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The Development of Marx’s Theory of the Distribution of Surplus-Value in the Manuscripts of 1861–63

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I have argued in several recent papers (Moseley, 1993, 2000, 2002) that Marx’s theory of surplus-value is structured in terms of two basic levels of abstraction: (1) the production of surplus-value, in which the total amount of surplus-value in the economy as a whole is determined; and (2) the distribution of surplus-value, in which the predetermined total amount of surplus-value is divided into individual parts (equal rates of profit, commercial profit, interest and rent). In the theory of the distribution of surplus-value, the total amount of surplus-value to be distributed is taken as given, as already determined by the prior theory of the production of surplus-value. This key quantitative premise is repeated many times in all the drafts of Capital, especially in the drafts of Volume III of Capital in the Manuscript of 1861–63 and the Manuscript of 1864–65. Other authors who have also emphasized the prior determination of the total surplus-value in Marx’s theory of the distribution of surplus-value include Paul Mattick, David Yaffe and Duncan Foley.

I have also argued further that this distinction between the production of surplus-value and the distribution of surplus-value is closely related to the two basic levels of abstraction in Marx’s theory: Capital in General and Competition (see Moseley, 1995, 2007). The production of surplus-value (or the determination of the total surplus-value) is the main question addressed at the level of abstraction of capital in general. Other questions addressed at the level of abstraction of capital in general are the circulation of capital and ‘capital and profit’ (including the falling rate of profit). The distribution of surplus-value (or the division of the total surplus-value into individual parts) is the main question addressed at the level of abstraction of competition. Another question addressed at the level of abstraction of competition is ‘revenue and its sources’, or the critique of vulgar political economy’s explanation of the phenomena of competition. Therefore, the basic logical structure of Marx’s theory in Capital is as follows:

I. Capital in General
   1. Production of surplus-value (Volume 1 of Capital)
      absolute surplus-value
      relative surplus-value
      accumulation
   2. Circulation of capital (Volume 2)
      the circuits of capital
      the turnover of capital
      the reproduction of the total social capital

   3. Capital and profit (Parts 1 and 3 of Volume 3)
      cost price and profit
      the falling rate of profit

II. Competition, or the distribution of surplus-value
   1. Equal rates of profit (Part 2 of Volume 3)
   2. Commercial profit (Part 4 of Volume 3)
   3. Interest (Part 5 of Volume 3)
   4. Rent (Part 6 of Volume 3)
   5. Revenue and its sources (Part 7 of Volume 3)

The Grundrisse is almost entirely at the level of abstraction of capital in general, and is divided into the three sections: the production process of capital, the circulation process of capital, and a brief section on capital and profit. In addition, there are a few brief discussions of the equalization of profit rates across industries, an aspect of the distribution of surplus-value, and a subject which Marx repeatedly stated ‘does not belong here’ (that is, does not belong in the section on capital in general), but instead belongs in ‘the later investigation of competition’ (Marx, 1857–58, pp. 435–36, 669, 684, 758–63, 767). Marx also clearly stated in these brief discussions that the total surplus-value is determined prior to its distribution, and specifically prior to the equalization of profit rates. For example:

The total surplus-value, as well as the total profit, which is only the surplus value itself, computed differently, can neither grow nor decrease through this operation [the equalization of profit rates], ever; what is modified thereby is
not it, but only its distribution among the different capitals. However, this examination belongs only with that of the many capitals [that is, competition], it does not yet belong here [that is, in the analysis of capital in general]. (Marx, 1857–58, p. 760)¹

Therefore, while Marx left the elaboration of his theory of the equalization of the profit rate to the subsequent analysis of competition, he was already clear by the end of the Grundrisse that this theory would be based on the fundamental premise that the total amount of surplus-value is determined prior to its distribution, and prior to the equalization of profit rates. This key premise continued to be the basis for all of Marx’s subsequent work on his theory of the distribution of surplus-value, and equal rates of profit in particular.

The recent publication of the Manuscript of 1861–63 sheds new light on the development of Marx’s theory of the distribution of surplus-value, which was eventually published in Volume III of Capital. The Manuscript of 1861–63 is the second draft of Capital, and is the manuscript in which Marx developed for the first time his theory of the distribution of the total surplus-value into individual parts that would later be presented in Volume III of Capital. About two-thirds of the Manuscript of 1861–63 is what we know as the Theories of Surplus-Value, much of which is about the distribution of surplus-value. The other third of the manuscript has been published for the first time in the new MEGA edition, and includes a second draft of Volume I of Capital, and what is most relevant to this chapter, about 250 pages on the individual parts of surplus-value that would later be included in Volume III.² See the Appendix for an overview of the order of the subjects discussed in the Manuscript of 1861–63.

