



Capital: The Process of Circulation of Capital

Karl Marx , David Fernbach (Translator) , Ernest Mandel (Introduction) , Friedrich Engels

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The "forgotten" second volume of Capital, Marx's world-shaking analysis of economics, politics, and history, contains the vital discussion of commodity, the cornerstone to Marx's theories.

Capital: The Process of Circulation of Capital Details

Date : Published May 28th 1992 by Penguin Classics (first published 1885)

ISBN : 9780140445695

Author : Karl Marx , David Fernbach (Translator) , Ernest Mandel (Introduction) , Friedrich Engels

Format : Paperback 624 pages

Genre : Economics, Philosophy, Politics, Nonfiction, History, Classics



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From Reader Review Capital: The Process of Circulation of Capital for online ebook

Eugene Kernes says

This volume looks at how capital moves through the capitalist system. Rather than identifying how surplus value is created, identifying how surplus value is transferred. From the various circuits that capital and money go through and their interactions, to different costs of maintenance of capital and its mobility, Marx goes to extreme detail to describe circulation of capital.

The most important idea from this volume is the distinction between productive and unproductive capital, which are now more formally known as production and nonproduction activities. Production involves in bringing goods to market, from the various materials and services needed for the product. Nonproduction involves costs to capital and can indirectly increase the amount of productive capital there is.

Examples and details do make the book difficult to understand. The core ideas are easily lost within the all the explanations. The introduction by Ernest Mandel does a wonderful job at expressing concise the details in the book without losing much meaning.

Willow L says

Well, I finished it at least.
I will need to go back to it. The damned thing

Sara Salem says

HALLELUJAH! DONE! Now need therapy.

Zebardast Zebardast says

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Tom Emanuel says

Be warned: Capital, Vol. 2 is a ROUGH read. Marx's worst tendencies as a writer come out in force, bogging down in arid theoretical presentations and interminable algebraic calculations, with little of the literary flair and almost none of the demonstrative examples that characterize Capital, Vol. 1: A Critical Analysis of Capitalist Production. I STRONGLY suggest you arm yourself with a companion volume - David Harvey's A Companion To Marx's Capital, Volume 2, published just last year, is every bit as helpful and lucid as his gloss on Vol. 1. With Harvey or some other Virgil-like figure to guide you, however, it becomes possible to see how Vol. 2 occupies a central place in Marx's political economy, providing as it does a revealing and necessary window onto capital's macroeconomic circulation processes. For if capital is, as Marx so frequently defines it, value in motion, then understanding the inner workings of that famous M-C-M' circuit are absolutely critical to understanding the laws of motion of capital, and to understanding its inherent and irrevocable tendency to generate catastrophic crises.

Claire says

This book has been plaguing me, a crimson spectre lingering in my thoughts, the draft of the second volume of the magnum opus of Karl Marx, which he did not see to publication due to the illness which brought about his demise.

Many have urged me to let him requiescat in pacem if I don't have any clear plans to study history, or Russian, or French, or the Political Economy. (I am leaving RIP in Latin since the subjunctive is what I prefer - as if he were to rest in peace)

Why not seek the last volume? Can't I look at all of those, and Farsi, and French, and Russian, and sociology? People are fickle and change by the minute, but that is what makes them interesting. This book had some of the answers to several remaining questions in my mind after finishing the first volume, and he included fun references to F. Quesnay, A. Smith, J.C. Sismondi, J.B. Say, so on and so forth, for the interested to continue their studies.

Paying this departed man respect? Is that why not?

Is it disrespectful to look over his thoughts?

I think not - I have an urge to polish these thoughts for a full publication later on, to clarify what he meant.

I think it is more respectful to not let this mess mark the last of him.

Marxists have such a bad reputation, most likely due to the denunciation of capitalist economics underlying every phrase in this work, due to the poor speaking of the science which has been more successful than socialist economics, even Deng's "socialism with Chinese characteristics" which I presented about last year. (Political science to me is a science to compete with astrophysics and bio/chem, the numerology of which is economics. People are complicated.)

