

Reading CAPITAL

Wednesday 26 June 2013, by [POST Charles](#) (Date first published: 1 May 2013).

An Introduction to the Three Volumes of Karl Marx's Capital. By Michael Heinrich (translated by Alexander Locascio). New York: Monthly Review Press, 2012, 240 pages, \$15.95 paper.

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THE GLOBAL REDISCOVERY of Marx's economic writings in the past five years should come as no surprise. The financial meltdown that heralded the beginning of a new global slump in capital accumulation struck a fatal blow to the neoliberal fantasy of continuous economic growth without bothersome business cycles or long-term recessions. After several decades of condescending dismissal by academics, media commentators and politicians on both the left and right, we have seen a "return of Marx" since 2007, as many search for an explanation of the new global capitalist crisis.

While most mainstream commentary on Marx acknowledges his prescience about capitalist instability while dismissing the substance of his analysis, a growing number of anti-capitalist radicals have attempted to grapple with Marx's actual theory of capitalist accumulation — in particular the three volumes of *Capital*.

Reading Capital is a daunting task. The most recent English translation [1] weighs in at over 2800 pages (including indexes and bibliographies), and the second and third volumes include a variety of mathematical formulae that many find intimidating.

For most, the process of studying *Capital* is facilitated with the use of a clear and succinct introduction to the three volumes. Over the years, many introductions to *Capital* have been produced. Unfortunately, most of these introductions — the most recent being David Harvey's *A Companion to Marx's Capital* [2] — discuss only the first volume. In this respect, and many others, the recent English translation of Michael Heinrich's *An Introduction to the Three Volumes of Karl Marx's Capital* is a welcome addition — concisely explicating the entire work.

Clearly, no reading or introduction to *Capital* is "innocent" — standing outside and above the debates that have raged over the text since the initial publication of the first volume in 1867. Heinrich's work stands in the tradition of the West German "new reading of Marx" (*neue Marxlektüre*). Influenced by the "state-derivationist" debates of the 1970s, the "new reading" rests on two fundamental contentions. [3]

First, they reject the "worldview Marxism," the notion shared by most theorists of both the Second and Third Internationals that historical materialism is "a comprehensive explanation of the world offering an orientation and answers to all questions." (24) Rather than a teleology which views historical development as the working out of trans-historical processes — the spread of markets or the development of the productive forces — Heinrich and his co-thinkers argue that Marx's work, in

particular *Capital*, is a theory and a critique.

On one hand, Marx explains the laws of motion of particular forms of social labor (modes of production), while viewing the transition from one form to another as historically contingent outcome of class conflict. [4]

On the other, Marx provides a critique (transcendence) of existing theories of history and capitalism, and a materialist explanation for the fetishized appearance of relations among people (capitalists and wage-workers) as relationships between things (commodities, money, profits, interest, rent, etc.) As Henry Grossman argued in 1941, Marx's goal was:

"...not to eliminate the mystifying factor and substitute another category for it, but rather to explain the necessary connection between the two and hence what is deceptive in the phenomena of value. Because capitalist reality is a dual reality, possessing both a mystifying and non-mystifying side, which are bound together in a concrete unity, any theory which reflects this reality must likewise be a unity of opposites." [5]

Marx's Unfinished Work

The second assertion of the "new reading of Marx" is that *Capital* remains a fundamentally unfinished work. Marx abandoned his original plan of 1859 for six volumes taking up capital, landed property, wage-labor, the state, foreign trade and the world market for the three (or four) extant volumes on the production of capital, circulation of capital and the structure of the process as a whole (and the history of economic theory — Theories of Surplus-Value).

For Heinrich and many in his tradition, *Capital* is a fragmented, inconsistent and flawed work whose basic categories — in particular the theory of value — cannot be used for the purpose of empirical, quantitative analysis. [6]

Heinrich's rejection of "worldview Marxism" produces some of the most insightful elements of *An Introduction to the Three Volumes*. His discussion of Value, Labor, Money in Chapter 3 is among the most lucid and accessible discussions of what I have always found to be the most impenetrable parts of *Capital* — Part I of the first volume on Commodities and Money.

Put off by the Hegelian language of this section — with the exception of the discussion of commodity fetishism — I was open to arguments by the French philosopher Althusser that this section had little or no scientific value or relationship to the rest of Marx's argument in *Capital*.

