

**CAPITAL IN GENERAL AND COMPETITION IN VOLUME 3 OF *CAPITAL*:
THE QUANTITATIVE DIMENSION**

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The profit of the capitalists as a class, or the profit of *capital* as such, has to exist before it can be distributed. (G. 684) ¹

Profit as we still regard it here, i.e. as the **profit of capital as such**, not of an individual capital at the expense of another, but rather as the ***profit of the capitalist class***, concretely expressed, *can never be greater than the sum of the surplus value.* (G. 767)

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**, it does not yet belong here [i.e. in the analysis of capital in general]. (G. 760)

The equalization of the surplus-values in the different spheres of production does not affect the absolute size of this total surplus-value; but merely alters its distribution among the different spheres of production. 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 per cent or 10 per cent... (MECW.31. 416 [TSV.II. 190-91])²

The transformation of values into prices of production does not abolish the limits to profit, but simply affects its distribution among the various particular capitals of which the social capital is composed ... (C.III. 1000)

Throughout this paper, *italicized* emphasis in the original, **bold** emphasis added, and [brackets] added.

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I have argued in several recent papers (Moseley 1993, 1997, 2000, 2002) that Marx's theory of surplus-value in *Capital* 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 across industries, 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 of the prior determination of the total surplus-value is repeated many times in all the drafts of *Capital*, especially in the drafts of Volume 3 of *Capital* in the *Manuscript of 1861-63* and the *Manuscript of 1864-65* (see Moseley 1997 and 2002 for an extensive documentation of the many passages in which Marx stated this important quantitative premise). Other authors who have also emphasized the prior determination of the total surplus-value in Marx's theory include: Paul Mattick, Roman Rosdolsky, David Yaffe, and Duncan Foley.

I have also argued (Moseley 1995 and 2001c) that Marx's distinction between the production of surplus-value and the distribution of surplus-value coincides with his distinction between the levels of abstraction of **capital in general** and **competition**. The main question addressed at the level of abstraction of capital in general is the production of surplus-value, or the determination of the total amount of surplus-value in the economy as a whole (other questions addressed at the level of abstraction of capital in general include absolute and relative surplus-value, the circulation of capital, and the effect of turnover time on the production of surplus-value). The main question addressed at the level of abstraction of competition is the

distribution of surplus-value, or the division of the total surplus-value into individual parts. Marx also described these two basic levels of abstraction in his theory in terms of the distinction between the “inner laws” of capital (i.e. the laws of the production of value and surplus-value) and the “necessary forms of appearance” of capital (equal rates of profit, interest etc.). **Table 1** at the end of this paper presents a summary of the main features of the levels of abstraction of capital in general and competition.

The first two sections of this paper review how Marx developed his theory of the distribution of surplus-value in the *Grundrisse* and in the *Manuscript of 1861-63*, and especially Marx’s decision at the end of the *Manuscript of 1861-63* to *include his theory of the distribution of surplus-value in Volume 3 of Capital*, even though this theory *belongs to the level of abstraction of competition*, not capital in general. The last three sections of this paper discuss three other interpretations of Marx’s levels of abstraction of capital in general and competition, which have been presented by Rosdolsky (1977), Heinrich (1989), and Arthur (2002a and 2002b). It is argued that these authors misinterpret Marx’s distinction between capital in general and competition in different ways, but all for the same basic reason: a failure to recognize the **quantitative dimension** of the levels of abstraction of capital in general and competition - the production of the total surplus-value and the distribution of the total surplus-value into individual component parts.

1. The *Grundrisse*

Marx seems to have developed his distinction between capital in general (the production of surplus-value) and competition (the distribution of surplus-value), while writing the *Grundrisse*, the first draft of *Capital*. The *Grundrisse* is almost entirely about the production of surplus-value, and hence almost entirely at the level of abstraction of capital in general. However, there are a number brief discussions or comments about the distribution of surplus-value, especially the equalization of profit rates across industries, a subject which Marx

repeatedly said “does not belong here” (i.e. does not belong in the chapter on capital in general and the production of surplus-value), but instead belongs in the later section on competition.