I've seen some criticism of the current US President B. Obama claiming his ideals are socialist. But how can this nation, the United States of America, claim to be the best place to live, if not every member of this nation-state lives better than they would anywhere else? I lived more comfortably as I studied in China. If the US doesn't give everyone who lives here clear benefits, then how is it the best globally? Why do those with the most money have the most clout politically? Does might really make right? That's so juvenile!

I avoided in-depth study of those questions best I could throughout undergraduate study, to disprove the claim college makes you communist.

I failed gloriously.

Rather than becoming a medical doctor, the best way to change society available to me presently is to polish my oratory and political prowess to make a political difference, not far off from Malala Yousafzai or... aw, I was going to suggest Thomas Jefferson, but I read he was a terrible public speaker. Barack Obama!

He is not bad, is he?

David Anderson says

As so many others have pointed out here, Marx's Capital Vol. II is much more difficult than Vol. I. It's less literary in its language; it's less polemical and so contains little "red meat" for political agitation; what this really means is that it contains none of the gripping historical material that grounded Vol. I and provided such a wonderful context for understanding the theoretical points Marx was making there. Vol. II is much more abstract and theoretical and it contains all that math, especially in the presentation of the reproduction schemas for the simple and expanded reproduction of capital (i.e. capital accumulation). Hence, it is more dry and difficult to plow through. However, Vol. II is still vital for an understanding capital circulation and accumulation because you gain an understanding of how the capitalism is inherently unstable, of why crisis is inherent the capitalist system, and you also gain an understanding of all the possible points where crisis could occur, from blockages in circulation such as problems in turnover time, to the imbalances and disproportionalities between the two major departments of the economy, production of the means of production (raw materials, machinery, etc.) and production of the means of consumption (consumer goods) with overproduction or underproduction in one dept. or the other. This later aspect is why Marx's reproduction schemas are so important and they have been recognized as a major contribution to macroeconomics by even non-Marxist economists. Another reviewer recommended reading this in conjunction with David Harvey's A Companion To Marx's Capital, Volume 2; not a bad idea but I would also suggest watching Prof. Harvey's series of video lectures on Reading Capital Vol. II (link: <http://davidharvey.org/reading-capital/>) as you work your way through the text. He will be of great assistance to your comprehension of this difficult material. He will also have you read sections of Vol. III on commercial capital and credit system which are of great importance for understanding the circulation and accumulation of capital in a more concrete "real-life" fashion.

Ben says

Excruciatingly tedious and boring at times, it doesn't compare to the brilliant first and third volumes. Essential to understanding Marx, but not a fun read.

Sauli says

If you want to understand Marx, this is essential. However, it's also the absolutely worst thing ever as far as readability goes. Expect to skim a lot of algebra. So 4/5 for contents, 2/5 for the style, that makes 3/5. I suspect most of us will get more out of secondary works and commentaries, anyway.

Xander says

In Das Kapital, Volume 1 (1867), Karl Marx laid out his critique of political economy. According to Marx, all his predecessors and contemporaries had failed to grasp capitalism for what it truly is: value in motion. Value is created by the exploitation of labourtime - in other words: capitalism presupposes the existence of a capitalist and a labour class. In essence, surplus value (s) is created by variable capital (v) transforming constant capital (c) into new commodities that the capitalist will sell dear on the market.

In Volume 1 of Das Kapital, Marx zoomed in on how surplus value is created in the production process (i.e. on the exploitation of labourers). In Volume 2, Marx was determined to set out how capitalism functions as a system of circulating capital: value creating surplus value, surplus value creating more surplus value, etc. Marx never got to finishing this project (as well as Volume 3), and Friedrich Engels published Volume 2 out of Marx' manuscripts, adding and deleting material here and there. The result is a very incoherent, unfinished and incomplete work.

But Das Kapital Volume 2 (1885) is not only incomplete, it is also very abstract. This has nothing to do with the state of Volume 2 when Marx passed away; it has everything to do with Marx' approach to present the material. In essence: Marx uses the method of critical analysis to study capitalism and discover the natural laws determining this economic system. He does this out of necessity, since he wants to offer a scientific analysis of capitalism. The scientist wants to do controlled experiments - i.e. singling out one variable for variation, while holding all other variables constant. This is, of course, impossible to achieve in economics. (This, by the way, is a problem that still plagues modern day economics - some critics use this problem to argue that economics isn't even a science.)

