

MARX'S *MANUSCRIPTS OF 1861-63*: THE SECOND DRAFT OF *CAPITAL*

“Criticism starts from the negativity of the victim.”

Enrique Dussel

It has been discovered in recent years that Marx wrote *four* drafts of *Capital*, not just two (the *Grundrisse* and *Capital*), as was commonly thought. In between these two, Marx wrote two other fairly complete drafts of all three volumes of *Capital* - one in the *Manuscripts of 1861-63* and another in the *Manuscripts of 1864-65* (see Dussel 2001 and Moseley 2001a for further discussions of the four drafts of *Capital*). The second draft in the *Manuscripts of 1861-63* is especially interesting. It includes, in addition to the well-known Theories of Surplus-value, a second draft (after the *Grundrisse*) of Volume 1 (Parts 2-4), and a first draft of most of Volume 3, both recently published for the first time.¹ These manuscripts are very rich and illuminating, and provide many insights into the logical structure of the three volumes of *Capital*, and especially about how Volume 3 fits into this overall structure. They are much clearer and better organized than the *Grundrisse*, and they contain more clarifying comments on Marx's logical method than the final “popularized” editions.

Enrique Dussel has written a path-breaking book in Spanish about Marx's *Manuscripts of 1861-63* entitled *Hacia un Marx Descondido: Un Comentario de las Manuscritos del 61-63*, which was published in 1988. The present book is a translation of that book. Dussel's book is the second in a monumental trilogy on all of Marx's economic manuscripts. The other two books in Dussel's trilogy are: *La Produccion Teorica (The Theory of Production)* (1985), about the *Grundrisse*; and *El Ultimo Marx y la Liberacion de Latinoamericana (The Ultimate Marx and the Liberation of Latin America)* (1990), about Marx's remaining economic manuscripts.

Dussel is one of the most interesting Marxist philosophers in the world today. He is an Argentinean (of Austrian descent) who was forced to flee for his life during the military crackdown of the 1970s, and has lived ever since in Mexico City. He is now a Professor of Philosophy at the Universidad Autónoma Metropolitana – Iztapalapa. Dussel has written over 40 books (in Spanish), four of which have been translated into English and several other languages (German, French, and Italian): *The Philosophy of Liberation* (1980, 1985), *Ethics and Community* (1988, 1993), *The Invention of the Americas* (1995), and *The Underside of Modernity* (1996).

Dussel's trilogy on Marx's economic manuscripts grew out of a comprehensive reading from start to finish of all of Marx's economic manuscripts in the original German, together with graduate students at the Universidad Autónoma Nacional de México in the 1980s. Since some of these manuscripts had not yet at that time been published even in German, Dussel traveled to Berlin and Amsterdam to read Marx's original manuscripts - in Marx's awful handwriting! I don't know of anyone else who has conducted such a thorough and systematic reading of all of Marx's economic manuscripts.

I think that Dussel's trilogy will turn out to be one of the most important works in the history of Marxian scholarship. In my view, Dussel's books are more important than Rosdolsky's *The Making of Marx's Capital* (1977), which of course had a significant impact. Rosdolsky's book is only about the *Grundrisse* and is much less philosophically sophisticated than Dussel's trilogy. The uniqueness of Dussel's contribution is that he brings a very high level of philosophical understanding to bear on Marx's economic manuscripts, especially on the logical method employed by Marx in the construction of his economic theory, how Marx's thinking (and his concepts) developed through the various manuscripts, the continuing influence of Hegel, etc. Rosdolsky tried to address these themes, but he didn't know enough about philosophy and Hegel to do it well. And he did not have the later manuscripts available to him.

Dussel's method of exposition is to present a comprehensive and detailed introduction to Marx's manuscripts in his (Marx's) own words, emphasizing various themes, as we shall see below. Dussel's exposition follows Marx's manuscripts chronically, section by section, including initial intuitions, detours, and digressions (some of which turn out to be quite significant), and highlights Marx's discoveries and theoretical advances, as well as his confusions and difficulties. In this way, Dussel explains how Marx's thinking *developed* and *was clarified* on a number of key issues while working on the various drafts of *Capital*. The result is an extremely valuable "reader's guide" to Marx's manuscripts, that greatly facilitates our understanding of their meaning and significance.

This introduction will provide a brief overview of the *Manuscripts of 1861-63* and of the main themes of Dussel's commentary on these manuscripts. The main sections of the manuscripts are: (1) the second draft of Volume 1, Parts 2-4; (2) *Theories of Surplus Value*; (3) the first draft most of Volume 3; (4) completion of the draft of Volume 1. (See Dussel's Appendix 1 of this book for a detailed chronological account of the subjects Marx worked on in these manuscripts.)