This chapter reviews Marx’s development of his theory of the distribution of surplus-value in the Manuscript of 1861–63. Emphasis will be given to the key quantitative premise mentioned above—that, in Marx’s theory of the distribution of surplus-value, the total amount of surplus-value is determined prior to its division into individual parts.

The second draft of Capital, Volume I, parts 2–4 (Marx and Engels, 1988, pp. 9–346)

The Manuscript of 1861–63 also begins at the level of abstraction of capital in general, with the second draft of Marx’s theory of the production of surplus-value, which later became parts 2–4 of Volume I of Capital. This second draft of the theory of the production of surplus-value is very interesting, and is much more clearly developed than the rough and exploratory first draft in the Grundrisse. This draft also contains more methodological comments than the ‘popularized’ final versions of Volume I. By this time, Marx had a very clear idea of the overall logical structure of Volume I (since 1859, at least; see the outline in Marx and Engels, 1987, pp. 511–17), and he was able to write these chapters in close-to-final form.

There is an interesting and relevant point in this second draft of Volume I, in the section that later became chapter 5 (‘Contradictions in the General Formula of Capital’). Marx briefly discusses merchant capital and interest-bearing capital, which receive profit and interest, even though they are employed solely in the sphere of circulation, which appears to contradict the law that no value is created in exchange. Marx notes that these two forms of capital

‘DO NOT COME INTO CONSIDERATION HERE AT ALL, FOR WE ARE DEALING WITH CAPITAL AS SUCH [THAT IS, CAPITAL IN GENERAL], BUT RATHER MUST BE DEVELOPED LATER AS DERIVED, SECONDARY FORMS OF CAPITAL’ (Marx and Engels, 1988, pp. 31–2).

The reason why merchant capital and interest-bearing capital cannot be considered here is that merchant profit and interest are individual parts of the total surplus-value, and the total amount of surplus-value must first be determined (at the level of abstraction of capital in general in Volume I). With respect to interest specifically, Marx states that the magnitude of interest is related to the distribution of surplus-value, which presupposes the total amount of surplus-value:

Similarly, interest appears then merely as a particular form and branch of surplus-value, just as the latter divides later on into different forms, which constitute different kinds of revenue, such as profit, rent, interest. All questions about the magnitude of interest, etc. therefore appear as questions of the distribution of surplus value between different sorts of capitalists. The existence of surplus value as such is presupposed here. (Marx and Engels, 1988, pp. 31–2)

Therefore, Marx continued to have in mind the key quantitative premise of the determination of the total surplus-value prior to its division into individual
parts as he started the Manuscript of 1861–63. Marx made the same point about merchant profit and interest in the final version of chapter 5 of Volume I, thereby indicating that Marx's logical method of first determining the total surplus-value and then determining the individual parts of surplus-value, with the total surplus-value presupposed, remained the same in the final draft of Capital as in the earlier drafts.

Theories of Surplus-Value (Marx and Engels, 1988, pp. 347 – 1989b, p. 541)

While working on part 4 of Volume I on relative surplus-value Marx broke off and began to write in a new notebook (Notebook VI), which he entitled 'Theories of Surplus-Value'. It appears that 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 his work earlier in the Contribution to a Critique of Political Economy for theories of value and theories of money. In any case, Marx's work on the 'Theories of Surplus-Value' soon greatly expanded into many new topics related to the distribution of surplus-value (not just the production of surplus-value) and thus belong to the level of abstraction of competition, not capital in general. Table 8.1 at the end of this paper presents a chronological overview of how Marx's work on these manuscripts expanded in the following months beyond the production of surplus-value and the level of abstraction of capital in general to the distribution of surplus-value and the level of abstraction of competition.

Marx first wrote what we know as Volume I of Theories of Surplus-Value, which is mainly about Smith's theory of value and surplus-value, and the concepts of productive and unproductive labour. In a digression in this part of the manuscript on J. S. Mill and the question of the effect of a change in the magnitude of constant capital on the magnitude of surplus-value, Marx clearly stated the determination of the total surplus-value prior to profit and the rate of profit (the total surplus-value is the 'presupposition'):

When we speak about profit and the rate of profit, then surplus-value is supposed to be given. The influences therefore which determine surplus-value have all operated.

