Chapter 20: Simple Reproduction

Part 2: On Political Economy

7 Variable Capital and Surplus-value in the Two Departments

Evidently, under conditions of simple reproduction the total means of consumption produced in a single production period is equal in value to the variable capital reproduced and the surplus-value newly produced in the same period in both departments: the total value product (new value) is equal to the total value of means of consumption produced. On the assumptions here – $II(c + v + s) = 3,000$ and $\frac{s}{v} = 100\%$ – the ‘total social working day’² breaks down into necessary labour = $1,500_v$ and surplus labour = $1,500_s$. The total value of means of consumption therefore = the total value the whole social working day produces during the production period = the value of total social variable capital plus total social surplus-value = total annual new product.

These equalities exist not because the total value of means of consumption has been produced in department II but because the constant value that reappears in department II is equal to the new value (variable capital plus surplus-value) produced in department I, i.e. because $I(v + s) = II_c$.

Consequence: the product of department I, which breaks down into $c + v + s$, also breaks down into $v + s$ when considered from the social point of view. But this ‘resolution’ of commodity value (Adam Smith’s ‘dogma’) only applies to that part of the total product consisting of means of consumption, and only applies in the sense that:

$$II(v + s) = II(v + s) + I(v + s)$$

because, in other words,

$$II = I(v + s)$$

Although the social working day, just like the individual working day, can be broken down into necessary labour and surplus labour, one part is exclusively dedicated to production of fresh constant capital, i.e. if the total social working day = $3,000m$, one third of this is produced in department II, which produces the commodities in which the total variable capital and surplus-value is realised, such that two thirds of the social working day is dedicated to the production of new constant capital, i.e. a product on which neither wages nor surplus-value can be spent.

No part of the social working day is spent producing the value of the constant capital applied in both departments: all that is produced is the value $2,000I(v + s) + 1,000II(v + s)$ additional to the constant capital $4,000I_c + 2,000II_c$. The new value produced in the form of means of production is not yet constant capital.

In use-value form the product of department II is the product of concrete labour; insofar as one value component of this represents constant capital its value has been transferred by the labour process from its old natural form to its new one. But two thirds of this value has not been produced in the current valorisation period.

From the point of view of the valorisation process, the value of the product, 3,000, is composed of the new value produced (500$v + 500s$) and a part (2,000) in which past working days are objectified, this latter naturally existing in the form of product to the value of 2,000. Hence, the exchange $2,000I_c \leftrightarrow 1,000I_v + 1,000I_s$ is the exchange of that two thirds of the working day which does not form part of current labour with that one third which does.

The total social product of departments I and II appears as the product of the current production period but only insofar as this labour is considered as useful, concrete labour, not as the expenditure of labour-power, as value-forming labour. The failure to see the distinction between the total value existing in the production period’s

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¹ Where I insert my own subheads they appear, as here, in sans serif type.

² Karl Marx, *Capital*, vol. 2 (Harmondsworth, 1978) [hereafter C2], p. 501; ‘i.e. the labour spent by the entire working class over a whole year’, C2, p. 502.
commodity product and the new value produced in this period thus stems from a failure to distinguish between labour existing in its concrete use-value producing form and labour in its abstract, value producing form.

8 The Constant Capital in Both Departments

Let us consider the total social product (taking the production period as a year) as consisting in three one-year social working days, the value expression of each being 3,000, such that the value expression of the total product is 9,000. Then:

- The labour-time spent before this current year is four thirds of a working day in department I (4,000I_c) and two thirds of a working day (2,000II_c) in department II, in total two one-year social working days: 4,000I_c + 2,000II_c = 6,000_c stands as the value of constant capital (means of production) appearing in the value of the overall product.

- Out of the one-year working day of new value, one third is necessary labour (1,000I_v) in department I, one sixth necessary labour (500II_v) in department II: 1,000I_v + 500II_v = 1,500_v (one half of one social working day) is the value expression of necessary labour.

- One third of a total day (1,000I_s) is surplus labour in department I, and one sixth of a working day (500II_s) surplus labour in department II: 1,000I_s + 500II_s = 1,500_s (the other half of the social working day) is the value expression of surplus-value.