Anyway, Marx studies capitalism on a very abstract, general level. He then zooms in on particular phenomena, and assumes all other interrelated phenomena are given. So when he presents his results, one has always to add this caveat to his conclusions. By following this method, he discovers interesting lawlike tendencies in the capitalist system and interesting questions that were never before raised by scientists. For example, the aim of capital is to reduce the time spent on producing commodities (i.e. the working period) and the time spent on buying and selling commodities (i.e. the circulation period). Why? The faster the process in which a given capital is applied to create surplus value and is again re-invested (i.e. the turnover rate), the more profit the capitalist makes. One can only discover this lawlike tendency in capitalism by zooming in on the cycle of circulation, production and (again) circulation of commodities.

In part 1 of Volume 2, Marx explains the three forms in which capital exists: (1) money capital, (2) production capital and (3) commodity capital. Capital takes on these forms successively in the system of capitalism. The three processes associated with these three forms of capital are circulation (of money), production (of commodities containing surplus value) and circulation (of the produced commodities).

Then, in part 2 of Volume 2, Marx zooms in on how the individual capitalist is affected by the aforementioned forms and processes of capitalism - all the while ignoring technological change, competition, credit, etc. The individual capital consists of the means of production (constant capital), labourtime (variable capital) and the created value (surplus value). This was already outlined in Volume 1. Now Marx makes a new distinction, between fixed and circulating capital. The interplay and peculiarities of fixed and circulating capital are what truly determines the movement of capital.

Fixed capital transfers its use value, at the hands of the labourer, step by step onto the commodities that are produced. Once the use value of the fixed capital is completely transformed into commodities (i.e. the machine is used up), the capitalist has earned back all his capital spent on this fixed capital. With this capital, the capitalist then buys a new machine. Of course, once one includes continuous technological improvements and inventions (leading to cheaper and more efficient machines) as well as competition by other capitalists, it's easy to see that there's an inherent drive in the capitalist system of production to reduce the turnover rate (i.e. the time in which the capitalist completely earns back his invested money). If you buy a machine for 5000 dollars, which is completely used up in 10 years, you earn back each year 500 dollars of your original investment. I.e. the turnover rate of this machine is 10 years. But once some competitor buys new, cheaper and/or more efficient machinery in the third year, your machine will be worth less on the market, you will not get back the original capital you spend on your machine, so you lose capital. The quicker you wear out your machine, the safer you are, and the more profit you will make. How to achieve this? By instituting 24 hour working days, by making labourers work in shifts, by not stopping machines even for repairs, etc.

Marx uses a major part of part 2 to criticize earlier economists like Adam Smith, David Ricardo and Francois Quesnay. According to Marx, these economists have failed to grasp capitalism for what it truly is: a system of creating surplus value ($C = c + v + s$). They all focused on the distinction between fixed and circulating capital, failing to see how the distinction between constant (means of production), variable (labour time) and surplus capital (surplus value) is the truly important one to understand capitalism. Surplus (s) gets created out of nothing by making labourers (v) work on the means of production (m). Once you understand this, and understand the difference between the make-up of capital on the one hand and the type of capital (fixed and circulating) on the other hand, you truly grasp capitalism for what it is: exploitation of labour, or even more crudely, the existence of class relations.

The system of individual capital can be described in terms of the time necessary to produce commodities (production time, including the working period) and the time necessary to buy the commodities necessary to produce and the time necessary to sell your newly produced commodities on the market (both circulation time). Since capital is value in motion, the system of production and circulation has to keep running. And this is where the biggest flaw (in Marx' terms a fatal contradiction) in capitalism lies. We know from experience that it takes time and effort to buy and sell products, that markets fluctuate, that stocks will form, that production will require more time than simply the time to produce a product (e.g. trees have to grow, cattle has to be raised), etc.

This is where the credit system comes in. The individual capitalist will need more money than is simply required for production - he will need money to buy a stock of commodities (in order to keep the production process going), to produce new commodities when the old batch is brought to the market, etc. So banks and speculative investors will loan the capitalist money, or he will put in more of his own money, in order to

keep the process of production and circulation going.