3 A very important discovery in this section on Smith was the development for the first time of the 'schemes of reproduction' in order to criticize what Marx called 'Smith's dogma', according to which the total value of the total commodity product in the economy as a whole consists only of wages and profit (and rent for agricultural goods) without any component for constant capital (Marx and Engels, 1988, pp. 411–51; Marx, 1861–63a, ch. 3, sect. 10). The use of the reproduction schemes to criticize 'Smith's dogma' later became part 3 of Volume II of Capital. See Moseley (1998) for a further discussion of this purpose of Marx's reproduction schemes.
Engels, 1989a, p. 264; Marx, 1861–63b, p. 29). The total magnitude of this 'loot' has already been determined by the prior analysis of the production of surplus-value.

Rent is then explained as a further application of this theory of the general rate of profit and prices of production. Rent is a part of the total surplus-value which landlords are able, by their monopoly of the land (and other natural resources), to appropriate for themselves, rather than this surplus-value being distributed among all capitalists. In this theory of rent, the total amount of surplus-value is again taken as a given magnitude, as determined by the prior analysis of the production of surplus-value. This total amount of surplus-value is 'split' into profit and rent, and rent does not enter into the equalization of profit rates across industries. If rent increases, then profit will decrease, and vice versa, because the total surplus value is given.

It is obvious that when a given surplus value is divided between capitalist and landowner, then the larger the share of one, the smaller will be that of the other, and vice versa (Marx and Engels, 1989a, p. 308; Marx, 1861–63b, p. 74).

One of the main conclusions of Marx's discussion of Rodbertus's theory of rent is that both Rodbertus and Ricardo made the mistake, following Smith, of assuming that the cost prices (or prices of production) of individual commodities are equal to their values (that is, 'identifying cost prices and values'), and this false assumption led to their erroneous theories of rent. Therefore, Marx next discussed 'Ricardo's and Smith's Theory of Cost Price' (Marx and Engels, 1989a, pp. 387–456; Marx, 1861–63b, ch. 10). In this section, Marx argued that Ricardo was not able to provide a satisfactory theory of cost prices (or prices of production), because he failed to follow the correct logical method with respect to the production and distribution of surplus-value. Instead of first determining the total amount of surplus-value and the general rate of profit, and then determining cost prices on the basis of this predetermined general rate of profit, Ricardo simply assumed a given rate of profit without explaining its determination and examined the extent to which the assumption of equal profit rates was consistent with the determination of prices by labour-times. To quote this important methodological criticism at some length:

Ricardo's method is as follows: He begins with the determination of the magnitude of the value of the commodity by labor-time and then examines whether the other economic relations and categories contradict this determination of value or to what extent they modify it. The historical justification of this method of procedure, its scientific necessity in the history of economics, are evident at first sight, but so too is, at the same time, its scientific inadequacy. This inadequacy not only shows itself in the method of presentation (in a formal sense) but leads to erroneous results because it omits some essential links and directly seeks to prove the congruity of the economic categories with one another. (Marx and Engels, 1989a, p. 390; Marx, 1861–63b, pp. 164–65)

Instead of postulating this general rate of profit, Ricardo should have examined how far its existence is consistent with the determination of value by labor-time and he would have found that instead of being consistent with it, prima facie, it contradicts it, and that its existence would therefore have to be explained through a number of intermediary stages, a procedure very different from merely including it under the law of value. He would then have gained an altogether different insight into the nature of profit and would not have identified it directly with surplus-value. (Marx and Engels, 1989a, p. 401; Marx, 1861–63b, p. 174)

The most important 'essential link' or 'intermediary stage' omitted by Ricardo is the prior determination of the total amount of surplus-value and the general rate of profit, which is then taken as given in the subsequent determination of cost prices. Marx summarized his discussion of Ricardo's faulty logical method in the following important passage:

The equalization of the surplus-values in the different trades does not affect the absolute size of this total surplus-value; but merely alters it distribution among the different trades. The determination of this surplus-value itself, however, only arises out of the determination of value by labor-time. Without this, the average profit is the average of nothing, pure fancy. And it could then equally well be 1,000% or 10% ... One can see that though Ricardo is accused of being too abstract, one would be justified in accusing him of the opposite: lack of the power of abstraction, inability, when dealing with the values of commodities, to forget profits, a factor which confronts him as a result of competition. (Marx and Engels, 1989a, p. 416; Marx, 1861–63b, pp. 190–91)