1. The second draft of Volume 1, Parts 2 - 4 (Notebooks I - V)

(MECW. 30: 9-346)²

The *Manuscripts of 1861-63* begins with the second draft of Volume 1, Parts 2 – 4, of *Capital*. This second draft of Volume 1 is very interesting and is much more clearly developed than the rough and exploratory first draft in the *Grundrisse*. By this time, Marx had a very clear idea of the overall logical structure of Volume 1 (ever since early 1859 at least; see the outline in MECW. 29: 511-17), and he was able to write these chapters in a fairly complete, coherent form.

This second draft of Volume 1 begins with Part 2 on the "Transformation of Money into Capital", instead of Part 1. Dussel (2001) points out that Marx began all of

the last three drafts of Volume 1 with Part 2, including the final published version in 1867 (Part 1 was the last part written, just before publication). Dussel argues that Marx began writing with Part 2 because Part 2 is the real conceptual starting point of Marx's theory: the "face to face encounter" between capital as money and living labor. Part 1 is merely a preliminary, which is necessary in order to explain what money is (the form of appearance of labor), before explaining the transformation of money into capital through its confrontation with living labor.

Dussel emphasizes that, according to Marx's theory, living labor is the "*creative source*" that produces all value, including the surplus-value that valorizes capital. Without living labor, capital cannot valorize itself. Capital by itself is not a source of surplus-value. As profit, capital appears to be the source of surplus-value, but this appearance is just a fetishistic illusion. In order to produce surplus-value, capital must subsume living labor (the "creative source") into itself from the outside, from what Dussel calls the "exteriority". Living labor exists, prior to its encounter with capital in the "exteriority", and in "absolute poverty (separated from the conditions of labor)". However, this impoverished worker is also the "creative source" of all value and surplus value. Once this creative source is incorporated into capital, it produces surplus value for capital.

Dussel (1997) argues that Marx's emphasis on living labor as the "creative source" of surplus-value is based on Schelling's critique of Hegel. According to Hegel, Being passes into Essence as a result of its own self-development; no external element is necessary for this development. According to Schelling, on the other hand, the "creative source" of Being exists outside of and prior to Being. Being is explained as an effect of this "creative source". Similarly, Dussel argues that for Marx living labor is the economic "creative source", which also exists outside of and prior to capital. Capital cannot produce surplus-value as a result of its own "self-development". This is Marx's "inversion" of Hegel's logic, according to Dussel. All the different individual forms of

capital are explained as effects of living labor, as the forms of appearance of living labor, from the “exteriority” of capital. (See Appendix 2 of this book on the concept of “exteriority” in Marx’s thought.)

Dussel criticizes Lukács and Kosík for thinking that the key concept in Marx’s theory is *totality*, which suggests that capital is self-sufficient in itself. However, according to Dussel, Marx’s theory of surplus-value demonstrates that capital is *not* a self-sufficient totality. Capital can exist (i.e. produce surplus-value) only by incorporating living labor from outside of itself, in the “exteriority”. Therefore, the key concept of Marx’s theory is *exteriority* (the realm of existence of living labor), not totality. Michael Lebowitz (1992, ch. 3) has also argued, similar to Dussel, that capital is not a totality in Hegel’s sense of self-sufficiency, but instead requires living labor as a condition of its existence.

Dussel also emphasizes that Marx’s theory of surplus-value in Volume 1 applies to the *capitalist economy as a whole*, i.e. to the capitalist class as a whole and the working class as a whole, not to an individual firm or an individual industry. The objective of Marx’s theory is to explain the total surplus value produced in the capitalist economy as a whole, not to explain the surplus value produced in a single firm or industry. This “macroeconomic” nature of Marx’s theory of surplus value is especially clear in this draft in several key chapters. In the draft of what later became Chapter 5 (“Contradictions in the General Formula of Capital”), it is argued that the surplus value of the capitalist class as a whole cannot be increased through the acts of circulation alone, although the profit of individual capitalists may increase at the expense of others. In the draft of Chapter 10 (“The Working Day”), the length of the working day is determined by the class struggle between the capitalist class as a whole and the working class as a whole (it is certainly not determined by the voluntary choices of individual workers, based on their relative preferences for labor and leisure, as in neoclassical theory). And similarly in the draft of Chapter 12 (“Relative Surplus Value”), it is argued that, if the working day is fixed, then

the surplus value of the capitalist class as a whole can be increased only by the reduction of necessary labor through technological change that increases the productivity of labor in industries that produce the workers means of subsistence.

2. Theories of Surplus Value: Marx's "Critical Confrontations" (Notebooks VI – XV)

(MECW. 30: 347 - 32: 541)

While working on Part 4 of Volume 1 on relative surplus value, Marx broke off and began to write, in a new notebook (Notebook VI), which he entitled "Theories of Surplus Value". Perhaps Marx's original intention was to follow his own theory of surplus value, just presented, with a brief critical summary of previous theories of surplus value of the classical economists, similar to what he had done for theories of value and theories of money in the *Contribution*. In any case, Marx's work on the "Theories of Surplus Value" soon greatly expanded into a tremendous burst of creative energy that lasted for several years.