But the credit system can only do so much. It can temporarily smoothen things a bit, but it cannot solve the inherent flaws of the system. When stocks start to accumulate on the market, prices will tend to drop, hence surplus value will be destroyed, and since this is someone's capital (the merchant or the capitalist), problems will erupt. Similar problems arise when capitalists start to compete with each other. There are many weak spots in the processes of production and circulation that are dangers to the continuous flow of capital - and these weak spots are the causes of crises. According to Marx, consequently, the capitalist mode of production is inherently instable, stable conditions are only temporary events.

Then, in part 3 of Volume 2, Marx leaves the perspective of the individual capital and he zooms in on the collection of all individual capitals: the social capital. Social capital (just like individual capital) consists of constant, variable and surplus capital. There are two major groups, or departments on the level of society: (1) the production of means of production and (2) the production of the means of consumption. As any labourer, as well as capitalist, has to consume to keep living, consumption becomes a major component of capitalism on the level of social capital. The variable and surplus capital of department 1 is spent on the constant capital of department 2: the commodities of department 1 form the means of production (i.e. constant capital) of department 2.

At the same time, the variable and surplus capital within department 2 are spent on consumption as well (since the labourers and capitalists producing means of consumption have to eat as well), so within department 2 (the production of means of consumption) there's an internal flow of capital as well. All these flows of capital (between department 1 and 2 and within department 2) are mediated by money - this is where the merchant and investor come in. But where does the constant capital (the means of production) in department 1 (the production of the means of production) come from? Well, according to Marx this is partly natural resources and partly the product of its own process (so department 1 produces the means of production for itself as well).

This is all very technical and abstract, but the main point here is that from the perspective of society, the total surplus value is created by setting to work (or exploiting) the total variable capital, the labour force, on the total constant capital, the means of production. Since all people, labourer and capitalist alike, have to eat, live, etc. (i.e. consume), the production of the means of consumption emerges on a societal level. So, the highly general process of capitalist production is divided up into the production of the means of production (department 1) and the production of the means of consumption (department 2). Both departments are related, in that department 1 produces the necessities for department 2 and both departments live of the created use value of department 2 (i.e. everyone consumes).

How does capital accumulate, or expand, on a societal level? Within department 1, production of the means of production, this is simple: the labour forces literally creates surplus value for the capitalist. In other words: the exploitation of the labourer creates 'free' means of production that the capitalist can either sell (to capitalists from department 2) or use himself to expand the scale of his own production.

The humanity of the people making up department 1 forms the basis for the accumulation of capital within department 2. The capitalists and workers that produce means of production have to consume in order to produce. They will spend capital on commodities that are produced by department 2 (the production of the means of consumption). So workers produce capital that is then used as means of production to produce means of consumption; these means of consumption are bought by all people within society. So we here see a nice, neat cyclical process of consumption and production.

One can see how the analysis of the capitalist mode of production (i.e. the circulation of capital through its various stages and forms) on the level of society leads to the same conclusion as Marx already drew in Das Kapital Volume 1, i.e. that the whole system of creating surplus value is based on the existence of an exploitable labour class. Without the existence of this class, society could never produce surplus value in both departments of production. This, by the way, makes it easy to see what one needs to do in order to destroy capitalism: extinguish the class relations. Once the class relations disappear, no more surplus value is being created, and hence the capitalist mode of production breaks down. This is, of course, the message Marx and Engels preach in their Communist Manifesto, this was the aim of their Workers International, and this is what socialists and marxists have tried to put into practice ever since the time of Karl Marx. Uplifting the labour classes means the destruction of capitalism; collective production (i.e. communism) means the destruction of capitalism; forming trade unions and actively working against the fundamentals of capitalist mode of production (e.g. the creation of a reserve army, the suppression of wages, etc.) means the destruction of capitalism.

(For the record: I am not describing my own opinions here, I am just following Marx's argument to its logical conclusion.)