Later in the manuscript, after sections on Ricardo's theory of rent, Smith's theory of rent, and Ricardo's theory of surplus-value (which contain nothing new for our purposes), Marx returned to Ricardo's theory of profit. Here, again, Marx emphasized that a correct understanding of equal rates of profit requires the 'intermediary link' of the prior determination of the total amount of surplus-value. Equal rates of profit are bound to be misunderstood if they are not connected by a series of intermediary links with the general laws of value etc. in short, if profit and surplus-value are treated as identical, which is only correct for the aggregate capital. Accordingly, Ricardo has no means for determining the general rate of profit. (Marx and Engels, 1989b, p. 61; Marx, 1861–63b, p. 427)
Marx emphasized again the prior determination of the general rate of profit by the ratio of the total surplus-value to the total capital:

**The General Rate of Profit is Formed Through the Total Surplus-value Produced Being Calculated on the Total Capital of Society (The Class of Capitalists).** Each capital, therefore, in each particular branch, represents a portion of a total capital of the same organic composition [...] As such a portion, it draws its dividends from the surplus-value created by the aggregate capital, in accordance with its size [...] The surplus-value thus distributed [...] constitutes the average profit or the general rate of profit, and as such it enters into the costs of production of every sphere of production. (Marx and Engels, 1989b, p. 69; Marx, 1861–63b, p. 433)

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, and so on) and several ‘Ricardian socialists’ (Ravenstone, Hodgskin, and so on). While writing about Hodgskin, Marx broke off again and began an entirely new section entitled ‘Revenue and its Sources’, which is a first draft of what later became the concluding part 7 of Volume III, with a similar title (Marx and Engels, 1989b, pp. 449–541; Marx, 1861–63c, pp. 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 continued in this section to discuss for the first time at any length the subject of interest. Marx’s treatment of interest is somewhat complicated and requires careful examination. It is necessary first of all to understand that there are two main aspects of Marx’s theory of interest:

(i) interest as an ‘Illusory Form of Appearance’ of surplus-value; and
(ii) interest as a Magnitude of Quantity, as one part of the total surplus-value.

In the first respect, interest is similar to profit, and could be considered at the level of abstraction of capital in general, as is profit. Profit is an ‘Illusory form of appearance of surplus-value’, in that the surplus-value that is actually produced by labour, and hence intrinsically related to variable capital only, is seen by capitalists and economists as the result of the total capital, both constant and variable. The concept of profit is prior to the equalization of the profit rate or the determination of the average profit, and thus belongs to the level of abstraction of capital in general. Interest is even more ‘Illusory’ than profit, because interest appears to come from money-capital itself, without any relation to production at all (‘money begets money’). Marx called interest ‘the prefect fetish’. However, in the second aspect, as a quantity, interest is a fractional part of the total surplus-value, and is an element of the distribution of surplus-value, which belongs to the level of abstraction of competition, along with equal rates of profit and prices of production, commercial profit, and rent.

In the Grundrisse, interest was included in the title of section 3, along with profit (‘Capital as Fructiferous. Interest. Profit’), thereby suggesting that interest belongs to the level of abstraction of capital in general, and comes before the equalization of the profit rate and prices of production, at the level of abstraction of competition. I suggest that the reason Marx included interest in the title of section 3 of the Grundrisse is that he was thinking at that time only about this first aspect of interest, and not yet about the second quantitative aspect (we do not know for certain, because Marx did not discuss interest at all in section 3, even though it is mentioned in the title).

In the Manuscript of 1861–63, most of Marx’s discussion of interest is still concerned with the first aspect of interest – interest as ‘the perfect fetish’. However, Marx also discusses the division of surplus-value into industrial profit and interest, that is, the quantitative aspect of interest, as a part of the total surplus-value, along with other parts of surplus-value:

**Interest is therefore nothing but a PART OF THE PROFIT (which, in its turn, is itself nothing but surplus-value, unpaid labour), which the industrial capitalist pays to the owner of the borrowed capital with which he ‘works’, either exclusively or partially. Interest is a part of profit – of surplus-value – which, established as a special category, is separated from the total profit under its own name, a separation which is by no means based on its origin, but only on the manner in which it is paid out or appropriated. Instead of being appropriated by the industrial capitalist himself – although he is the person who first holds the whole surplus value in his hand no matter how it may be distributed between himself and other people under the names of RENT, INDUSTRIAL PROFIT AND INTEREST – this part of the profit is deducted by the industrial capitalist from his own revenue and paid to the owner of capital.** (Marx and Engels, 1989b, p. 469; Marx, 1861–63c, pp. 470–71; see also Marx and Engels, 1989b, pp. 471–78; Marx, 1861–63c, pp. 473–70)

Marx also mentions several times that the ratio of profit to interest (that is, the quantitative aspect of interest) belongs to the level of abstraction of competition, not capital in general:

This is not the place for a more detailed examination of interest and its relation to profit; nor is it the place for an examination of the ratio in which profit is divided into industrial profit and interest. It is clear that capital, as the mysterious and self-generating source of interest, that is, source of its
own increase, finds its consummation in capital and interest. (Marx and Engels, 1989b, p. 451; Marx, 1861–63c, p. 455)

It is not intended to investigate here how this ratio [the ratio of profit to interest] is determined. This belongs to the section dealing with the real movement of capital, i.e. of many capitals [that is, competition], while we are concerned here with the general forms of capital. (Marx and Engels, 1989b, p. 469; Marx, 1861–63c, p. 471)

Therefore, it appears that Marx was still thinking at that time that interest would be included in capital in general, because he was considering only the first aspect of interest and not the second, quantitative, aspect, but he already realized that the quantitative aspect of interest belongs to the level of abstraction of competition, along with the other individual parts of surplus-value.

This consideration of interest also seems to have led Marx to a more general clarity about his work during the preceding months on the different individual forms of appearance of surplus-value at the level of abstraction of competition, and how these fit together with his theory of the production of surplus-value already presented in the first section on capital in general. Twenty pages into the section on interest (Marx and Engels, 1989b, pp. 482–87; Marx, 1861–63c, pp. 481–6), Marx sketched out a remarkable summary of how interest is related to his theory of surplus-value already presented ("the road travelled by Capital before it appears in the form of interest-bearing capital"), which in retrospect we can recognize as an overview of Marx's theory of the production and distribution of surplus-value presented in the three volumes of Capital - even though Marx himself might not have been fully aware at the time he wrote this (November 1862) that this summary is very close to the final form that his 'book on capital' would take (the reader is asked to please read these remarkable pages). The main theme of this summary is also the main theme of Volume III of Capital - that the individual forms of appearance of surplus-value (which are analysed at the level of abstraction of competition) obscure the origin of surplus-value, which is surplus labour (and which is analysed at the level of abstraction of capital in general). 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 and so on), but this appearance is just a fetishistic illusion.

It is clear that, as soon a surplus value [is split up] into different, separate parts, related to various production elements - such as nature, products, labour - which only differ physically; that is, as soon as in general surplus value acquires special forms, separate from one another, independent of one another and regulated by different laws, the common unit - surplus value - and consequently the nature of this common unit, becomes more and more unrecognized and does not manifest itself in the appearance but has to be discovered as a hidden mystery. (Marx and Engels, 1989b, p. 486; Marx, 1861–63c, p. 485)

A few pages later, Marx summarized this fetishistic illusion as follows:

The breakdown of surplus-value, that is, of part of the value of commodities, into these special headings or categories, is very understandable and does not conflict in the least with the law of value. But the whole matter is mystified because these different parts of surplus-value acquire an independent form, because they accrue to different people, because the titles to them are based on different elements, and finally because of the autonomy with which certain parts of surplus-value confront the process as its conditions. From parts into which value can be divided, they become independent elements which constitute value, they become constituent elements. (Marx and Engels, 1989b, p. 511; Marx, 1861–63c, p. 511; brackets in the translation)

Recently published texts related to Volume III of Capital (Marx and Engels, 1992, pp. 9–371)

The section on 'Revenue and Its Sources' is the end of the published version of Theories of Surplus-Value, with which we are familiar. However, it is not the end of Marx's manuscript. Marx's manuscript continues, and pursues the same general question of the different forms of appearance 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, the continuation of Marx's development of his theory of the distribution of surplus-value, inspired by his critical confrontation with Rodbertus, Ricardo and others.

The next individual form of appearance of surplus-value that Marx began to consider in greater depth (again for the first time) in the continuation of these manuscripts was commercial profit (which he called mercantile profit in this manuscript) (Marx and Engels, 1992, pp. 9–68). The question of the origin of commercial profit was probably raised for Marx by a brief digression in the previous section on 'Revenue ...' (Marx and Engels, 1989b, pp. 467–69) on 'different forms of capital', which includes commercial capital.4

