Das Kapital.

Kritik der politischen Oekonomie.

Von

Karl Marx.

Dritter Band, erster Theil.

Buch III:
Der Gesammtprocess der kapitalistischen Produktion.
Kapitel I bis XXVIII.

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CAPITAL

A Critique of Political Economy

by KARL MARX

VOLUME III

THE PROCESS OF

CAPITALIST PRODUCTION AS A WHOLE

EDITED BY
FREDERICK ENGELS

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PUBLISHER'S NOTE

The third volume of *Capital* was prepared for the printer by Frederick Engels and published in 1894, after the death of Karl Marx.

The present edition follows the German edition of 1894, as corrected in the English edition issued by Progress Publishers, Moscow, in 1966. Marx's original manuscript preserved at the Institute of Marxism-Leninism in Moscow was carefully checked. The misprints and errors in figures and bibliographical data discovered in the 1894 edition were corrected. All quotations from English and American authors were checked with the original sources.

The editors made extensive use of the English translation of the third volume of *Capital*, published by Charles H. Kerr & Co., Chicago, 1909.

Included are the Preface by Engels to Volume III and his Supplement, which is given in the Appendix. In addition to the Index of Authorities, a Name Index and a Subject Index have been provided.

All references to, and quotations from, the English text of the first and second volumes of *Capital* refer to: Karl Marx, *Capital*, International Publishers, New York, 1967.

of information which we possess" clearly showed that the mass of notes, which the Bank can thus manufacture (and which the issue department transfers to the banking department)—that this circulation between the two departments of the Bank of England, fluctuating with the fluctuations of the gold reserve, does not determine the fluctuations in the circulation of bank-notes outside the Bank of England, then the latter—the real circulation—becomes a matter of indifference to the bank administration, and the circulation between the two departments of the Bank, whose difference from the real circulation is mirrored in the reserve, alone becomes decisive. To the outside world this internal circulation is significant only because the reserve indicates how close the Bank is approaching the legal maximum of its note issue, and how much its clients can still receive from the banking department.

The following is a brilliant example of Overstone's *mala fides*: "4243. Does the quantity of capital, do you think, oscillate from month to month to such a degree as to alter its value in the way exhibited of late years in the oscillations in the rate of discount?—The relation between the demand and the supply of capital may undoubtedly fluctuate, even within short periods.... If France tomorrow put out a notice that she wishes to borrow a very large loan, there is no doubt that it would immediately cause a great alteration *in the value of money*, that is to say, *in the value of capital*, in this country."

"4245. If France announces, that she wants suddenly, for any purpose, 30 million's worth of commodities there will be a great demand for *capital*, to use the more scientific and the simpler term."

"4246. The *capital*, which France would wish to buy with her loan, is *one* thing, and the *money* with which she buys it is *another*, is it the *money*, which alters in value, or not?—We seem to be reviving the old question, which I think is more fit for the chamber of a student than for this committee room."—And with this he retires, but not into the chamber of a student.[84]

[84] More on Overstone's confusion of terms in matters concerning capital at the close of Chapter XXXII.—[*F.E.*]

CHAPTER XXVII

THE ROLE OF CREDIT IN CAPITALIST PRODUCTION

The general remarks, which the credit system so far elicited from us, were the following:

I. Its necessary development to effect the equalisation of the rate of profit, or the movements of this equalisation, upon which the entire capitalist production rests.

II. Reduction of the costs of circulation.

1) One of the principal costs of circulation is money itself, being value in itself. It is economised through credit in three ways.