Hence,

\[ \text{value of the year's labour} = v + s = 3,000 \]
\[ \text{value of the total product} = c + v + s = 9,000 \]

‘Thus the difficulty [i.e. Smith’s difficulty] does not lie in analysing the value of the social product itself. It arises when the value components of the social product are compared with its material components.’

To the extent that the total social working day seems to be spent on the production of means of consumption (for the product of that department of production which produces means of production produces a product which is not ‘consumed’ in this sense) the value expression of the total social working day seems to resolve itself into 1,500_v + 1,500_s, because this value product is equal to the value of the product of the department which produces means of consumption. But this value is really only one third of the total value product once we see this as consisting both of means of consumption and means of production. Thus, really, only one third of annual labour is spent producing means of consumption, while two thirds is spent producing means of production. The total value of the means of consumption in department II = the sum of new value product in departments I and II:

\[ \Pi(c + v + s) = I(v + s) + II(v + s) \]

Thus, the value product created in department I = the variable capital reproduced and surplus-value created = constant capital value of department II which reappears in department I as means of consumption.

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3 C2, p. 506. Again, the failure here is to distinguish between concrete labour and abstract labour, and hence between new value created (by abstract labour) and value passed on (by concrete – useful – labour). ‘Smith’s confusion over net and gross output arises from a failure to distinguish the value of the product from its material character. Both departments reproduce the value of the means of production that they consume, and both add new value to their product. In terms of the material basis of reproduction, department I reproduces the means of production used up in both departments, while department II does not reproduce the material elements of the means of production that it uses, but produces all of society’s consumer goods. Hence the exchange between them.’ Anthony Brewer, *A Guide to Marx’s Capital*, p. 118.
The difficulty with the annual social product [...] comes from the fact that the constant portion of value is represented in a kind of product – means of production – completely different from the means of consumption in which the new value \( v + s \) added to this constant portion of value is represented. It seems, therefore, as if two thirds of the mass of products consumed – in value terms – exist once again in a new form, as new product, without any kind of labour having been expended by the society on their production.  

But this is not how the matter appears at the individual level.

Consider a capitalist of department I, producing 18 machines a year with constant capital = 6,000 \( c \), variable capital = 1,500 \( v \), and surplus-value = 1,500 \( s \). The total product = 9,000, and each machine 500. Twelve machines therefore comprise a value equal to the constant capital (6,000 \( c \)) advanced in their production; but this is not the case because the labour contained in these machines took place before their production, that the means of production has been transformed in itself into twelve machines; rather, it is that the value of these 12 machines (which consists in 4,000 \( c \) + 1,000 \( v \) + 1,000 \( s \)) is equal to the constant capital value contained in the 18 machines. The capitalist needs to sell 12 machines to replace the constant capital needed to produce 18.

This is the contrast between individual and social production. At the individual level, the product of each individual and independently functioning capital will have a given use-value form, any form, the only condition being that it does have one: it is thus immaterial whether it returns as means of production in the same production process that produced it as a product, or whether its value is transformed by sale and purchase into other material elements of production.

At the level of total social capital, on the other hand, all material elements of reproduction must form parts of the product in their natural form. The part of constant capital consumed can be replaced within overall production only if the total reappearing constant part of capital reappears in the product in the natural form of means of production which really function as constant capital. Under conditions of simple reproduction, therefore, the value of the part of the product that consists in means of production must be equal to the constant portion of the value of the social capital consumed.

In addition, for the individual capitalist, the only value that is produced by the production process is the value equivalent to variable capital and surplus-value: the value of the constant capital advanced is simply passed on by the concrete form of the labour process. At the level of total social capital, however, that part of the social labour process that produces means of production, by creating new value and by passing on value consumed by the means of production consumed, creates only means of production, product that can only function as constant capital, product, which, considered socially, can only be ‘resolved’ into constant capital. At the level of the social, therefore:

[w]hat we have to deal with is the collective capitalist. The total capital appears as the share capital of all individual capitalists together. This joint-stock company has in common with many other joint-stock companies that everyone knows what they put into it, but not what they will get out [...].

9 A Look Back at Adam Smith, Storch and Ramsay

Marx first summarises.

- total value of the social product = 6,000 \( c \) + 1,500 \( v \) + 1,500 \( s \) = 9,000.
- 6,000 reproduces the value of means of production
- 3,000 reproduces the value of means of consumption

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\(^4\) C2, p. 507.