4 Unfortunately, this important digression on the 'different forms of capital' is not included in the 'Addenda' to Volume 3 of Theories of Surplus-Value on 'Revenue and Its Sources'; see Marx, 1861–63c, p. 470, where the digression should be. Also, the entire section on 'Revenue ...' is out of place in Theories of Surplus-Value. It is placed at the end of Volume III, but should be in the middle of Volume III, in section 3 of chapter XXI, starting on p. 315 (between sections f) and g).
While working on commercial profit, Marx broke off again to write a draft of what he called 'Chapter 3' on 'Capital and Profit.' (Marx and Engels, 1992, pp. 69–153). As discussed above, the level of abstraction of capital in general was divided into three parts: production of surplus-value, circulation of capital, and capital and profit. Marx's original plan, and apparently still his plan while writing this draft in January 1863, was that this 'Chapter 3' on 'Capital and Profit' should be concerned only with capital in general, and therefore should not include competition and the various forms of the distribution of surplus value that Marx had been working on during the preceding months. Consistent with this plan, this draft of 'Chapter 3' is concerned mainly with what we know as part 1 of Volume III (the transformation of surplus-value into profit) and part 3 (the falling rate of profit).

Marx also discusses briefly several times the general or average rate of profit (the future part 2 of Volume III), but states repeatedly that 'a more detailed investigation of this point belongs to the later investigation of competition' (Marx and Engels, 1992, pp. 83, 94, 101). In these brief discussions, Marx also stated clearly several times that the average (or general) rate of profit is determined by the ratio of the total surplus-value to the total capital advanced, and that the total surplus-value is determined prior to its division into individual parts:

The empirical, or average, profit can therefore be nothing other than the distribution of that total profit (and the total surplus-value represented by it or the representation of the total surplus labor) among the individual capitals in each particular sphere of production, in equal proportions [...] it therefore only represents the result of the particular mode of calculation in which the different capitals divide among themselves all quotient parts of the total profit. What is available for them to divide among themselves is only determined by the absolute quantity of the total profit or the total surplus-value. (Marx and Engels, 1992, p. 99)

Empirical or average profit [...] relates the total amount of surplus-value, hence the surplus-value realized by the whole capitalist class, to the total capital, or the capital employed by the whole capitalist class.... (Marx and Engels, 1992, p. 100)

the average rate of profit is nothing other than the total surplus-value related to and calculated on this total capital. (Marx and Engels, 1992, p. 104)

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Marx also comments that the equalization of the rate of profit does not affect the magnitude of the total surplus-value:

It needs no discussion here that if a commodity is sold above or below its value, there takes place merely a change in the distribution of surplus-value between different capitals, between the buyer and the seller. This difference in distribution, or alteration in the proportions in which different people share in the surplus value, does not change anything, either in the magnitude or in its nature. (Marx and Engels, 1992, p. 75)

In this draft of 'Chapter 3', interest does not appear in the title (as it did in the Grundrisse), nor is it discussed at all. Perhaps Marx was already thinking that he would relocate his discussion of interest from the level of abstraction of capital in general to the level of abstraction of competition, in order to include the quantitative aspect of interest.

Decision to expand Volume III to include the distribution of surplus-value

After finishing this draft of 'Chapter 3', Marx returned to 'mercantile capital', and then to the discussion of Hodgkin (from which he had broken off three months earlier, as we saw above, in order to write the section on 'Revenue and Its Sources'). Then Marx continued with discussions of Ramsay, Cherbuliez and Jones (mainly about issues related to the falling rate of profit). While working on Cherbuliez, Marx inserted into the manuscript a clear, detailed outline of what later became part 2 of Volume III, 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' (Marx and Engels, 1992, p. 299; Marx, 1861–63a, pp. 415–16). We can see from this outline that 'Chapter 3' on 'Capital and Profit' has become 'Part III' and that it now includes a 'second chapter' on the general rate of profit and prices of production. This outline consists of the following six points:

(i) Different organic composition of capitals ...
(ii) Differences in the relative value of the parts of different capitals which do not arise from their organic composition...
(iii) The result of those differences is diversity of the rates of profit in different spheres of capitalist production.
(iv) For the total capital, however, what has been explained in Chapter 1 holds good. In capitalist production, each capital is assumed to be a unit, an aliquot part of the total capital. Formation of the general rate of profit. (Competition).
(v) Transformation of values into prices of production...
(vi) To take up the Ricardian point: the influence of general variations in wages on the general rate of profit and hence on prices of production.

This outline clearly indicates an expansion of the contents of ‘Part III’ from a few weeks before, when Marx stated that the subject of the general rate of profit and prices of production would not be included. We can see that this outline is close to the final version of part 2 of Volume III, with (i)–(iii) the subjects of chapter 8; (iv)–(v) the subjects of chapter 9; and (vi) the subject of chapter 11 (Chapters 10 and 12 are not included in this outline). Note especially item (iv), which is an important methodological comment, and which clearly supports the main point of my chapter, that the total amount of surplus-value is determined prior to its distribution and is not affected by this distribution. Note also the second sentence of item (iv), which clarifies the important point that the individual capitals which Marx often used as illustrations in Volume I of Capital (that is in ‘capitalist production’) are not in fact individual capitals, but are instead ideal representatives of the total capital (‘is assumed to be a unit, an aliquot part of the total capital’), and thus that the real subject of Volume I is this total capital or capital in general. Also note that the ‘competition’ in parentheses clearly indicates that the theory of the equal rates of profit and prices of production belongs to the level of abstraction of competition.

