highest achievements of classical German philosophy, and in particular the achievements of Hegel. Marx brought to bear on his reading of economic literature certain definite philosophical conquests, and these must always be kept in mind when considering his treatment

of political economy. Here Marx's experience contrasts most sharply with those brought up in the Anglo-Saxon world. The problem has been particularly acute in so far as the work of Marxists has tended to reflect the intellectual division of labour found in academic circles. Thus those who have in the past taken an interest in the economic 'side' of Marx's writings have paid scant, if any, attention to this philosophical heritage. Marx's conclusions in *Capital* were taken as given, and erected into dogma to be defended against opponents. This, of course, was the Marxism which dominated the Second International, a 'Marxism' which concentrated almost exclusively on secondary, episodic, questions and ended up in abject capitulation to neo-Kantianism in the philosophical field and to opportunism in politics.

This indifference to the basic questions of Marxist method still predominates amongst many of those writing on *Capital*. In what is undoubtedly one of the most significant commentaries on *Capital* ever to appear, Roman Rosdolsky in his *The Making of Marx's Capital* is absolutely correct in his observation that,

Of all the problems in Marx's economic theory the most neglected has been that of his method, both in general and specifically, in its relation to Hegel. Recent works contain for the most part platitudes which to echo Marx's own words betray the authors' own 'crude obsession with the material' and total indifference to Marx's method. (p. xii)

And this same author goes on to say, with equal justice:

What would one make of a psychologist who was interested only in Freud's results, but rejected the question of the *manner* in which Freud obtained those results as being irrelevant or even 'metaphysical'? One could only shrug one's shoulders. But this is precisely how most present day critics of, and 'experts' on, Marx judge his economic system. Either they totally refuse to discuss his dialectical method because they are opposed to 'metaphysics' . . . or the critique is restricted to a few platitudes better left unsaid. (p. xii)

The significance of Rosdolsky's book cannot be reduced to a series of topics which he takes up – such as the important distinction between 'capital in general' and 'many capitals'. It lies deeper than

this: it consists in the fact that Rosdolsky has consciously aimed to re-introduce a proper consideration of Hegel into the study of Marx's *Capital*. And in so doing, his book promises to reverse a long period during which Hegel was consciously or otherwise driven out of examinations of this work. If, as Marx tells us, the dialectic in its rational (materialist) form became a scandal and an abomination for bourgeois professors, the same is true equally of those who dominated the working-class movement from the 1930s onwards. Under Stalin, Marxism was transformed into a crude mechanical caricature of the materialism of Marx and Engels, a caricature used to justify the current political line of a parasitic bureaucracy in the USSR. This theoretical degeneration certainly left its stamp on studies of *Capital*. (It is significant to note that Rosdolsky's book is a product of a tradition which fought against this degeneration. And the same point must be made about those advances in Marxist political economy of the 1920s, associated with Marxists such as Preobrazhensky and Rubin.)

Rosdolsky quite rightly refers to the dialectic as the 'soul' of *Capital*. There is no doubt that his work as a whole was directly inspired by Lenin's own comments on the relation of Marx's *Capital* to Hegel's *Logic*. We shall return to this theme. But it is important to recall that in his analysis of the degeneration of the Second International Lenin was never content merely to trace its roots to the emergence of a new stage of capitalism at the end of the last century (imperialism): he sought always to probe the theoretical and philosophical method employed by Kautsky and others. Lenin's major philosophical works of this period, *Materialism and Empirio-Criticism* (LCW, Vol. 14) and above all the *Philosophical Notebooks* (LCW, Vol. 38), have great importance for any attempt to understand the methodological basis of Marx's *Capital*. In these works, Lenin takes up a struggle against the baleful influence of neo-Kantianism. And in the course of this struggle Lenin was obliged to return to Hegel. It is this 'return' which must be stressed. For Lenin was not content merely to read Hegel through the eyes of Marx and Engels. He went back to Hegel bringing to this study all the richness of his theoretical and practical activity in the Marxist movement. In his philosophical work in this period Lenin had one major aim: to establish the irreconcilable opposition between the philosophy of Marxism (dialectical materialism) on the one

hand and the 'latest trends' in bourgeois philosophy which he reveals as in essence involving a return to Kantian dualism. As is now well known this critical re-examination of Hegel culminates in a sharp renunciation of the former 'Marxism' which had first compromised and then capitulated to this new form of Kantianism: 'It is impossible to understand Marx's *Capital* and especially its first chapters without having thoroughly studied and understood the *whole* of Hegel's *Logic*. Consequently half a century later, none of the Marxists understand Marx' (LCW, vol. 38, p. 180). Many are now happy to repeat Lenin's aphorism, but few seem bothered to have thought out its many implications.