Heinrich effectively elucidates Marx's argument and demonstrates its centrality. The "dual character" of the commodity — as both a concrete use-value and as abstract exchange-value — and the resulting commodity fetishism, where relations between laboring individuals appear as relationships between commodity-things, is actually fundamental to the entirety of Marx's analysis.

In Chapters 4 through 10, Heinrich weaves the contradictions of the "dual character" of the commodity and its resultant fetishism of all social relations under capitalism into a lucid explication of the rest of the three volumes of *Capital*. His summaries of Marx's discussions of the capitalist labor-process and the production of surplus-value, and of the accumulation process that gives rise to concentration and centralization of capital and the reproduction of a reserve army of labor, are lucid and succinct.

Heinrich does an equally thorough job summarizing Marx's complex discussions in *Capital* Volume II

of the circuits of capital and the reproduction schemas, demonstrating how capitalist accumulation creates sufficient demand for both means of production and means of consumption. The presentations of key themes in the third volume — the formation of the average rate of profit, the tendency of the rate of profit to fall, the development of financial forms (interest, credit and “fictitious capital”), and the resulting fetishism of social relations are also compelling.

His discussions of finance capital, which roots its development in capitalist production (the “real economy”) is a welcome alternative to many “Marxist” discussions of finance that view credit, interest and “fictitious capital” as autonomous sources of the accumulation of profits under capitalism.

Heinrich’s attempts to extend (or in his view “complete”) Marx’s discussion in *Capital* to the analysis of the capitalist state, imperialism and the world are also provocative. Drawing on the work of the “state-derivationists,” he argues that the state is not an institution “external” to capitalism, but a fetishized form of the capital-labor relation.

Because both capital and labor are reproduced through market competition — through the operation of the law of value — there is a formal separation of the political and economic under capitalism. However, the state’s “independence” from the economy — its “neutrality” in regard to the citizenry — is a necessary illusion:

“(I)t is precisely by means of this neutrality that the state secures the foundation of capitalist relations of domination and exploitation. The defense of property implies that those who possess no relevant property beyond their labor-power must sell their labor-power. To be able to appropriate their means of subsistence, they must submit to capital. This makes the capitalist process of production possible and reproduces in turn the class relations that are its preconditions.” (205)

At some points, Heinrich falls into functionalist arguments about the welfare state — seeing the state as intervening to ensure a supply of healthy and educated workers — tending to downplay the role of workers’ struggles historically to compel capital and the state to socialize aspects of the reproduction of labor-power. However, his discussion of the growth of the world-market and imperialism pin-points key weaknesses of Lenin’s discussion, [7] and argues that the development of the world-economy is immanent to capitalist production and accumulation.

Heinrich concludes with a brief discussion of “Communism” in Marx, which clearly did not equate the simple destruction of capitalism (stratification of economy, planning) with a society that has moved beyond commodities, capital and the state.

Are Crises Inevitable?

Unfortunately, the second element of the “new reading of Marx” — the notions that *Capital* is essentially incomplete and that value categories cannot be used for concrete economic analysis — leads Heinrich to reject a key element of Marx’s analysis.

For Marx, the process of real capitalist competition is fought with the “artillery of fixed capital” — the introduction of new and more complex objects and instruments of production that progressively displace labor in the capitalist production process.

This increasing capitalization of production — the rising organic composition of capital — leads to a tendency for the rate of profit to fall, as living labor-power is the sole source of surplus-values and profits. The tendency of the rate of profit to fall, although mitigated by counter-tendencies, leads

inevitably to economic crises.

Heinrich rejects this argument, attempting to logically demonstrate that various counter-tendencies, in particular the cheapening of capital goods, make the fall in the rate of profit only possible, rather than necessary. Heinrich's rejection of attempts to empirically concretize Marxian value categories leads to a rather confusing account of capitalism's crisis tendencies, alternately rejecting and embracing elements of theories of disproportionality and under-consumptionism. [8]

While it may be logically possible for counter-tendencies like the cheapening of capital-goods to permanently counteract the falling rate of profit, there is no necessity for that to occur practically. Henryk Grossman addressed this in his notes responding to a review of his *The Law of Accumulation and Breakdown* (London: Pluto Press, 1992).

"The question arises, how do things develop in reality? Is the pace of these two counter-posed movements, growth in mass and decline in value, equal so that they paralyse each other? Or does the movement of one or the other predominate?"