About fifty printed pages later, we get a more complete picture of the extent of Marx’s expansion of the contents of ‘Part III’. While working on Jones, in January 1863, Marx inserted a completely new outline of ‘Part III’, which he now called ‘Section III’ (Marx and Engels, 1992, pp. 346–47; Marx, 1861–63a, pp. 414–15), and which he probably had in mind when writing the earlier outline of ‘Chapter 2’, discussed above.6 What is most remarkable about this outline is that the contents of ‘Section III’ have expanded greatly from the draft of just a few weeks before:

1. Conversion of surplus-value into profit. Rate of profit as distinguished from the rate of surplus-value.
2. Conversion of profit into average profit. Formation of the general rate of profit. Transformation of values into prices of production.
3. Adam Smith’s and Ricardo’s theories of profit and prices of production.
4. Rent. Illustration of the difference between value and price of production.
5. History of the so-called Ricardian theory of rent.

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6 A page later, Marx inserted an outline of ‘Section I’ on the ‘production process of capital’, which is very close to the final version of Volume I of Capital (Marx and Engels, 1992, p. 347; Marx, 1861–63a, p. 414).

7. Theories of profit...
9. Revenue and its sources. The questions of the relation between production and distribution also to be included here.
10. Reflux movements of money in the process of capitalist production as a whole.
11. Vulgar economy.
12. Conclusion. ‘Capital and wage labor’.

We can see from this outline that the contents of ‘Section III’ now include not only the aspects of capital in general included in the draft of a few weeks before (numbers 1 and 6), but also all the individual forms of surplus value that Marx had been working on over the previous year, ever since his encounter with Rodbertus (general rate of profit, rent, interest, and commercial profit), and includes his critique of vulgar political economy written two months earlier. These subjects belong to the level of abstraction of competition, beyond capital in general. Marx had made considerable progress on his theory of the distribution of surplus-value over the previous year, and this progress must have convinced him to include his theory of distribution in ‘Section III’, rather than to wait for a later separate volume on competition, which Marx probably realized by this time in his life that he would probably never finish.

In addition, I think that another reason why Marx decided to expand ‘Section III’ in this way was that he wanted to include the critique of vulgar political economy that he had developed over recent months. It should be remembered that the subtitle of Capital is ‘Critique of Political Economy’. Thus a very important objective of Capital was not only to present Marx’s theory of surplus-value and the individual parts of surplus-value, but also to critique the explanation of these phenomena presented by all versions of political economy. In order to achieve this objective in an earlier volume, Marx expanded ‘Section III’ beyond capital in general to include his theory of these important phenomena of competition and his critique of vulgar political economy.

We can also see that in this outline ‘interest’ is no longer located straight after profit (chapter 1), but is instead located in chapter 8, along with commercial profit, and after average profit and prices of production (chapter 2) and rent (chapter 4). Since all these individual forms of surplus-value are related to the distribution of surplus-value, and thus belong to the level of abstraction of competition, this change of location of the chapter on interest suggests that Marx had decided to include the quantitative aspect of interest, and to move the expanded chapter on interest to the level of abstraction of competition, where the quantitative aspect belongs.
Conclusion

This expanded outline of ‘Section III’ is the main result of Marx’s very creative exploratory work on his theories of the distribution of surplus value during the previous year. This outline is close to the final version of Volume III, which Marx wrote in the following two years, in the Manuscript of 1864–65. Evidently, Marx’s work on the Manuscript of 1861–63 clarified his thinking on these issues to such an extent that he was by then ready to write this volume. The fact that this 1864–65 draft of Volume III, while certainly not polished for publication, is clear and complete as it stands (apart from part 5, on interest), is further evidence of the clarity Marx had achieved while working on the Manuscript of 1861–63.

Unfortunately, this very important expanded outline of ‘Section III’ is misplaced in Theories of Surplus-Value, and this misplacement obscures its significance. This outline is placed as an ‘addendum’ at the end of Volume I of Theories... (pp. 414–16), immediately after the discussion about 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 Manuscript of 1861–63, not at the beginning, and that it is the main result of all Marx’s work on this manuscript.