Dussel argues that the "Theories of Surplus Value" was not intended as an historical survey of previous theories of surplus-value or profit. Rather, it was a "critical confrontation" between Marx's theory and these previous theories. It was a sort of logical and empirical "test" of the theory that Marx was developing against these other theories: which theory could best explain the all-important phenomenon of surplus value? Furthermore, Dussel argues, through this "critical confrontation" Marx began to develop new categories for his theory that were needed to explain more concrete phenomena, phenomena which Marx had hardly discussed at all in the *Grundrisse* and about which Marx's thinking was still not very fully developed (but would develop rapidly while working on these manuscripts in the months ahead). The rest of this section will discuss the two most important examples, emphasized by Dussel, of how Marx developed his own theory and his own categories through "critical confrontation" with other theories.

2.a Marx's reproduction schemes and "Smith's dogma"

The first example has to do with Marx early work on what later became known as the "reproduction schemes" (in Part 3 of Volume 2 of *Capital*). Marx started to study in

detail for the first time the question of the “reproduction of the total social capital” in the process of a “critical confrontation” with Adam Smith, and in particular with what Marx called “Smith’s dogma” (MECW.30: 402 – 51; TSV. 1: 97-150).³ According to “Smith’s dogma”, the total price of the annual product could be entirely resolved into different forms of revenue (wages + profit + rent), without an additional component for constant capital. Marx considered this “dogma” to be one of “the *main pillars* of all political economy hitherto” (letter to Engels, 30 April 1868; MECW.42: 25; emphasis in the original), and he devoted considerable energy in subsequent years to destroy this “main pillar” of classical economics.

Marx evidently began to realize while working on “Smith’s dogma” in the *Manuscripts of 1861- 63* that a critique required an analysis of the circular flow of the total social capital, similar to that presented by the Physiocrats in their *Tableau Economique*. Therefore, he later returned several times in these manuscripts (MECW. 31: 204-45 and 34: 238-47 and 288-90; TSV. 1: 308-44 and 378-80) to study the Physiocrats’ *tableau* (which he had not mentioned at all in his brief initial discussion of the Physiocrats, prior to confronting Smith’s dogma). Marx modified the Physiocrats’ *tableau* to suit his theory and his own purposes, and used this analysis of the reproduction of the total social capital to demonstrate that, contrary to Smith and his followers, the total price of the annual product could *not* be entirely resolved into revenues. Instead, the total price includes another component, which is equal to the value transferred from the means of production, and the capital recovered from this component must be used to repurchase the means of production consumed in the last period (see Moseley 1998 for a further discussion of Marx’s reproduction schemes as a critique of “Smith’s dogma”).

Therefore, we can see that Marx’s “critical confrontation” with Smith’s dogma took him beyond the limits of Volume 1 of *Capital* and the “theories of surplus-value”, to issues related to Volume 2 and the circulation of capital. Dussel also emphasizes that

later attempts by Otto Bauer, Rosa Luxemburg, etc. to use Marx's reproduction schemes to analyze the possibility of crises or "breakdown" in capitalist economies is very foreign to Marx's own purpose to criticize Smith's dogma.

2.b The beginning of Marx's theory of the distribution of surplus value

The most important example of how Marx developed his own theory through “critical confrontation” with previous theories in these manuscripts – and indeed the defining characteristic of these manuscripts - is that Marx also began to develop for the first time his theory of the *distribution of surplus-value* (average profit, rent, price of production, merchant profit, interest, etc.) that would later be presented in Volume 3 of *Capital*, as distinct from the production of surplus value (the determination of the total amount of surplus value) that is the subject of Volume 1.

Marx's development of his theory of the distribution of surplus value appears to have begun somewhat unexpectedly. Marx originally planned to follow the discussions of Smith with Ricardo's theory of surplus value (MECW.31: 583-84; note 2), which made sense both thematically (in a discussion of “theories of surplus value”) and chronically. Instead, Marx next discussed a more recent minor work (published in 1851) by Johann Rodbertus, who had attempted to develop Ricardo's theory of rent in order to be able to explain absolute rent (rent on the least fertile land), which Ricardo had not been able to explain. This subject is out of place, not only chronologically, but also logically, since it deals with *rent*, which is an aspect of the distribution of surplus value, rather than the production of surplus value. Marx labeled this section of the manuscript a “Digression.”

It appears that the immediate reason for this surprising turn was largely practical and fortuitous. Lasalle had loaned Marx a copy of Rodbertus' book the year before and had recently written to Marx that he wanted his book back (MECW. 31: 593, note 99). Therefore, Marx studied Rodbertus' book while he still had the opportunity to do so. The book turned out to be more interesting than Marx expected and appears to have stimulated Marx's thinking about rent and about the distribution of surplus value in general. It started Marx on a very creative theoretical excursion for almost a year, during which he began to work out the details of his own theory of the distribution of surplus

value, to be presented later in Volume 3 of *Capital*. Dussel considers this new departure, inspired by the “critical confrontation” with Rodbertus, to be the “central moment of all the *Manuscripts of 1861-63*.” (See Table 1 for a chronological view of how Marx’s work on these manuscripts in the following months expanded into the subjects of Volume 3 and the distribution of surplus value; see also Moseley 1997 and 2001b for a further discussion of Marx’s development of his theory of the distribution of surplus value in these manuscripts and beyond.)