A. By dropping away entirely in a great many transactions.

B. By the accelerated circulation of the circulating medium.[85] This corresponds in part with what is to be said under 2). On the one hand, the acceleration is technical; i.e., with the same magni-

[85] "The average of notes in circulation during the year was, in 1812, 106,538,000 francs; in 1818, 101,205,000 francs; whereas the movement of the currency, or the annual aggregate of disbursements and receipts upon all accounts, was, in 1812, 2,837,712,000 francs; in 1818, 9,665,030,000 francs. The activity of the currency in France, therefore, during the year 1818, as compared with its activity in 1812, was in the proportion of three to one. The great regulator of the velocity of circulation is credit.... This explains, why a severe pressure upon the money-market is generally coincident with a full circulation." (*The Currency Theory Reviewed, etc.*, p. 65.)—"Between September 1833 and September 1843 nearly 300 banks were added to the various issuers of notes throughout the United Kingdom; the result was a reduction in the circulation to the extent of two million and a half; it was £36,035,244 at the close of September 1833, and £33,518,554 at the close of September 1843." (L. c., p. 53.)—"The prodigious activity of Scottish circulation enables it, with £100, to effect the same quantity of monetary transactions, which in England it requires £420 to accomplish." (L. c., p. 55. This last refers only to the technical side of the operation.)

tude and number of actual turnovers of commodities for consumption, a smaller quantity of money or money tokens performs the same service. This is bound up with the technique of banking. On the other hand, credit accelerates the velocity of the metamorphoses of commodities and thereby the velocity of money circulation.

C. Substitution of paper for gold money.

2) Acceleration, by means of credit, of the individual phases of circulation or of the metamorphosis of commodities, later the metamorphosis of capital, and with it an acceleration of the process of reproduction in general. (On the other hand, credit helps to keep the acts of buying and selling longer apart and serves thereby as a basis for speculation.) Contraction of reserve funds, which may be viewed in two ways: as a reduction of the circulating medium, on the one hand, and, on the other, as a reduction of that part of capital which must always exist in the form of money.[86]

III. Formation of stock companies. Thereby:

1) An enormous expansion of the scale of production and of enterprises, that was impossible for individual capitals. At the same time, enterprises that were formerly government enterprises, become public.

2) The capital, which in itself rests on a social mode of production and presupposes a social concentration of means of production and labour-power, is here directly endowed with the form of social capital (capital of directly associated individuals) as distinct from private capital, and its undertakings assume the form of social undertakings as distinct from private undertakings. It is the abolition of capital as private property within the framework of capitalist production itself.

3) Transformation of the actually functioning capitalist into a mere manager, administrator of other people's capital, and of the owner of capital into a mere owner, a mere money-capitalist. Even if the dividends which they receive include the interest and the profit of enterprise, i.e., the total profit (for the salary of the manager is, or should be, simply the wage of a specific type of skilled labour, whose price is regulated in the labour-market like that of any other labour), this total profit is henceforth received only in the form of interest, i.e., as mere compensation for owning capital that now is entirely divorced from the function in the actual process of reproduction, just as this function in the person of the manager is divorced from ownership of capital. Profit thus appears (no longer only that portion of it, the interest, which derives its justification from the profit of the borrower) as a mere appropriation of the surplus-labour of others, arising from the conversion of means of production into capital, i.e., from their alienation vis-à-vis the actual producer, from their antithesis as another's property to every individual actually at work in production, from manager down to the last day-labourer. In stock companies the function is divorced from capital ownership, hence also labour is entirely divorced from ownership of means of production and surplus-labour. This result of the ultimate development of capitalist production is a necessary transitional phase towards the reconversion of capital into the property of producers, although no longer as the private property of the individual producers, but rather as the property of associated producers, as outright social property. On the other hand, the stock company is a transition toward the conversion of all functions in the reproduction process which still remain linked with capitalist property, into mere functions of associated producers, into social functions.

Before we go any further, there is still the following economically important fact to be noted: Since profit here assumes the pure form of interest, undertakings of this sort are still possible if they yield bare interest, and this is one of the causes, stemming the fall of the general rate of profit, since such undertakings, in which the ratio of constant capital to the variable is so enormous, do not necessarily enter into the equalisation of the general rate of profit.