In the middle of the *Grundrisse* (pp. 432-36), Marx discussed for the first time the subject of equal rates of profits, and mentioned that this subject belongs to a later “section on **competition**” (p. 436). A little later, Marx commented that:

Competition among capitals can change only the relation in which they share the total profit, but cannot alter the relation between total profit and total wages. (G. 557)

Still later, Marx commented in a footnote to another brief discussion of the equalization of the rate of profit:

It is clear that other aspects also enter in with the equalization of the rate of profit. Here, however, the *issue is not the distribution of surplus-value, but its creation*. (G. 669)

In other words: here, in the theory of capital in general, the issue is the production of surplus-value, not the distribution of surplus-value.

A few pages later, in a critique of Malthus’ theory that profit arises in circulation, Marx argued to the contrary that surplus-value does not arise in circulation, but instead arises in production, prior to the sale of commodities in circulation. Surplus-value is realized and distributed through circulation, but it is not created in circulation. The total surplus-value that arises in production is determined prior to its distribution through circulation.³ The total surplus-value “**has to exist before it can be distributed**”:

The profit of the capitalists as a class has to exist, or the profit of *capital* [original] as such, has to exist before it can be distributed, and it is extremely absurd to try to explain its origin by its distribution. (G. 684)

Toward the end of the *Grundrisse* (pp. 758-63), there is another discussion of equal rates of profit, and Marx stated again that this subject “does not belong here” (i.e. does not belong to capital in general), but instead belongs to “**many capitals**” (p. 760) or to the “chapter on **competition**” (p. 762). The following passage is a very clear statement that the distribution of surplus-value does not affect the total amount of surplus-value, and that the theory of the distribution of surplus-value belongs to the level of abstraction of many capitals, or competition:

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**, it does not yet belong here [i.e. in the analysis of capital in general]. (G. 760)

Finally, Marx emphasized a few pages later that the profit or surplus-value that is being considered at the level of abstraction of capital in general is the **total profit of the capitalist class** as a whole, not the profit of individual capitals, and that this total profit cannot be greater than the total surplus-value produced:

Profit as we still regard it here, i.e. as the **profit of capital as such**, not of an individual capital at the expense of another, but rather as the **profit of the capitalist class**, concretely expressed, *can never be greater than the sum of the surplus-value*. (G. 767)

Soon after finishing the *Grundrisse*, Marx wrote a letter to Engels (April 2, 1858; SC. 97) in which there is an outline of his book on Capital with the following four parts: (1) **capital in general**, (2) **competition**, (3) the credit system, and (4) share capital (Marx called these parts “sections” in this letter, but he also at times called these parts “chapters”, or later on “books”). Evidently, Marx’s work on the *Grundrisse* and his theory of the production of surplus-value at the level of abstraction of capital in general, and the brief discussions of equal rates of profit that belong to the level of abstraction of competition, had given him sufficient clarity about the relation between capital in general and competition (essentially the production and the distribution of surplus-value), and about the overall logical structure of his theory, that he was able to write down this new outline.

In another letter written about the same time (March 11, 1858; MECW.40. 287) and in a detailed outline of the contents of the *Grundrisse* written about a year later (February 1859; MECW.29. 511-17), Marx divided the section on capital in general into the following three parts: (1) the **production** process of capital, (2) the **circulation** process of capital and (3) **capital and profit**. The first two parts of capital in general were pretty much fully worked out in the *Grundrisse*, and the main contents changed very little in later drafts, and finally became

Volumes 1 and 2 of *Capital*, respectively (the major exception is that there is no discussion of the reproduction schemes in Volume 2 in the *Grundrisse*). However, the third part on “capital and profit” underwent drastic changes in the *Manuscript of 1861-61*, as we shall see below.

Therefore, although Marx left the elaboration of his theory of the equalization of the profit rate to 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. 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.

2. The Manuscript of 1861-63

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 3 of *Capital*.⁴ 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 recently been published for the first time, and includes a second draft of Volume 1 of *Capital* and, what is most relevant to this paper, about 250 pages on the distribution of surplus-value and other subjects related to Volume 3.⁵

2.1 The second draft of Volume 1, Parts 2 - 4 (MECW. 30. 9-346)

The *Manuscript of 1861-63* begins with a fairly complete draft what we know as Parts 2 through 4 of Volume 1 of *Capital*. This second draft of Volume 1 is very interesting and is much more clearly developed than the rough and exploratory first draft in the *Grundrisse*. This draft also contains more methodological comments than the “popularized” final versions of Volume 1. By this time, Marx had a very clear idea of the overall logical structure of Volume 1

(ever since 1859 at least; see the outline in MECW.29. 511-17), and he was able to write these chapters are in close-to-final form.