I am glad I re-read Das Kapital Volume 2, since this made me see the ingenuity of Karl Marx' approach to economics. Even though I don't subscribe to his conclusions - I do subscribe to much of his critical analysis of capitalism. Marx exposes the inherent flaws within this economic system - the necessity of continuous circulation of capital and the importance this gives to the (global) credit system - and the dangerous tendencies of capitalism - the formation of monopolies, the exploitation of man and nature, the elevation of the means (making profits) to a goal in and of itself.

Based on the content of both books, I prefer Volume 2 over Volume 1 - the problem is that Volume 1 is written in a much more accessible style and in a more livelier and politically inflammatory way. Volume 2, is simply put, a book that doesn't give up its secrets very easily. The question is: does one have the motivation to struggle through this.

Mark says

Exhausting to read. Almost speechless.

There's a lot of material here that's repetitive. I feel like I have an image of how capital moves, but I don't think I could really talk about any of the equations in the book.

Yann says

Cette lecture m'aura coûté du temps et des efforts, mais c'est sans regret que j'arrive au terme! Si j'avais lu assez rapidement le premier livre, les second et troisième m'ont arrêté dans certains passages où l'arithmétique rivalise d'aridité avec l'écriture pour accabler la bonne volonté du lecteur. A la décharge de Marx, ces deux livres ont été constitués sur la base des notes qui ont été rassemblées après sa mort, sans qu'il ait pu apporter toutes les améliorations souhaitées.

Malgré ces inconvénients, le Capital est un livre passionnant, respirant la probité et l'étude, dont les notes fourmillent de détails édifiants. Ma plus grande surprise, arrivé à la fin de ces deux livres, c'est de n'avoir

presque jamais lu les mots "révolution", "lutte des classe" ou "dictature du prolétariat", mais beaucoup d'exemples, d'équations et de démonstrations. Ces livres sont une analyse du capitalisme, un livre d'économie politique dans la lignée de la Richesse des Nations d'Adam Smith, et s'il arrive à Marx d'égratigner parfois vertement ses prédécesseurs lorsqu'il juge qu'ils se fourvoient dans leurs raisonnements, il lui arrive également de louer leur clairvoyance.

Marx a de nombreux points communs avec Martin Luther, qu'il admire et cite souvent, comme cette capacité de travail peu commune, laquelle sa vitalité par de longues veilles, comme le fait qu'il confisque par l'étude l'autorité usurpée les imposteurs, et comme l'ombrageuse probité qui le pousse à mordre ceux qui se réclament de lui, lorsqu'il juge qu'ils versent dans l'erreur.

Le point le plus étonnant est que Marx loue les progrès apporté par le capitalisme par rapport aux modes de production antérieurs. Si Marx réserve ses flèches contre les erreurs des théoriciens, c'est surtout contre l'atrocité effroyable des abus dont souffraient les ouvriers anglais du XIXème siècle, sans aucun égard pour l'âge ou le sexe, qu'il excite notre courroux.

L'auteur est persuadé que ce système pourrait être amélioré, mais reste évasif quand aux moyens à mettre en œuvre pour y parvenir, mais rien n'évoque les dictatures socialistes du XXème siècle. Les pistes évoquées à la fin sont la réduction du temps de travail, et elles ont heureusement été mises en œuvre en Europe. Quel noble dessein que de cultiver par de beaux loisirs des âmes libérales au lieu de laisser végéter des cœurs abrutis de servilité ! Le travail est une nécessité pour obtenir le nécessaire et jouir des commodités, mais chacun doit veiller à le borner avant qu'il n'étouffe l'épanouissement de ses capacités physiques et morales, et nous rende inapte à la condition d'homme libre, point dont les anciens avaient une conscience aigüe.

Matt says

If there was any thought after *Capital Volume I* that one could walk away from Marx after one reading, that thought is quickly dispelled in *Volume II*. Engel's compilation of Marx's notes had to be a daunting task and, not surprisingly, it resulted in a daunting read. It's a slog.

In *Volume II*, Marx delves into the circulation mechanics of the commodity circuits in far greater detail than in his previous work. After the conversion of commodity fetishism to money fetishism, the focus turns from the C-M-C formula to M-C-M. Here, in *Volume II*, to analyze the impact of circulation, Marx expands the formula M-C...P...C-M in order to include how production affects the circuit.