Early in the section on Rodbertus, Marx began to realize that in order to be able to explain absolute rent, it is first necessary to explain prices of production (or what Marx called in this manuscript “average prices” or “cost prices”). Therefore, he began to sketch out for the first time the details of his theory of “average prices”. (MECW. 31: 260-64 and 297-305; TSV. 2: 27-30 and 64-71). Marx followed the discussion of Rodbertus’ theory of rent with further discussions of Ricardo’s and Smith’s theory of rent, and with further discussions of Ricardo’s and Smith’s theories of “cost price”. Marx’s main critique of the latter is that Ricardo and Smith failed to distinguish between cost prices and values, i.e. they did not in fact provide a theory of cost prices (prices that equalize rates of profit across industries), as distinct from values.

While working on Ricardo’s theory of differential rent, Marx also began to develop for the first time the categories of market value and individual value, which have to do with *intra*-industry competition, as distinct from *inter*-industry competition that equalizes profit rates (MECW. 31: 428-35 and TSV. 2: 203-11). A more fully developed discussion of these categories is in Chapter 10 of Volume 3 of *Capital*. We will see below that these categories related to intra-industry competition are the key to Dussel’s theory of “dependency”, which is based on Marx’s theory of the distribution of surplus value.

After considering various aspects of Ricardo’s theory in greater detail (surplus value, profit, and accumulation), Marx then discussed a variety of post-Ricardian economists (Malthus, Torrens, Bailey, etc.) and several “Ricardian socialists”

(Ravenstone, Hodgskin, etc.). While writing about Hodgskin, Marx broke off again and began an entirely new section entitled “Revenue and its Sources”, which is a kind of first draft of what later became the final concluding Part 7 of Volume 3, with the same title (MECW. 32: 449-541 and TSV. 3: 453-540). This section begins with a discussion of the “Trinity Formula”, which Marx called “the most fetishistic expression of the relations of capitalist production.” Marx then went on to discuss *interest*, another form of the distribution of surplus value (that would later be the subject of Part 5 of Volume 3), which Marx called “the most complete fetish” (interest appears to originate from capital itself, with no relation whatsoever to living labor). There is also in this section an interesting discussion – again for the first time – of interest-bearing capital and commercial capital, which are explained as “derivative forms” of the basic form of industrial capital (the source of surplus value). There are also some remarkable pages in which Marx articulates for the first time what would eventually be the main conclusion of his theory of the distribution of surplus value in Volume 3 of *Capital*: that all these different forms of surplus value are necessary forms of appearance of the same underlying substance, the surplus labor of workers (MECW.32: 471-503; TSV. 3: 473-503). Each of these forms of surplus value appears to capitalists and to bourgeois economists to have its own separate and independent source (interest from capital, rent from land, etc.), but this appearance is just a fetishistic illusion.

This section on “revenue and its sources” is at the end of the published version of *Theories of Surplus Value*, with which we are all familiar. However, it is not the end of Marx’s manuscript. Marx’s manuscript continues, and continues to pursue the same general question of the different forms of the distribution of surplus value. Fortunately, because of the recent publication of the entire manuscript, we can now study the very interesting and important remaining sections of this manuscript, the continuation of Marx’s development of his theory of the distribution of surplus value, inspired by his “critical confrontation” with Rodbertus and Ricardo, and others.

3. Expansion of Volume 3 to include the distribution of surplus value (Notebooks XVI-XIX) (MECW. 33: 9 – 371)

The next individual form of surplus value that Marx began to consider for the first time in the continuation of these manuscripts was *commercial profit* (what he called *mercantile profit* in this section of the manuscript) (MECW.33: 9-68). The question of commercial profit was no doubt raised for Marx by the discussion of commercial capital in the previous section on “Revenue ”. Dussel argues that, in the process of working out his explanation of commercial profit, and the difference between the buying price and the selling price of merchants, Marx finally and definitively settled on the term “price of production” for prices that equalize the rate of profit across industries (earlier in the manuscript, as we have seen, Marx used the terms “average price” and “cost price”). This was a significant advance in conceptual clarity.

While working on commercial profit, Marx decided to write a draft of what he was then calling “Chapter 3” on “Capital and Profit (MECW.33: 69-153) (Chapters 1 and 2 were what we now know as Volumes 1 and 2 on the “production process of capital” and the “circulation process of capital”, respectively). Marx’s original idea, and apparently still his idea while writing this draft, was that this “Chapter 3” should be concerned only with “capital in general” and should not include “competition” and the various forms of the distribution of surplus value that Marx had been working on during the preceding months. Therefore, this draft of “Chapter 3” is concerned mainly with categories related to what we know as Part 1 of Volume 3 (cost price, which Marx here called “costs of production”, average profit, and the rate of profit) and Part 3 (on the “general law of the fall in the rate of profit”). He discusses briefly the determination of prices of production (the future Part 2), but states several times that “a more detailed investigation of this point belongs to the chapter on competition.” (MECW.33: 83, 94 and 101). However, Marx’s plan for “Chapter 3” changed drastically a few weeks later.