\(^5\) C2, p. 509.

\(^6\) This section is a shorter, earlier (written in 1870) version of the critique of ‘Smith’s dogma’ contained in chapter 19 (written in 1878).
Then states Smith’s position like this:

Adam Smith put forward this fanciful dogma [...] according to which the entire value of the social product resolves itself into revenue, i.e. into wages plus surplus-value, or as he expresses it, into wages plus profit (interest) plus rent. He also put it forward in the still more popular form that the consumers must ultimately pay the producers for the entire value of the products. Right to the present, this remains one of the most well-loved platitudes, or rather eternal truths, of the so-called science of political economy.

Marx’s explicit criticism of Smith here is this:

The phrase that the entire value of the annual product must finally be paid by the consumers would be correct only if the expression ‘consumers’ were taken to include two quite different kinds of consumer, individual consumers and productive ones. But if a part of the product has to be consumed productively, this means nothing more than that it has to function as capital and cannot be consumed as revenue.

10 Capital and Revenue: Variable Capital and Wages

Marx begins by noting that the value product of the current (i.e., here, annual) production period is smaller than the value of the product, the difference arising from the value of the means of production consumed in production, which is passed on to new product, but which is itself created in (a) previous production period(s). This value ‘is not value really reproduced, but simply value that reappears in a new form of existence [...]’.

To remind ourselves, after exchange (between departments I and II, and within department II), we have:

- department I: $4,000c + 2,000v + 2,000s = 6,000$
- department II: $2,000c + 500v + 500s = 3,000$
- total social product = $9,000$

Total value product, therefore, $= 2,000I(v + s) + 1,000II(v + s) = 3,000$

But, $2,000I(v + s)$, i.e. two thirds of the labour carried out in this department, functions to restore means of production to department I, not only in value but also in appropriate use-value form.

From this platform, Marx now directs himself against the notion that ‘what is capital for one person, is revenue for another, and vice versa’.

First, he addresses the notion that variable capital functions as capital in the hands of the capitalist and revenue in the hands of the worker.

Variable capital, insofar as it exists in the hands of the capitalist as money capital functions as money capital insofar as it buys labour-power. But even thus far it is variable capital only potentially: it truly becomes variable capital once it assumes the form of labour-power in production. When this happens, the money that functioned as the money form of variable capital now functions in the hands of the worker as the money form of her wage. It is not therefore

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7 C2, p. 509.
8 That is, both workers and capitalists, C2, p. 509.
9 C2, p. 510.
10 C2, p. 512.
11 C2, p. 513.
variable *capital* that functions twice – as capital and as revenue – but *money.* The error – labelling the ‘revenue’ of the worker as ‘capital’ – originates from a failure to differentiate money and capital, and specifically to see what it is about money capital that makes it money, and what it is that makes it *capital.*

Second, that, in the exchange $I(v_s) \leftrightarrow II_c$, what is constant capital for some $(II_c)$ becomes variable capital and surplus-value, i.e. revenue, for others; and what was variable capital and surplus-value $(I(v_s))$, i.e. revenue, for some, becomes constant capital for others.

1. First, we consider the exchange $I_v \leftrightarrow I_c$.

   The collective worker in I, who has sold her labour-power, receives her wage from the collective capitalist; with this same money, she buys means of consumption from II. The capitalist in II confronts her as a mere seller of commodities. Her labour-power follows the path of simple commodity circulation:

   $[\text{labour-power I}] \rightarrow C - M - C [\text{means of subsistence II}]$

   Her wage, spent as revenue, is realised in means of subsistence.

2. Second, we consider the same exchange from the point of view of the capitalist.

   The commodity product of II is means of subsistence; but for the capitalist, a part of this product, is the form in which a part of the constant capital value of her productive capital appears, and she needs to convert this part of the product back into the natural form in which it can function as such anew. By selling it to the workers of I, capitalist II manages to convert half $(1,000c)$ of her product into money form. But, again, it is not variable capital which has been converted into this constant capital value but the money paid to the workers of I as wages, money, as we have seen, used to buy means of subsistence in the simple commodity circulation $[\text{labour-power I}] \rightarrow C - M - C [\text{means of subsistence II}]$. Neither can this money function as constant capital, for it is, for now, still only money, and has to be converted into the fixed or circulating elements of constant capital.