[Since Marx wrote the above, new forms of industrial enterprises have developed, as we know, representing the second and third degree of stock companies. The daily growing speed with which production may be enlarged in all fields of large-scale industry today, is offset by the ever-greater slowness with which the market for these increased products expands. What the former turns out in months, can scarcely be absorbed by the latter in years. Add to this the protective tariff policy, by which every industrial country shuts itself off from all others, particularly from England, and also artificially increases domestic production capacity. The results are a general chronic over-production, depressed prices, falling and even wholly disappearing profits; in short, the old boasted freedom of competition has reached the end of its tether and must itself announce its obvious, scandalous

[86] "Before the establishment of the banks ... the amount of capital withdrawn for the purposes of currency was greater, at all times, than the actual circulation of commodities required." (*Economist*, 1845, p. 238.)

bankruptcy. And in every country this is taking place through the big industrialists of a certain branch joining in a cartel for the regulation of production. A committee fixes the quantity to be produced by each establishment and is the final authority for distributing the incoming orders. Occasionally even international cartels were established, as between the English and German iron industries. But even this form of association in production did not suffice. The antagonism of interests between the individual firms broke through it only too often, restoring competition. This led in some branches, where the scale of production permitted, to the concentration of the entire production of that branch of industry in one big joint-stock company under single management. This has been repeatedly effected in America; in Europe the biggest example so far is the United Alkali Trust, which has brought all British alkali production into the hands of a single business firm. The former owners of the more than thirty individual plants have received shares for the appraised value of their entire establishments, totalling about £5 million, which represent the fixed capital of the trust. The technical management remains in the same hands as before, but business control is concentrated in the hands of the general management. The floating capital, totalling about £1 million, was offered to the public for subscription. The total capital is, therefore, £6 million. Thus, in this branch, which forms the basis of the whole chemical industry, competition has been replaced by monopoly in England, and the road has been paved, most gratifyingly, for future expropriation by the whole of society, the nation.—*F.E.*]

This is the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-dissolving contradiction, which *prima facie* represents a mere phase of transition to a new form of production. It manifests itself as such a contradiction in its effects. It establishes a monopoly in certain spheres and thereby requires state interference. It reproduces a new financial aristocracy, a new variety of parasites in the shape of promoters, speculators and simply nominal directors; a whole system of swindling and cheating by means of corporation promotion, stock issuance, and stock speculation. It is private production without the control of private property.

IV. Aside from the stock-company business, which represents the abolition of capitalist private industry on the basis of the capitalist system itself and destroys private industry as it expands and invades new spheres of production, credit offers to the individual capitalist, or to one who is regarded a capitalist, absolute control within certain limits over the capital and property of others, and thereby over the labour of others.[87] The control over social capital, not the individual capital of his own, gives him control of social labour. The capital itself, which a man really owns or is supposed to own in the opinion of the public, becomes purely a basis for the superstructure of credit. This is particularly true of wholesale commerce, through which the greatest portion of the social product passes. All standards of measurement, all excuses more or less still justified under capitalist production, disappear here. What the speculating wholesale merchant risks is social property, not *his own*. Equally sordid becomes the phrase relating the origin of capital to savings, for what he demands is that *others* should save for him. [Just as all France recently saved up one and a half billion francs for the Panama Canal swindlers. In fact, a description of the entire Panama swindle is here correctly anticipated, fully twenty years before it occurred.—*F. E.*] The other phrase concerning abstention is squarely refuted by his luxury, which is now itself a means of credit. Conceptions which have some meaning on a less developed stage of capitalist production, become quite meaningless here. Success and failure both lead here to a centralisation of capital, and thus to expropriation on the most enormous scale. Expropriation extends here from the direct producers to the smaller and the medium-sized capitalists themselves. It is the point of departure for the capitalist mode of production; its accomplishment is the goal of this production. In the last instance, it aims at the expropriation of the means of production from all individuals. With the development of social production the means of production cease to be means of private production and products of private production,