After finishing this draft of “Chapter 3”, Marx then returned to commercial capital (or “mercantile capital”), and then returned to the discussion of Hodgskin (from which, as we saw above, he had broken off three months earlier in order to write the section on “Revenue ..”), and then finally continued with discussions of Ramsay, Cherbuliez, and Jones (mainly about issues related to the falling rate of profit). While working on Cherbuliez, Marx broke off to write a remarkably clear, detailed outline of what we know as Part 2 of Volume 3 and what Marx then called “the second chapter of Part III, on “Capital and Profit”, where the formation of the general rate of profit is dealt with.” (MECW.33: 299). We can see from this outline that “Chapter 3” has become “Part 3” and that it now includes a Chapter 2 on the general rate of profit and prices of production. This first outline of “Chapter 2” is very close to the final version of Part 2 of Volume 3.

Thirty manuscript pages later, while working on Jones, Marx broke off again to write a general outline of both the “Part I” on the “production process of capital” and “Part III” on “Capital and Profit” (MECW.33: 346-47). Point 2 of the outline of “Part III” is the formation of the general rate of profit, so Marx must have had this general outline in mind when he wrote the detailed outline thirty pages earlier. But what is most remarkable about this outline is that “Part III” on “Capital and Profit” has been greatly expanded. It now includes, not only the aspects of capital in general included in the draft of a few weeks before, but also now includes all the individual forms of the distribution of surplus value that Marx had been working on over the past year, ever since his encounter with Rodbertus: equal rates of profit, rent, interest, and commercial profit. These individual forms of surplus value are at the level of analysis of *competition*, beyond capital in general. Marx’s work on these subjects over the previous year must have convinced him that they should be included in “Section 3” on “Capital and Profit”, rather than waiting for a later, separate volume on competition (which Marx no doubt realized by this time that he would probably never write). (Oakley 1983: 82-110 also emphasizes

Marx's expansion of the contents of "Capital and Profit" to include aspects of competition and the distribution of surplus value, besides capital in general.)

Dussel argues that the individual forms of surplus value explained in Volume 3 do not exhaust the analysis of competition. Many other, more concrete aspects of competition still remain to be analyzed after Volume 3 (e.g. market prices, monopoly, credit, international competition, etc.). Therefore, Dussel concludes that there are *two levels of competition* in Marx's logical structure: (1) general *abstract* competition, as in Volume 3 and (2) more *concrete* aspects of competition, which would be analyzed after Volume 3.

Dussel emphasizes the importance of this outline of Volume 3, with its radically expanded contents, definitively clarified for the first time. This outline is in a sense the *main result* of Marx's very productive exploratory work on his theory of the distribution of surplus value during the previous year.⁴ This outline is very close to the final version of Volume 3, which Marx wrote in the next two years (1864-65). Evidently, Marx's work on the *Manuscripts of 1861-63* clarified his thinking to such an extent on these issues that he was now ready to write this volume. The fact that this 1864-65 draft of Volume 3, although certainly not polished for publication, is as clear and complete as it is, is further evidence of the clarity Marx achieved while working on these 1861-63 manuscripts.

Dussel emphasizes that the main conclusion of Marx's theory of the distribution of surplus value is that all these different forms of surplus value have the same underlying source: the surplus labor of workers. These different forms of surplus value appear to bourgeois economists to have their own separate and independent sources, but this is a fetishism which necessarily results from their capitalist perspective. Marx's theory demonstrates that all these different forms of surplus value are in fact derived from the surplus labor of workers. This general conclusion was first sketched out, as we have

seen, in the section on “Revenue and its sources” in the *Manuscripts of 1861-63*, and then later elaborated more fully in the concluding Part 7 of Volume 3, with the same title.

4. Completion of the draft of Volume 1 (Notebooks XX – XXIII)

(MECW. 33: 372 - 34: 354)

After finishing with Jones, Marx returned all the way back to the draft of his theory of surplus-value of Volume 1, that he had broken off from ten months before to begin “Theories of Surplus Value”. He returned to where he had left off, to Part 4 on relative surplus value (and the different forms of relative surplus value), and then continued with Part 5 (on absolute and relative surplus value combined), Part 6 (later Part 7 on the accumulation of capital) and briefly Part 7 (later Part 8 on “primitive accumulation”). With respect to relative surplus value, Dussel emphasizes that the “technological truth” of capitalism is in the transition of the handicraft workshop to the mechanized factory, which results in the *real subsumption* of labor under capital. Not only does the worker have to work under the control of capitalists (which is *formal subsumption*), but also in the day-to-day work in the factory, the worker becomes a mere appendage to machines, and is completely dominated by the technological structure of production. In other words, living labor is really and actually dominated by dead labor.