It is our contention that Lenin's statement means the following: it is necessary to re-work *Capital* thoroughly, always keeping Hegel in mind. Further, this must be carried out as part of a struggle against the shallow empiricism which has passed for good coin in most studies of Marx's *Capital*. What follows can only be the start of such an attempt. This must not be taken as the usual disclaimer aimed at excusing any weaknesses. For more than sixty years Lenin's advice has for the most part been either ignored or in some cases consciously opposed. A considerable and conscious theoretical effort will now be needed to repair this damage. This should not, however, be read in a pessimistic light. The degeneration of Marxism – of which the distortion of the true nature of Marx's *Capital* was a part – was a product of the defeat of the working class at the hands of Stalinism and its accomplices.¹ Without dealing with the matter in detail, it can be said that we have now entered a quite new period in which capitalism is facing more and more acute problems throughout the world. It is in the context of this new situation that this contribution to the development of Marxist theory is made.

The plan of the work is as follows: first, as a means of highlighting the significance of *Capital*, Marx's critique of political economy is examined at some length. The aim here is to bring out Marx's attitude to the achievements of political economy taken as a whole. If Marx's own work cannot be broken up into unconnected bits to be 'used' at will, this is equally true of the work of political economy. The philosophical method which underpinned Marx's review of the work of Smith, Ricardo, Mill, etc. is here stressed. This leads us to a consideration of the nature of Marx's concepts

which we find in *Capital*. It need hardly be said that nearly all opponents of *Capital* from Böhm-Bawerk onwards have aimed at disproving the key concepts of this work – the nature of value, surplus value, money etc. Here again, however, we should be careful not to get drawn into a defence of these aspects of Marx's work taken in isolation from the rest. Hence we attempt to discuss the nature of Marx's concepts, to show that in elaborating his concepts Marx was operating on a philosophical plane quite different from that accepted by most who read *Capital*. This leads us to a detailed examination of the opening chapters of *Capital*. Marx stressed that it was the *beginning* of any science that constituted its real difficulty. This, together with Lenin's emphasis upon the need to consider Hegel in connection with the *first* chapter of *Capital*, provides the starting point for this aspect of the work. Finally, Marx's notion of fetishism, often looked upon as incidental to his work, but in fact a central category which in many ways lies at the basis of his entire critique of political economy, is examined. It is clear that the emphasis is placed on the opening sections of *Capital*, although these are treated in relation to the work as a whole. This emphasis is quite deliberate. For the aim has been to establish the philosophical method of *Capital*. It is only in this light that the so-called 'concrete' questions which have so exercised the attentions of most writers on *Capital* can be properly considered. In this sense, the following lays no claims to completion. It should be regarded, in this respect, as an attempt to clarify some methodological questions and provide a more adequate basis on which further work can be constructed.

2 · Marx's critique of classical economics¹

It seems hardly necessary to stress the fact that Marx was among the warmest admirers as well as the keenest students of that trend in economic thinking for which he invented the term 'classical political economy'. It is important to remember that Marx used this term in a way radically different from that of many later writers, in particular Keynes. By classical political economy Marx meant to designate that strand in economic theory originating in France with Boisguillebert (1646–1714) and in Britain with William Petty (1623–87) and reaching its high point with the work of Smith and Ricardo (1772–1823) who 'gave to classical political economy its final shape' (Marx, 1971a, p. 61). It is important to keep this definition in view because the term 'classical economics' has often been used in a much broader sense – for Keynes it was a school embracing all those who, following Ricardo, subscribed to one version or another of Say's Law, who believed, that is to say, in the self-regulating nature of capitalist economy. On such a definition, classical economics culminated with Marshall and Pigou.² (For Marx's characterization of classical economy, see Marx, I, footnote, p. 81³.) Marx was always conscious of the enduring achievements of this school when contrasted with the work of the 'vulgar school', which emerged in the period following Ricardo's death. In Marx's estimation, classical political economy constituted a decisive stage in the investigation of the capitalist mode of production; around 1830 this phase begins to draw to a close, a close intimately bound up, for Marx, with the appearance of a new social and political force increasingly conscious of itself, the working class. Marx did not, of course, mean to imply that in a somewhat mystical manner the modern working class 'killed' political economy. Rather he wished to stress that the method-