   But this conversion, $[\text{means of subsistence}] \rightarrow C - M - C [\text{means of production}]$, is, for the capitalist of II, a movement of capital, since it amounts to a ‘transformation from commodities back into the material elements of the formation of these commodities.’

The variable capital in department I undergoes the following changes of form:

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12 ‘[T]he purchase of labour-power converts the variable capital of the capitalists from the form of money to the form of labour-power. But since the variable capital remains in the hands of capitalists, although in a different form, it cannot become revenue for workers. Instead, from the point of view of workers, what is converted into revenue by the sale of their labour-power is the value of this labour-power, not the variable capital of the capitalists.’ Fred Moseley, ‘Marx’s Reproduction Schemes and Smith’s Dogma’, p. 177.

13 Note Marx’s comments in the first chapter of this volume. ‘[M]oney capital [...] [as money] exists in a state in which it can perform monetary functions [...] Money capital does not possess this capacity because it is capital, but because it is money. [...] [T]he capital value in its monetary state can perform only monetary functions, and no others. What makes these into functions of capital is their specific role in the movement of capital [...].’ C2, p. 112. ‘In the conception of money capital we customarily find two interconnected errors [...]. Firstly, the functions that capital value performs as money capital, and which it is able to perform because it happens to be in the money form, are erroneously ascribed to its character as capital, whereas they are simply due to the money state of the capital value, its form of appearance as money. Secondly, and inversely, the specific content of the money function that makes it simultaneously a function of capital is deduced from the nature of money (money is here confused with capital), whereas this function presupposes social conditions [...] that are in no way given simply by commodity circulation [...]’ C2., pp. 115-16.

14 Which would be the case even if she bought means of subsistence from her ‘own’ capitalist (as we saw in section 4 above, in the case of the workers in sector IIa).

15 C2, p. 518.
1 From 1,000I$_v$ in money form to labour-power of the same value.

2 From labour-power to that ‘in which [...] [it] actually varies, i.e. actually functions as variable capital, [...] pertain[ing] exclusively to the production process [...]’.16

3 To the form of commodity product, to the value of 1,000$_v$ + 1,000$_s$.

4 To money form again, through the sale of 1,000$_v$ commodity product to II.

‘Since this variable capital always remains in one form or other in the hands of the capitalist, it can in no way be said to be converted into revenue for anyone.’17 What is resolved into revenue is the money, that functioned as (potential) variable capital, but which stopped so functioning as soon as it was converted into labour-power (in the capitalist’s hands) and passed to the workers. The problem is that ‘it is very difficult for the capitalist, and still more for his theoretical interpreter, the political economist, to rid himself of the idea that the money paid to the worker is still the capitalist’s money.’18

12 The Reproduction of the Money Material19

I The production of gold

Money is, here, gold (and silver).20 For our purposes here, we are going to consider gold production within our system of annual production, i.e. we are abstracting from foreign trade in general, including that that accounts for production of bullion.21 Conceived like this, the production of gold belongs to department I.

Let us assume that gold production amounts to: $20c + 5v + 5s = 30$22

20$_v$ is destined to be exchanged against other elements of I$_c$; the 10$_{(v+s)}$ against II.

Imagine the following sets of transactions. M5$_v$ is paid by I$_g$ (as we shall denote the gold-producing sector of department I) to its workers as wages, but not as gold produced by I$_g$ but from a part of the already-existing money stock. The workers use this money to buy means of consumption from department II; department II uses the money to buy means of production from department I. Department II buys 2 gold from I$_g$ as means of production (so that M2$_v$ flows back to I$_g$). Meanwhile, a capitalist firm in I pays her workers 5$_v$, who use the money to buy...