Dussel emphasizes this same theme of the domination of dead labor over living labor in his discussion of the section on accumulation. With accumulation, domination is raised to a higher degree. With accumulation, the capital used to purchase the labor-power of the worker is itself the result of past unpaid surplus (stolen) labor. The worker is now exploited by his own past product, as the alien property of another, which is the ultimate in alienation. Past objectified alien surplus labor becomes a means of appropriating more surplus living labor. In Marx’s vivid metaphor, workers make their own “golden chains”.

5. Marx's concept of science

The last part of Dussel's book consists of two chapters which are more interpretative in nature. The first chapter ("The *Manuscripts of 1861-63* and the Philosophy of Liberation") summarizes Dussel's interpretation of Marx's concept of science, or the logical method used by Marx in the construction of his theory of capitalism. There are two main aspects of Marx's logical method that are emphasized by Dussel. The first aspect is the "critique of appearances" and the "passage to the essence", which has to do with the preliminary work that is necessary before Marx began his theory of capitalism. The "critique of appearances" is the critique of fetishism, i.e. critique of the failure to relate all the market phenomena of money and prices and income to living labor. The "passage to the essence" is the identification of living labor as the "radical starting point" of Marx's theory. The essence is living labor. Labor is the "creative source" that produces all value and surplus value. There is no other source of value and surplus value. All other economic categories of money and prices, etc. are derived, in one way or another, from living labor.

After arriving at living labor as the starting point, the second main aspect of Marx's logical method, according to Dussel, is the explanation of the market phenomena of money and prices and incomes from this starting point of living labor, i.e. the explanation of these phenomena as the "necessary forms of appearance" of living labor. Marx's theory proceeds step by logical step, deriving all the economic categories from previous categories, and ultimately from living labor, without "gaps" or "leaps" in the logic. This is what Dussel calls the "development of the concept" of living labor or the "constitution of the categories" of the concept of living labor.

An important example of Marx's logical method of the strict derivation of categories is the key category of prices of production. According to Marx's theory, prices of production depend in part on the general rate of profit. The general rate of profit, in turn, depends on the total surplus value produced in the capitalist economy as a

whole and the total capital invested. The total surplus value and the total capital invested are themselves determined in the Volume 1 analysis of capital in general, and then used, in strict logical order, to determine the general rate of profit and prices of production. In this way, the Volume 1 analysis of capital in general (the total surplus value) is a necessary “intermediate link” (as Marx often said) in the explanation of prices of production in Volume 3. Marx argued that Ricardo’s theory failed primarily because he did not follow this logical method. Instead, Ricardo simply assumed the general rate of profit as given, without providing an explanation of its determination, i.e. without providing the necessary “intermediate links”. This failure left a huge logical “gap” in Ricardo’s theory, which resulted in many other problems.

A related example of Marx’s logical method and of the insufficiency of Ricardo’s logic is the category of absolute rent. We have seen above that Marx discovered early in the *Manuscripts of 1861-63*, in his “critical confrontation” with Rodbertus, that, in order to explain absolute rent, one must first explain prices of production. This is the logical procedure Marx followed in Volume 3: prices of production are first derived in Part 2 (derived from the prior Volume 1 analysis of capital in general) and then rent, both absolute and differential rent, are derived in Part 6 on the basis of the prior Part 2 theory of prices of production. Once again, Marx argued that Ricardo failed to explain absolute rent because he had not provided the necessary “intermediate links”. In this case, Ricardo had not explained the determination of prices of production, which meant that he could not explain absolute rent.

Dussel emphasizes that Marx’s logical method of the “development of the concept” and the derivation of the necessary forms of appearance from an underlying essence (or “substance”) through dialectic logic was heavily influenced by Hegel. Dussel argues that in this respect Althusser was completely wrong – there was no “epistemological break” with Hegel between the “young Marx” and the “old Marx”. The old Marx did not reject Hegel. Rather, the old Marx remained as much Hegelian as the

young Marx, if not more so. To be sure, Dussel argues that Marx used Schelling to “invert” Hegel, as we have seen above. However, Marx’s logic in *Capital* continued to be profoundly influenced by Hegel. The basic logical structure of Marx’s theory remained essentially the same throughout the four drafts of *Capital*, from the first draft in the *Grundrisse* to the final published versions of Volume 1. There is no evidence of an “epistemological break” in these four drafts of *Capital*. Althusser of course did not have access to all these four drafts, so his mistake is perhaps understandable. But there is no such excuse for Althusserians today.