ological limitations of classical political economy increasingly paralysed it in the face of this new phenomenon.

The ahistorical nature of political economy

The fact that political economy was unable to grasp the significance of the emergence of the working class and the implications of its struggle against capital only underscored, for Marx, the grave methodological and philosophical weakness which he detected in the work of Ricardo. For Marx's considerable respect for the classical economists should not blind us to the fact that he saw in them a series of weaknesses which were to prove fatal. It is, of course, the case that the attack upon Ricardianism after 1830 was increasingly inspired by narrow ideological and political considerations, a point rightly stressed by Meek (1967). And such attacks were sharpened by the fact that a trend within the emerging working-class movement ('Ricardian Socialism') tried consciously to deploy Ricardian theory as a weapon against the capitalist order. But this is by no means the end of the story. For it is also undoubtedly the case that the opponents of Ricardo (Bailey is a good example) were able to seize upon real, unresolved, contradictions in the Ricardian system. It is this aspect of the problem on which we will concentrate.

In considering the deficiencies of Ricardo's work which had opened it up to these attacks, attacks which Ricardo's followers were unable to combat, Marx was to centre his entire critique of political economy on what he considered its decisive weakness – its tendency to view society *ahistorically*, or, more specifically, its inclination to treat capitalist economy as one working directly in accordance with the laws of nature. All Marx's detailed criticisms of political economy's erroneous conceptions of value, money, capital, etc., which fill the pages of *Capital* and even more so of *Theories of Surplus Value*, rest finally upon this, his basic criticism. It is one anticipated, though not as yet exhaustively worked out, in *The Poverty of Philosophy* where we find the following:

Economists express the relations of bourgeois production, the division of labour, credit, money, etc. as fixed immutable,

eternal categories. . . . Economists explain how production takes place in the above mentioned relations, but what they do not explain is *how these relations themselves are produced*, that is the historical movement that gave them birth . . . these categories are as little eternal as the relations they express. They are historical and transitory products. (Marx, 1955, p. 91; author's italics).

This attack by Marx upon the ahistorical standpoint of the classical economists must be carefully considered, for it can easily be misunderstood. Many have taken Marx simply to mean that Smith and Ricardo were either unaware of or not interested in pre-capitalist economic forms of production. This is, however, quite wide of the mark; Smith was concerned perhaps more than anybody else to demonstrate the superiority of the capitalist form of production as a means of creating wealth in contrast with feudal economy. Others, perhaps somewhat less naive, have assumed that Marx aimed simply to make Ricardo's analysis dynamic, to 'set in motion' the work of the classical school, as Althusser puts it (Althusser and Balibar, 1970, p. 60). Neither of these interpretations of Marx's principal objection to the standpoint of classical economy can be sustained on the basis of a reading of the appropriate texts.

Marx, as a materialist, understood that the categories of political economy were a product of historical development and specifically of the historical development of the social relations of production. This point must be emphasized if only because of the attack launched by Althusser and others against this conception, which we believe to be at the very centre of Marxism. In his review of the history of political economy, Marx at all times insists upon the *objectivity* of the categories of the science: 'They are socially valid and therefore objective thought forms', he writes. Marx was here stressing a vital point – namely, that science always necessarily develops through definite forms outside the individual consciousness. Men always start with certain definite aims and motives and the leading figures of political economy were, in this respect, no exception. But the history of political economy cannot be reduced to a review of the conscious aims and motives of its leading representatives. Science develops always under determined historical