2.2 Theories of Surplus Value: (MECW. 30. 347 - 32. 541)

While working on Part 4 of Volume 1 on relative surplus value, Marx broke off and began to write in a new notebook (Notebook VI), which he entitled “Theories of Surplus Value”. 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 what he had done 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 that have to do with 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 2** 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 1 of *Theories of Surplus-Value*, which is mainly about Smith’s theory of value and surplus-value and the concepts of productive and unproductive labor. Then Marx’s work took a surprising turn. Instead of next considering Ricardo’s theory of surplus-value and perhaps the later Ricardian economists, as Marx originally planned (MECW.31. 583-84, note 2), Marx then discussed a more recent work, published in 1851, by Karl Rodbertus, who had attempted to develop a new theory of **rent** along Ricardian lines, and with an attempted solution to Ricardo’s problem of absolute rent (Ricardo’s theory could not explain how the least fertile land could receive a rent). This subject is out of place in the manuscript both chronologically and logically, since it deals with rent, an individual form of the distribution of surplus-value, rather than the production of the total surplus-value, and thus

belongs to the level of abstraction of competition, rather than capital in general. Marx labeled this section of the manuscript a “Digression”.

It appears that the immediate reason for this surprising turn was largely practical and fortuitous. Lasalle had loaned Marx a copy of Rodbertus’ book the year before and had recently written to Marx that he wanted his book back (MECW. 31. 593, note 99 [TSV.II. 633]).⁶ Therefore, Marx studied Rodbertus’ book while he still had the opportunity to do so. The book turned out to be more interesting than Marx expected and appears to have stimulated Marx’s thinking about rent and the determination of prices of production. It started Marx on a very creative theoretical excursion for almost a year, during which he began to work out for the first time the details of his own theory of the distribution of surplus value, which would be presented later in Volume 3 of *Capital*.

Early in the section on Rodbertus, Marx began to realize that in order to be able to explain absolute rent, it is first necessary to explain “**average prices**” or “**cost prices**” (or what Marx later called **prices of production**). Therefore, he began to sketch out for the first time the details of his theory of “average prices”. (MECW. 31. 260-64 [TSV.II. 27-30]; MECW.31. 297-305 [TSV.II. 64-71]). Marx followed the discussion of Rodbertus’ theory of rent with further discussions of Ricardo’s and Smith’s theory of rent, and with discussions of Ricardo’s and Smith’s theories of “cost price”. Marx’s main critique of the latter is that Ricardo and Smith failed to distinguish between values (prices determined at the level of abstraction of capital in general, prior to consideration of equal rates of profit) and cost prices (prices determined at the level of abstraction of competition, with equal rates of profit). Instead, they mixed up the two levels of abstraction, by assuming at the same time the exchange of commodities at their values and equal rates of profit. (MECW.31. 387-457 [TSV.II. Chapter 10]).

After considering various aspects of Ricardo’s theory in greater detail (surplus value, profit, and accumulation), Marx then discussed a variety of post-Ricardian economists (Malthus, Torrens, Bailey, etc.) and several “Ricardian socialists” (Ravenstone, Hodgskin, etc.). While writing about Hodgskin, Marx broke off again and began an entirely new section entitled

“Revenue and its Sources”, which is a first draft of what later became the concluding Part 7 of Volume 3, with a similar title (MECW. 32. 449-541 [TSV.III. 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 length the form of **interest**, another individual form of appearance of surplus-value, at the level of abstraction of competition, beyond capital in general (that would later be the subject of Part 5 of Volume 3). According to Marx’s theory, interest is a part of the total surplus-value produced by surplus labor. However, on the surface of capitalism, interest appears to result from capital itself, without any connection whatsoever to labor, or even to production. For this reason, Marx called interest the “most complete fetish”.