Dussel also emphasizes that *Capital* not only provides a theory of capitalism, but also provides a fundamental *ethical* critique of capitalism. Marx’s critique of capitalism is “ethical” because it challenges the prevailing morality of capitalist society. “Morality”, according to Dussel, means the whole set of ideologies that justify the existing status quo, i.e. any given economic and social system. For example, according to capitalist morality, the relation between capitalists and workers is one of free and equal exchange, to the mutual benefit of both parties. Workers receive a wage which is equal to their contribution to production and capitalists receive a profit which is equal to their contribution to production or the contribution of the machines they own. All is fair in this egalitarian world of capitalism, from the perspective of capitalist “morality”.

Marx’s theory poses a fundamental challenge to this prevailing capitalist morality. Marx’s theory shows that the workers’ wage is only a part of the value they produce and that the other part of the value they produce is appropriated by capitalists as their surplus value. The different forms of surplus-value (profit, interest, rent, etc.) appear to bourgeois economists, reflecting their capitalist perspective, to be the result of separate and independent sources. But Marx’s theory demonstrates that all these different forms of surplus value are in fact derived from the surplus labor of workers.

According to Marx’s theory, the exchange between capitalists and workers on the market, where all appears to be free and equal, is not the end of the relation between these

two economic classes; it is only the beginning of their relation. After the exchange on the market, their relation continues in the “hidden abode of production”, where workers perform surplus labor for capitalists. In other words, workers in capitalism are exploited, just like serfs in feudalism and slaves in slavery. This is the profound ethical critique provided by Marx’s theory of capitalism. Surplus value is “robbery”, “theft”, “stolen life”.

Dussel concludes this chapter by arguing that Latin American philosophy of liberation has a lot to learn from Marx, and should incorporate Marx’s critical scientific method, and should apply and extend this method to understand the necessary conditions for liberation of the poor and exploited workers in Latin American and around the world.

6. “Dependency” and Marx’s theory of the distribution of surplus value

This last chapter of Dussel’s book presents his very innovative and important theory of “dependency”, based on Marx’s theory of competition and the distribution of surplus value, which as we have seen Marx began to develop in the *Manuscripts of 1861-63*. Dussel argues that Marx’s theory in *Capital* is very abstract and far from complete (Dussel calculates that Marx was able to finish only 1/72 of his overall theoretical plan!) Therefore, we ourselves have the task of further developing Marx’s theory toward more concrete levels and toward a better understanding of contemporary capitalism. This chapter itself provides an excellent example of this kind of creative development of Marx’s theory in order to explain important aspects of contemporary capitalist reality.

Dussel argues that the “dependency” of less developed peripheral countries on more developed center countries is located within Marx’s theory at the level of *competition*, or has to do with the *distribution of surplus value*. As we have seen, this is precisely the area of Marx’s theory that he worked on and developed the most in the *Manuscripts of 1861-63*. However, Marx’s discussion remains at a very high level of abstraction, and does not consider more concrete factors, such as the international

distribution of surplus value. Dussel extends Marx's theory to this international dimension and to the crucial question of "dependency" in contemporary capitalism.

In particular, "dependency" has to do primarily with *intra-industry* competition, and the concepts of *market value*, *individual value*, *super-profits*, and *loss of profits*, which as we have seen above Marx began to develop in a "critical confrontation" with Ricardo's theory of differential rent in the *Manuscripts of 1861-63*. Intra-industry competition is competition *within a given industry* between different producers with different levels of technology and productivity. Despite these differences in productivity (and thus different individual values of the commodities produced), the given commodity tends to have a single price on the market. In this case, the price of the given commodity is determined by the *average* value of all the commodities of this kind, or what Marx called the *market value*, as opposed to the *individual* values of the commodities of each producer. For producers with above average productivity, the individual value of their commodities is less than the market value; therefore, these high productivity producers will receive a "super-profit" when the commodities are sold at their market value. Inversely, for producers with below average productivity, the individual value of their commodities is greater than the market value; therefore, these low productivity producers will suffer a loss of profit when the commodities are sold at their market value. In other words, there is a *transfer of surplus value* from low productivity producers to high productivity producers, as a result of the normal mechanism of intra-industry competition in capitalist economies.

Dussel extends Marx's theory of intra-industry competition and market value to the crucial question of "dependency". In today's global capitalist economy, the low productivity producers are in the underdeveloped peripheral countries, and the high productivity producers are in the center countries; therefore, there is a transfer of surplus value from the peripheral countries to the center countries, i.e. super-profits for the center countries and loss of profit for the peripheral countries. "The essence of dependency,"

Dussel argues, “is the transfer of surplus value from the less developed to the more developed countries.” Monopoly power of various types of the center countries will increase the surplus value transferred to the center countries; but Dussel argues that, even without monopoly power, the normal competitive mechanism of the world capitalist economy results in a transfer of surplus value from poor countries to rich countries, which of course further impoverishes the poor countries, and continues and exacerbates their problem of “dependency”.