[87] See, for instance, in the *Times* the list of business bankruptcies in a crisis year such as 1857 and compare the private property of those bankrupt with the amount of their debts. "The truth is that the power of purchase by persons having capital and credit is much beyond anything that those who are unacquainted practically with speculative markets have any idea of." (Tooke, *Inquiry into the Currency Principle*, p. 79.) "A person having the reputation of capital enough for his regular business, and enjoying good credit in his trade, if he takes a sanguine view of the prospect of a rise of price of the article in which he deals, and is favoured by circumstances in the outset and progress of his speculation, may effect purchases to an extent perfectly enormous compared with his capital" (*ibid.*, p. 136). "Merchants, manufacturers, etc., carry on operations much beyond those which the use of their own capital alone would enable them to do.... Capital is rather the foundation upon which a good credit is built than the limit of the transactions of any commercial establishment." (*Economist*, 1847, p. 333.)

and can thereafter be only means of production in the hands of associated producers, i.e., the latter's social property, much as they are their social products. However, this expropriation appears within the capitalist system in a contradictory form, as appropriation of social property by a few; and credit lends the latter more and more the aspect of pure adventurers. Since property here exists in the form of stock, its movement and transfer become purely a result of gambling on the stock exchange, where the little fish are swallowed by the sharks and the lambs by the stock-exchange wolves. There is antagonism against the old form in the stock companies, in which social means of production appear as private property; but the conversion to the form of stock still remains ensnared in the trammels of capitalism; hence, instead of overcoming the antithesis between the character of wealth as social and as private wealth, the stock companies merely develop it in a new form.

The co-operative factories of the labourers themselves represent within the old form the first sprouts of the new, although they naturally reproduce, and must reproduce, everywhere in their actual organisation all the shortcomings of the prevailing system. But the antithesis between capital and labour is overcome within them, if at first only by way of making the associated labourers into their own capitalist, i.e., by enabling them to use the means of production for the employment of their own labour. They show how a new mode of production naturally grows out of an old one, when the development of the material forces of production and of the corresponding forms of social production have reached a particular stage. Without the factory system arising out of the capitalist mode of production there could have been no co-operative factories. Nor could these have developed without the credit system arising out of the same mode of production. The credit system is not only the principal basis for the gradual transformation of capitalist private enterprises into capitalist stock companies, but equally offers the means for the gradual extension of co-operative enterprises on a more or less national scale. The capitalist stock companies, as much as the co-operative factories, should be considered as transitional forms from the capitalist mode of production to the associated one, with the only distinction that the antagonism is resolved negatively in the one and positively in the other.

So far we have considered the development of the credit system —and the implicit latent abolition of capitalist property—mainly with reference to industrial capital. In the following chapters we

shall consider credit with reference to interest-bearing capital as such, and to its effect on this capital, and the form it thereby assumes; and there are generally a few more specifically economic remarks still to be made.

But first this:

The credit system appears as the main lever of over-production and over-speculation in commerce solely because the reproduction process, which is elastic by nature, is here forced to its extreme limits, and is so forced because a large part of the social capital is employed by people who do not own it and who consequently tackle things quite differently than the owner, who anxiously weighs the limitations of his private capital in so far as he handles it himself. This simply demonstrates the fact that the self-expansion of capital based on the contradictory nature of capitalist production permits an actual free development only up to a certain point, so that in fact it constitutes an immanent fetter and barrier to production, which are continually broken through by the credit system.[88] Hence, the credit system accelerates the material development of the productive forces and the establishment of the world-market. It is the historical mission of the capitalist system of production to raise these material foundations of the new mode of production to a certain degree of perfection. At the same time credit accelerates the violent eruptions of this contradiction—crises—and thereby the elements of disintegration of the old mode of production.

The two characteristics immanent in the credit system are, on the one hand, to develop the incentive of capitalist production, enrichment through exploitation of the labour of others, to the purest and most colossal form of gambling and swindling, and to reduce more and more the number of the few who exploit the social wealth; on the other hand, to constitute the form of transition to a new mode of production. It is this ambiguous nature, which endows the principal spokesmen of credit from Law to Isaac Pereire with the pleasant character mixture of swindler and prophet.

[88] Th. Chalmers [*On Political Economy, etc.*, Glasgow, 1832.—*Ed.*].