Seeing the entire Manuscript of 1861–63 together also shows the Theories of Surplus-Value in a new light. We can see more clearly from the manuscript as a whole that chapter 8 of the Theories of Surplus-Value (on Rodbertus’ theory of rent) is a turning point in Marx’s work, and the beginning of a long and creative exploration of the different forms of appearance and individual parts of surplus-value, at the level of abstraction of competition, beyond capital in general.

We have also seen that Marx maintained throughout this manuscript the key quantitative premise of his theory of the distribution of surplus-value—that the total surplus-value is determined prior to its distribution; that is, prior to its division into individual parts. This key quantitative premise was also maintained in Marx’s final draft of Volume III, and his theory of the distribution of surplus-value in the Manuscript of 1864–65 (see Moseley, 2002, for a discussion of the textual evidence).

We have also seen that one of the main themes of Marx’s theory of the distribution of surplus-value is that the individual form of appearance of surplus-value obscure the real origin of surplus-value (which is surplus labour), because each of the individual form of surplus-value appears to have its own separate and independent source. Marx’s theory of the production and distribution of surplus-value is necessary in order to uncover the hidden real source of these individual forms of appearance of surplus-value—namely, surplus labour—which ‘has to be discovered as a hidden mystery’.

Some authors (for example, Rosdolsky, Heinrich) have argued that Marx abandoned the logical structure of capital in general and competition after 1863, because of difficulties that he encountered in the Manuscript of 1861–63 in maintaining this distinction.

I argue, to the contrary, that Marx encountered no such difficulties in the Manuscript of 1861–63, and that he maintained these two basic levels of abstraction in his theory in his final manuscripts after 1863. Marx clearly did not abandon the distinction between the production and the distribution of surplus-value in his theory, nor did he abandon the key quantitative premise of the prior determination of the total surplus-value. Therefore he did not abandon the corresponding levels of abstraction of capital in general and competition. The subjects added to Volume III in the January 1863 outline are all related to the distribution of surplus-value, which still belongs to the level of abstraction of competition. The only difference is that Marx decided to try to publish this part of his theory sooner rather than later. Marx’s decision simply made Volume III a combination of the level of abstraction of capital in general (parts 1 and 3) and the level of abstraction of competition (parts 2 and 4–7); it did not indicate an abandonment of these two basic levels of abstraction in his theory.
## Appendix: Overview of Marx's Manuscript of 1861–63

<table>
<thead>
<tr>
<th>Month</th>
<th>Parts and Volumes</th>
<th>Completion Details</th>
<th>MECW Volumes/Page Nos</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1861</td>
<td>2–4 of Vol. I TSV I, Smith, etc.</td>
<td>Production of surplus-value capital in general</td>
<td>30, pp. 9–346</td>
</tr>
<tr>
<td>March 1862</td>
<td>TSV II, rent (Rodbertus, etc.)</td>
<td>Distribution of surplus-value competition</td>
<td>30, p. 347, 31, p. 250</td>
</tr>
<tr>
<td>June 1862</td>
<td>TSV II, prices of production</td>
<td>31, pp. 250–208</td>
<td></td>
</tr>
<tr>
<td>October 1862</td>
<td>TSV III, disintegration opposition (Hodgskin)</td>
<td>32, pp. 209–49</td>
<td></td>
</tr>
<tr>
<td>November 1862</td>
<td>TSV III, revenue and interest, critique of vulgar economics</td>
<td>32, pp. 449–541</td>
<td></td>
</tr>
<tr>
<td>December 1862</td>
<td>‘Capital and Profit’ (Parts 1 and 3 of Vol. III)</td>
<td>Commercial profit</td>
<td>33, pp. 9–68, 33, p. 69–153</td>
</tr>
<tr>
<td>January 1863</td>
<td>TSV III, reflux of money, Ramsay, etc.</td>
<td>33, pp. 154–252, 33, pp. 253–371</td>
<td></td>
</tr>
<tr>
<td>Mar. 1863</td>
<td>Parts 4–8 of Vol. I</td>
<td>Expanded outline of volume III (out of place in TSV)</td>
<td>33, pp. 299 and 346–47</td>
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<td></td>
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<td>33, pp. 373–34, p. 354</td>
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</tbody>
</table>

**Note:** MECW: Marx-Engels Collected Works, Vols 30–34. 
TSV: *Theories of Surplus-Value: (I = Marx, 1861–3a); (II = Marx, 1867); (III = Marx, 1861–3c).* 
Text in bold italics: recently published for the first time.

## References