The implications of Dussel’s theory of “dependency”, based on Marx’s theory of competition and the distribution of surplus value, are truly profound. Dussel’s theory implies that the situation of “dependency” and the transfer of surplus value from the poor countries to the rich countries will continue as long as the poor countries remain behind the rich countries in technology and productivity, which seems likely to continue for a very long time. Furthermore, Dussel’s theory suggests that the problem of dependency will not be overcome by the elimination of the various monopoly privileges of the rich countries. It also suggests that class struggle by itself within the underdeveloped countries is not enough to end the exploitation of workers. National liberation is also necessary in order to overcome the problem of “dependency”, i.e. the transfer of surplus value produced by workers in underdeveloped countries to capitalists in the advanced countries. An entirely new world economy is necessary in order to end the exploitation of workers in underdeveloped countries.

Dussel concludes again that the urgent task of Latin American philosophy of liberation is to further develop Marx’s theory and to “discover in it new possibilities *based on the people’s praxis of national liberation*, based on the ‘logic of the majorities’ (but of the majorities as subjects of the history of liberation.”

7. Conclusion

Dussel argues in this book that Marxian scholars, and Latin American philosophy of liberation in particular, have the urgent task of understanding Marx's theory better and more thoroughly, in order to be able to further develop this theory and apply it to the widespread and urgent social needs and problems of today's global capitalist economy. Marxian theory provides the best available explanation of the continuing and pervasive poverty around the world. We now have almost all of Marx's manuscripts available to us for the first time (at least in German and most of them in English translation). Dussel argues that this conjuncture marks a new era in Marxian scholarship, which he calls "Marx's second century". Dussel suggests that we should return to Marx's texts with "the enthusiasm of youth" and deepen our understanding in order to further develop Marx's theory and put it to use in the service of the liberation of Latin America and the rest of the world. The most important contributions of Marx's theory, according to Dussel, lie in the future. Marx's second century will be much better than the first.

Dussel also argues that further advances in Marxian theory are more likely to come from the underdeveloped periphery of the world capitalist economy, rather than from the advanced countries, because the need for Marxian theory is so much greater in the impoverished periphery. Critical theory, Dussel argues, follows hunger ("the desire to eat") (please note the epigraph at the beginning of this introduction).

Dussel's work itself is an excellent example of significant new developments in Marxian theory coming from the underdeveloped periphery of global capitalism. Hopefully, translations of the other two books in Dussel's trilogy on Marx's economic manuscripts will soon follow. Dussel's books are not the final word on Marx's economic manuscripts and Marx's economic theory, but they do represent a major step forward, and should stimulate much further in-depth study and discussion of all four drafts of *Capital* in Marx's economic manuscripts.

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Table 1: MARX'S MANUSCRIPTS OF 1861-63

	VOLUME 1	VOLUME 3	MECW
Aug. 1861	<i>Parts 2-4</i>		30: 9-346
Mar. 1862	TSV. 1 Smith, etc.		30: 347-31: 250
Jun. 1862		TSV. 2 Rent avg. prices	31: 250- 32: 208
Oct. 1862	TSV. 3 disintegration		32: 209-49
Nov. 1862		TSV. 3 Interest revenue	32: 449-541
		<i>Commercial profit</i>	33:9-68
Dec. 1862		Parts 1 and 3	33: 69-153
Jan. 1863		<i>commercial capital reflux of money</i>	33: 154-252
		TSV. 3: 33: 253-371 Ramsay, etc.	
		FIRST OUTLINE (out of place in TSV)	33: 299 and 346-47
Mar. 1863	<i>Parts 4-8</i>		33: 373-34: 354

italics: recently published for the first time

TSV: *Theories of Surplus-Value*

N.B.: Full draft of Volume 3 was written in the *Manuscript of 1864-65*

ENDNOTES

1. The *Manuscripts of 1861-63* were published for the first time in their entirety in German in the *Marx-Engels Gesamtausgabe*, abbreviated as MEGA, in 1876-82. The English translation was published in 1988-94 by International Publishers, as Volumes 30 to 34 of the 50-volume *Marx-Engels Collected Works*.

2.. MECW. 30: 9-346 means: *Marx-Engels Collected Works*, Volume 30, pp. 9-346. This notation will be used throughout this book.

3. TSV. 1: 97-150 means *Theories of Surplus Value*, Volume 1, pp. 97-150. This notation will be used throughout this book.

4. Unfortunately, this important outline is misplaced in *Theories of Surplus Value*, which obscures its significance. This outline is placed as an “addendum” at the end of Volume 1, after the discussion of Smith (to which it is not related) and before the encounter with Rodbertus and the year-long development of Marx’s theory of the distribution of surplus value. Therefore, the reader does not realize that this outline is located at the *end* of the *Manuscripts of 1861-63*, not at the beginning, and that it is the main result of all the work on this manuscript.

Seeing the entire *Manuscripts of 1861-63* together also puts the *Theories of Surplus-value* in an entirely new perspective. We can see much more clearly from the manuscript as a whole that Chapter 10 of the *Theories of Surplus-value* (on Rodbertus’ theory of rent) is the beginning of a long and creative exploration of the determination of the different forms and individual parts of surplus-value.