"The question cannot be abstractly, deductively decided and has to be decided through empirical observation." [9]

Heinrich ignores the rich empirical work of Marxist economists, in particular that of Anwar Shaikh, in translating bourgeois national income accounts data into Marxian value categories. [10] Shaikh and others have demonstrated, quite conclusively in my opinion, that the rising organic composition of capital does in fact result in a long-term tendency for profit rates to fall, in both periods of capitalist expansion and stagnation.

When the falling rate of profit leads to stagnation in the mass of profit — the total surplus-value produced — capitalist accumulation slows and long periods of economic stagnation begin.

Despite these shortcomings, Heinrich's *Introduction to the Three Volumes* is an excellent companion for anyone beginning the process of exploring Marx's *Capital*. Its clarity, rigor and commitments to value theory and the critique of fetishized capitalist social relations make this vastly superior to most other companion volumes to *Capital*.

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P.S.

* From Against the Current n° 164, May/June 2013.

Footnotes

[1] *Capital*, I (Harmondsworth, UK: Penguin Books, 1976), translated by Ben Fowkes; *Capital*, II (Harmondsworth, UK: Penguin Books, 1978), translated by David Fernbach; *Capital*, III (Harmondsworth, UK: Penguin Books, 1981), translated by David Fernbach.

[2] (London: Verso Books, 2010). Harvey's video series on *Capital* has moved onto Volume II [<http://davidharvey.org/reading-capital/>].

[3] The key texts in the “state-derivationist” debate were collected in J. Holloway and S. Picciotto (eds.), *State and Capital: A Marxist Debate* (London: Edward Arnold, 1978). A useful historical account of the debate is E. Altaver and J. Hoffman, “The West German State Derivationist Debate: The Relation Between Economy and Politics as a Problem of Marxist State Theory,” *Social Text*, 24 (1990), 134-155.

[4] In this respect, the “new reading of Marx” is quite similar to that of the “political Marxists,” in particular Ellen Meiksins-Wood, *Democracy Against Capitalism: Renewing Historical Materialism* (New York: Cambridge University Press, 1995); and the later writing of Daniel Ben-Said, *Marx for Our Times: The Adventures and Misadventures of a Critique* (London: Verso Books, 2002).

[5] “Marx, Classical Political Economy and the Problem of Dynamics,” as cited in R. Kuhn, *Henryk Grossman and the Recovery of Marxism* (Chicago: University of Illinois Press, 2007), 188.

[6] Kuhn, “Introduction to Grossman’s ‘The Change of Marx’s Original Plan for Capital,’” 11-13, Unpublished typescript, 2012. For arguments that Capital was essentially complete, see H. Grossman, “The Change of Marx’s Original Plan for Capital,” (originally published in German in 1929, translation by G. McCormack, edited and annotated by R. Kuhn, 2012; submitted to *Historical Materialism*); R. Rosdolsky, *The Making of Marx’s Capital* (London: Pluto Press, 1980), Chapter 2.

[7] In my opinion, all the features that Lenin identifies as defining the imperialist “stage” of capitalism — monopolies, fusion of banks and industry, colonization and exports of capital from the global north to south — are subject to empirical challenge. See M. Kidron, “Imperialism - Highest Stage but One,” *International Socialism Journal*, 9/First Series (Summer 1962) [<http://www.marxists.org/archive/kidron/works/1962/xx/imperial.htm>].

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[8] For a very basic discussion of various crisis theories, see my “Exploring the Roots of the Crisis” *Against the Current*, 141 (July-August 2009) [<http://www.solidarity-us.org/site/node/2261>]. For a more rigorous account, see A. Shaikh, “An Introduction to the History of Crisis Theories,” in *Economics Education Project* (eds.), *U.S. Capitalism in Crisis* (New York: Union of Radical Political Economy, 1978), 219-241 [<https://docs.google.com/file/d/0BxvNb6ewL7kOYXBISHBTLUZvekU/edit?pli=1>].

[9] “Notes on Helen Bauer’s Review” (1930) [<http://www.marxists.org/archive/grossman/1929/breakdown/hbauer.htm>].

[10] See all of the Shaikh’s publication at <https://sites.google.com/a/newschool.edu/anwar-shaikh/publications>; and in particular, A. Shaikh and E. A. Tonak, *Measuring the Wealth of Nations: The Political Economy of National Accounts* (New York: Cambridge University Press, 1994).