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16 C2, p. 522.
17 C2, p. 523.
18 C2, p. 523.
19 Section 11, which deals with the replacement of fixed capital, is dealt with in part 3 of my notes for this chapter; this section, section 12, has as its principal target the views of Tooke and Smith regarding the quantity of money necessary for circulation.
20 Marx discussed the production of money (i.e. principally of gold, but also of other precious metals) in chapter 12: see C2, pp. 400-1. Let us here remind ourselves that the cycle of money capital in the precious metals production sector, since its commodity product is money in form, i.e. since $C \equiv M'$, is: $M \rightarrow C \rightarrow P \rightarrow M'$.
21 ‘Capitalist production never exists without foreign trade. If normal annual reproduction on a given scale is presupposed, then it is also supposed [...] that foreign trade replaces domestic articles only by those of other use or natural forms, without affecting value ratios, and therefore without affecting either the value ratios in which the two categories, means of production and means of consumption, mutually exchange for one another, or the ratios between the constant capital, variable capital and surplus-value into which the value of the product of each of these categories can be broken down. Bringing foreign trade into an analysis of the value of the product annually reproduced can therefore only confuse things, without supplying any new factor either to the problem or to its solution.’ C2, p. 546, italics added.
22 Marx comments (C2, p. 546) that this notional figure is unrealistically high.
means of consumption from II, who uses the money to buy the commodity product, value – disregarding surplus-value – 5, so that the 5,\(_v\) flows back to the capitalist in I. The money flows involved in these exchanges are these:

\[ \text{The results of this?} \]

1. Ig advanced M\(_5\), only M\(_2\) returned. I advanced M\(_5\), all of it returned. But Ig can rebegin production just as well as I because, before these exchanges, its workers had already supplied it with 5 gold, 2 of which was spent and then returned. Its whole variable capital still exists in money form.

2. IIg laid out M\(_5\), while II laid out M\(_2\) for gold (means of production): M\(_3\) remains in II as a money (gold) hoard; given the fact of I \((v + s) \leftrightarrow II_c\), already established above, i.e. that II’s commodity product in its entirety is exchanged for means of production, this hoard is a form of existence of II\(_s\).

Result 2 – hoard formation – is an inevitable product of this process. If capitalist(Ig) advances \(v\) as M, it is the workers who buy from department II: with respect to \(v\) (though not with respect to \(s\)) capitalist(Ig) never acts as buyer initiating an exchange, only when II buys gold as means of production; capitalist(Ig) replaces her \(v\) with her own product. Thus, in the proportion to which advanced \(v\) does not flow back to Ig, a part of her surplus value is not transformed into means of consumption and a hoard is formed in II.

II How can a capitalist withdraw more money from circulation than she throws into it?

These points established, Marx now turns his attention to a matter he addressed in chapter 17, viz:

how is it possible for each capitalist to withdraw a surplus-value from the annual product in money, i.e. to withdraw more money from the circulation sphere than he cast into it, since in the final analysis the capitalist class itself must be seen as the origin of all money in circulation?\(^{23}\)

\(^{23}\) C2, p. 549; cf. C2, pp. 404-13. Marx attributes this view, i.e. that it should be impossible for the capitalist to withdraw more money from circulation that she cast into it, that the notion of surplus-value thus conceived is impossible, to an (unnamed) ‘opponent of Tooke’ (C2, p. 404). Thomas Tooke was a prominent opponent of the Currency School (the monetarists of their day), who Marx commented favourably had been ‘compelled […] to recognise that the direct correlation between prices and
Marx refutes this view with four arguments.

1 Marx repeats the argument he developed in chapter 17: that the question here is not whether there is sufficient money in circulation to realise surplus-value, but that there be sufficient money to allow the commodity capital (including the surplus-value) to be reconverted into productive capital by being sold, i.e. the question is where the money comes from to convert the total commodity product?

Considered both individually and socially, commodities consist of \( c + v + s \): the money advanced as capital for \( c \) and \( v \) returns to the capitalist with the sale of the product; the realisation of the surplus-value comes about because the capitalist does not consume her surplus product in kind but withdraws commodities form the total product to this value. What the process of circulation of money brings about is that the money the capitalist casts into circulation to be spent as revenue is then withdrawn again, so that the process can begin anew. If the capitalist buys commodities with unit M1 of money, and then the seller of these commodities buys from the capitalist commodities with this same unit of money, then the money has returned, to be spent again. ‘the capitalist constantly receives this money back as the realisation of surplus-value that cost him nothing.’24 While value is consumed, money circulates; the fundamental problem of political economy of all types lies therefore not in determining where the money comes from to realise the value of the commodity product, but what this value really is, which brings us back to Smith’s ‘dogma’:

We saw that for Adam Smith the entire value of the social product resolved itself into revenue, into \( v + s \), and that the value of the constant capital was therefore taken as zero, It necessarily follows from this that the money required for the circulation of the annual revenue would also be sufficient for the circulation of the entire annual product; and that in our case, therefore, the money needed for the circulation of means of consumption to the value of 3,000 would be sufficient for the circulation of a total annual product to the value of 9,000, This was in fact Adam Smith’s opinion, and it is repeated by Thomas Tooke. This false conception of the ratio between the quantity of money needed to realise revenue and the quantity of money that circulates the total social product is a necessary result of the uncomprehending, thoughtless manner in which they view the reproduction and annual replacement of the different material and value elements of the total annual product. It is therefore already refuted.25

For as Marx has previously argued, the source of Smith’s error lies in equating

the value of the annual product with the annual value product. [...] The latter is simply the product of the current year's labour; the former includes, on top of this, all those elements of value that were used in the production of this annual product, but which were produced in [...] previous year[s] [...] means of production whose value only reappears – and which, as far as their value is concerned, have been neither produced nor reproduced by the labour spent during the current year.26

2 At the outset of production, an industrial capital casts into circulation the entire fixed part of capital, capital recovered gradually over a multiple of turnovers. More money is cast into circulation than is initially recovered. Whenever fixed capital is replaced in kind, either partially or totally, this is repeated. In addition, capitals with long production times repeatedly cast money into circulation in exchange for means of production and

the quantity of currency presupposed by this theory [of the Currency School] is purely imaginary, that increases or decreases in the amount of currency when the value of precious metals remains constant are always the consequence, never the cause, of price variations [...]’ Karl Marx, ‘A Contribution to a Critique of Political Economy’, Marx Engels Collected Works vol. 29 (London and Moscow, 1987), p. 415. The Currency School, holding to a quantity theory of money, had held that an over issue of paper money would cheapen the ‘price of money’ leading to general inflation. Amongst others, Tooke argued that what determined price was not the quantity of money in circulation, but the money income of the economy: changes in prices thus determine the amount of money in circulation, not the other way around. Marx’s high opinion of Tooke (when Tooke died Marx commented to Engels that he had been ‘the last English economist of any value.’ ‘Marx to Engels, 5 March 1858’ Marx Engels Collected Works, vol. 40 (London and Moscow, 1987), p. 325) was based on his own trenchant opposition, for different reasons, to a quantity theory of money.

24 C2, p. 551.
26 C2, p. 453.
consumption over this period before the money is recovered. ‘If at one point more money is withdrawn from circulation than is cast in, the reverse is the case at another point.’

3 Gold and silver producing capitalists, unlike others, cast only money into circulation, withdrawing only commodities from it: most of their variable capital and all their surplus-value (less that hoarded) is cast into circulation as money.

4 Many commodity products circulate long after the production period in which they were produced, such as plots of land and houses; others have a production period which extends far beyond that of other, ‘normal’, commodity products: cattle, wood, wine, etc. In these cases, in addition to the money necessary for direct circulation, a certain quantity always exists in a ‘latent’ state.

In addition to this, not everything encompassing the reproduction process is mediated by the circulation of money: production itself lies outside it, as do the products consumed directly by the producer.

Hence, ‘the quantity of money that circulates the annual product is present in society and has been accumulated bit by bit. It does not form part of the value product of the present year [...]’

III Money within Capitalist Reproduction

Up till now we have assumed the circulation of money exclusively in the form of precious metals, i.e. we have ignored money as means of payment, and the operation of credit. However, Marx notes, rather cryptically, ‘the simplest consideration of monetary circulation in the form in which it developed spontaneously – and this monetary circulation is here an immanent moment of the annual process of reproduction – shows the following [...]’, a remark I interpret to mean that the consideration of money in this simplest manifestation reveals the fundamental role that money plays within the reproduction of capital, i.e. what is specific to money under capitalism, within which money in its more complex manifestations – means of payment, credit, etc. – can be understood.

Marx goes on to list the following phenomena.

1 Under developed capitalist production, i.e. ‘the domination of the system of wage-labour’, money capital predominates because money is the form in which variable capital is advanced. ‘To the degree that the wage system develops, all products are transformed into commodities, and all – with a few important exceptions – must therefore jointly undergo the transformation into money as a phase in their development.’ The greater part of the money necessary for the realisation of commodities exists as money advanced as wages.