Marx spends the first part considering the various forms of capital in the circuit and the circuits themselves. He then examines how the timing of the circuits affect the analysis. He discusses how speeding up the circuit produces greater capital in all variations- productive capital, money capital and commodity capital. This turnover, in turn, opens his analysis of capital reproduction.

Like I said, it's daunting.

Large segments of the book seems like a barrage on Adam Smith. An overwhelming, unrelenting barrage. Between the algebra and the constantly expanding variations of his examples, Marx clearly wants to demonstrate Smith's failings in calculating value without fully appreciating how labor *is* value. It would probably be fairly persuasive if I truly understood any of this.

Which leads me to my final thought. Elsewhere, there are reviews that suggest reaching out for assistance in comprehending Marx. This writing requires multiple close readings to fully digest. If you don't have the

inclination to reread Marx (like myself), David Harvey's *Companion(s) to Marx's Capital* have been recommended by others. I have to thank those that made that recommendation because I am finding him invaluable. I am purposely keeping my first reading of Marx ahead of Harvey's guide so I can experience as much as I can uncolored by others, but he is fantastic. I am still reading his *Companion to Volume I* but, if that is any indication, I will find his guidance invaluable in understanding what I just read. So I echo the recommendation for others.

Elle says

phew

Steve Hart says

Plainly, this was a let down after Volume I. A largely impenetrable rumination on "it takes money to make money" (and also time, I suppose) that, I suspect, could be boiled down to (and presented more clearly as) less than 10 pages of algebraic formulas and a couple graphs. I only give it 3 stars (as opposed to 1 or 2) as it clearly is also an impressive exercise of force of will to which the author deserves some credit.

Unfortunately, gone are the layered historical and commentarial embellishments, the dialectical tension of the class struggle, the metaphorical werewolves and vampires, the revolutionary calls to arms, and the general readability of the earlier volume; left only is the didactic compulsiveness of examining the guiding principles of circulation from many different points of reference over and over and over again through the lens of eye-watering arithmetic.

While the reproduction schema made me want to claw my eyes out, it should be noted that David Harvey's companion volume was a joy to read in tandem (as was his companion to the first volume). Really, it was the only thing that made this whole experience tolerable.

All this said, i'm looking forward to take on Volume III, though maybe after a bit of a rest.

Luís C. says

So far we have considered part of the working day when the worker simply offsets the value that the capitalist pays him, as an constant magnitude, it is invariable reality in production conditions. Beyond this necessary time, work could be extended by two, three, four, five, six, etc. hours. According to the greatness of this extension, the rate of surplus value and the length of the day varied. If the necessary labor-time was constant, the whole day was variable otherwise.

The shortening of the necessary labor as well correspond to the extension of the surplus labor, or some of the time that the worker consumes far in reality for himself, would turn into working time for the capitalist. The limits of the day would not be changed, but its work division necessary and surplus labor.

Moreover, the duration of surplus labor is fixed as soon as data are the limits of the day and the daily value of labor power. If it is five shillings - Gold sum which incorporated ten hours of work when the worker has to work ten hours a day to compensate for the value of its force paid daily by the capitalist, or to produce an equivalent keeps it needs for its daily maintenance. The value of these daily subsistence determines the value of its strength [1], and the value thereof determines the daily duration of his necessary work.

Mac says

It's hard to imagine the dedication it must have taken for Engels to sift through Marx's apparently illegible notes and compile this book - considering how it came to be, it's shockingly coherent. Still, it's much harder to read than Volume 1, which is sprightly and fun.

But no one is reading the second volume of Capital for its sparkling prose. The ideas are here, and it's remarkable how often you can point to a modern economic event and see it explained in a book from 150 years ago. The final section, which might be considered the birth of macroeconomics, is actually pretty engaging, if you're into that sort of thing.

I remember hearing that Aristotle had written a more consumer-friendly version of his philosophy that was lost when the library at Alexandria was destroyed, so all we have left are his notes (which is why Plato seems so energetic and Aristotle seems like a snooze). Whether or not that's true, I think the final two volumes of Capital are a similar situation - Marx didn't live long enough to give us the easily digested version, so we need to take what we can from the notes.

Alex Lee says

In some ways I am sure this book was revolutionary for its time. But nowadays, it is dated. The principles are the same; those with control of property and money can control its circulation to generate more, all, of course at the expense of the lifeblood of the worker.

Rowland Pasaribu says

The Genesis of the Industrial Capitalist

By degrees the agricultural population was transformed into material elements of variable capital. For the peasants were constrained, now that they had been expropriated and cast adrift, to purchase their value in the form of wages from their new masters, the industrial capitalists. So they were transformed into an element of constant capital.

Consider the case of Westphalian peasants who, in the time of Frederic II., were all spinners of flax, and were forcibly expropriated from the soil they had owned under feudal tenure. Some, however, remained and were converted into day-labourers for large farmers. At the same time arose large flax-spinning and weaving factories in which would work men who had been "set free" from the soil. The flax looks just the same as before, but a new social soul has entered its body, for it now forms a part of the constant capital of the master manufacturer.

The flax which was formerly produced by a number of families, who also spun it in retail fashion after growing it, is now concentrated in the establishment of a single capitalist, who employs others to spin and weave it for him. So the extra labour which formerly realised extra income to many peasant families now brings profit to a few capitalists. The spindles and the looms formerly scattered over the country are now crowded into great labour barracks. The machines and raw material are now transformed from means of independent livelihood for the peasant spinners and weavers into means for mastering them and extracting out of them badly-paid labour.

The genesis of the industrial capitalist did not proceed in such a gradual way as that of the farmer, for it was accelerated by the commercial demands of the new world-market created by the great discoveries of the end of the fifteenth century. The Middle Ages had handed down two distinct forms of capital—the usurer's capital and the merchant's capital. For a time the money capital formed by means of usury and commerce was prevented from conversion into industrial capital, in the country by feudalism, in the towns by the guilds. These hindrances vanished with the disappearance of feudal society and the expropriation and partial eviction of the rural population. The new manufactures were established at seaports, or at inland points beyond the control of the old municipalities and their guilds. Hence, in England arose an embittered struggle of the corporate towns against these new industrial nurseries.

The power of the state, concentrating and organising the force of society, hastened the transition, shortening the process of transformation of the feudal mode of production into the capitalist mode.

The next development of the capitalist era was the rise of the stock exchange and the great banks. The latter were at first merely associations of private speculators, who, in exchange for privileges bestowed on them, advanced money to help the governments. The Bank of England, founded in 1684, began by lending money to the government at eight per cent. At the same time it was empowered by parliament to coin money out of the same capital, by lending it again to the public in the form of bank-notes.

By degrees the Bank of England became the eternal creditor of the nation, and so arose the national debt, together with an international credit system, which has often concealed one or other of the sources of primitive accumulation of this or that people. One of the main lines of international business is the lending out of enormous amounts of capital by one country to another. Much capital which to-day appears in America without any certificate of birth, was yesterday in England, the capitalised blood of her children.

Terrible cruelty characterised much of the development of industrial capitalism, both on the Continent and in England. The birth of modern industry is heralded by a great slaughter of the innocents. Like the royal navy, the factories were recruited by the press-gang. Cottages and workhouses were ransacked for poor children to recruit the factory staffs, and these were forced to work by turns during the greater part of the night. As Lancashire was thinly populated and great numbers of hands were suddenly wanted, thousands of little hapless creatures, whose nimble little fingers were especially wanted, were sent down to the north from the workhouses of London, Birmingham, and other towns. These apprentices were flogged, tortured, and fettered. The profits of manufacturers were enormous. At length Sir Robert Peel brought in his bill for the protection of children.

With the growth of capitalist production during the manufacturing period the public conscience of Europe had lost the last remnant of shame, and the nations cynically boasted of every infamy that reinforced capitalistic accumulation. Liverpool waxed fat on the slave trade. The child-slavery in the European manufactories needed for its pedestal the slavery, pure and simple, of the negroes imported into America. If money, according to Marie Augier, "comes into the world with a congenital bloodstain on one cheek," capital comes dripping from head to foot, from every pore, with blood and dirt.

Timothy McKenna says

must read