This contrasts with what pertains under conditions of ‘natural economy’. As ‘natural economy’ Marx cites the example of slave economy, within which ‘money capital laid out on the purchase of labour-power plays

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27 C2, p. 552.
28 C2, p. 553.
29 I.e. money used to settle accounts at the end of a sale on credit, commodities having circulated without the actual presence of money. Cf. Karl Marx, Capital, vol. 1 (Harmondsworth, 1990) [hereafter C1], pp. 232-40.
30 C2, p. 554.
31 C2, p. 554.
32 C2, p. 554. ‘[C]apitalist production is commodity production as the general form of production, but it is only so, and becomes ever more so in its development, because labour appears [...] as a commodity, because the worker sells labour, i.e. the function of his labour-power [...] The producer becomes an industrial capitalist to the same extent as labour becomes wage-labour. In the relation between capitalist and wage-labourer, the money relation [...] becomes a relation inherent in production itself. But this relation rests fundamentally on the social character of production, not on the mode of commerce [...] It is typical of the bourgeois horizon [...] to see the foundation of the mode of production in the mode of commerce corresponding to it, rather than the other way round.’ C2, p. 196.
33 I.e., a system of production within which commodity exchange does not predominate.
In addition, the slave market is replenished by means other than monetary circulation, i.e. through pillage and war – effectively appropriation in kind.

2 This ‘spontaneous development’ of monetary operations using money in its simplest form also reveal:

- the flows of money necessary to realise the social product;
- the advance of fixed capital and its gradual and long-term reconversion through hoard formation;
- the varying lengths of time money has to be advanced according to variations in production periods (and hence the necessity prior formation of a hoard before the money can be
- withdrawn from circulation by the sale of the commodity;
- the varying times for the advance of money resulting from variations in circulation time and the varying needs in relation to the need for stocks of constant capital.

It is out of these operations and their necessities, i.e. out of the inherent functions of money in commodity circulation and the reproduction of capital, that the more complex manifestations of money arise.

13 Destutt de Tracy’s Theory of Reproduction

The French Enlightenment philosopher Antoine Louis Claude Destutt advanced the notion that surplus-value arises by capitalists selling their commodities at prices that exceed their value.

Destutt de Tracy’s theory proposes:

1 That capitalists sell their products dearer to each other. Marx demonstrates that this is impossible like this. If the part of the surplus-value that the capitalists devote to private consumption is, say, £400, this £400 may become £500 if each sells her part to the others party 25% too dear; but if all do this, the result is as if they had sold to each other at the right price, except that a ‘quantity of money of £500 rather than £400 is necessary to circulate a commodity value of £400, which would require a part of the total capitalist to be held in the form of means of circulation. No profit can arise.’

2 That capitalists sell their products dearer to their (and other) workers. Again Marx demonstrates the falsity of the idea.

Do the capitalists thus pay the workers £100 in wages, and then sell the workers their own product for £120, so that both the £100 has flowed back to them, and a further £20 has been obtained in addition? This is impossible. The workers can pay only with the money that they receive in the form of wages. If they receive £100 in wages from the capitalists, they can buy only for £100, and not for £120. This would not work at all.

Neither can the capitalists achieve the same end by selling commodities to a lesser value to the workers than the latter receive in wages. If the workers are paid £100 in wages, but are sold only £80 in commodities, all the capitalists achieve is the circulation of £80 of commodities through the advance of £100 in money.

3 That capitalists sell their products dearer to ‘idle capitalists’, i.e. those who receive rent and those who lend money. Again, this is impossible. The money paid by industrial capitalists to ‘idle capitalists’ reaccrues to the former when the latter use it to buy commodities. That land, for example, is profitable to those who rent it out, is true, but this profit derives not from the price paid for it but from the use made of it: to see otherwise

34 C2, p. 554.
35 Cf. Marx’s demonstration in C1, pp. 258-69, that circulation, the exchange of commodities, can create no new value.
36 C2, p. 559.
is ‘the confusion that we are led into if phenomena of circulation, such as the reflux of money, are lumped together with the distribution of the product that is simply mediated by these phenomena of circulation.”

37 C2, p. 562.