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 (MECW.32. 482-87 [TSV.III. 481-86]), Marx sketched out a remarkable summary of how interest is related to his theory of surplus-value already presented, 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 main theme of this summary is also the main theme of Volume 3 of *Capital* - that the individual forms of appearance of surplus-value (which are analyzed at the level of abstraction of competition) **obscure the origin of surplus-value**, which is surplus labor (and which is analyzed 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, etc.), but this appearance is just a fetishistic illusion.

2.3 Decision to expand Volume 3 to include some elements of competition and the distribution of surplus value (MECW. 33. 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 continues to pursue the same general question of the different forms of the distribution of surplus value. Fortunately, because of the recent publication of the entire manuscript, we can now study the very interesting and important remaining sections of this manuscript, the continuation of Marx’s development of his theory of the distribution of surplus value, inspired by his critical confrontation with Rodbertus and Ricardo and others.

The next individual form 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) (MECW.33. 9-68). The question of the origin of commercial profit was probably raised for Marx by a brief discussion of commercial capital in the previous section on “Revenue ...” (MECW.32. 464-69 [TSV.III. 468-70]).⁷

While working on commercial profit, Marx broke off again to write a draft of what he called “Chapter 3” on “Capital and Profit” (MECW.33. 69-153).⁸ As discussed above, the working outline of Marx’s his “book on capital” was a four-part outline: **capital in general, competition**, credit system, and share capital. The first part on capital in general was divided into: (1) **production**, (2) **circulation**, and (3) **capital and profit**. **Table 3** at the end of this paper presents an overview of this outline, together with the main questions addressed in each section or chapter.

Marx’s original plan, and apparently still his plan while writing this draft in December 1862, 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 3 (cost price, profit, and the rate of profit) and Part 3 (the falling the rate of

profit). Marx also briefly mentions the general or average rate of profit (the subject of the future Part 2 of Volume 3), but states several times that “a more detailed investigation of this point belongs to the **later investigation of competition.**” (MECW.33. 83, 94 and 101). However, Marx’s plan for this “Chapter 3” expanded drastically just a few weeks later.

After finishing this draft of “Chapter 3”, Marx then returned to “mercantile capital”, and then returned to the discussion of Hodgskin (from which he had broken off three months earlier, as we saw above, in order to write the section on “Revenue ..”). 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 3, and what Marx then called “the second chapter of Part III, on ‘Capital and Profit’, where the formation of the **general rate of profit** is dealt with.” (MECW.33. 299 [TSV.I. 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 “Chapter 2” on the general rate of profit and prices of production. This first outline of “Chapter 2” is very close to the final version of Part 2 of Volume 3 of *Capital*. This outline clearly indicates an expansion of the contents of “Capital and Profit” 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.

About fifty printed pages later, we get a more complete picture of the extent of Marx’s expansion of the contents of “Capital and Profit”. While working on Jones, Marx inserted a completely new outline of “Capital and Profit”, which he now called “Section III” (MECW.33. 346-47 [TSV.I. 414-15]), and which he probably had in mind when writing the earlier outline of “Chapter 2” just discussed.⁹ What is most remarkable about this outline is that the contents of “Capital and Profit” 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.
6. Law of the fall of the rate of profit. Adam Smith, Ricardo, Carey.
7. Theories of profit...
8. Division of profit into industrial profit and **interest. Mercantile capital.** Money capital.
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 includes, not only the aspects of capital in general included in the draft of a few weeks before (numbers 1 and 6), but also now includes all the individual forms of surplus value that Marx had been working on over the past year, ever since his encounter with Rodbertus (general rate of profit, rent, interest, mercantile profit, and revenue), and also now 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 that his theory of distribution should be included in "Section III", rather than waiting for a later, separate volume on competition (which Marx probably realized by this time 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 in 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 the important phenomena of capitalist economies, but also to critique the explanation of these phenomena presented by all versions of political economy. In order to achieve this objective, Marx expanded "Section III" beyond capital in general to include these important phenomena of competition and his critique the theories of these phenomena offered by vulgar political economy.

It should be noted that this expansion of “Section III” to include these individual forms of surplus-value at the level of abstraction of competition does **not** mean that the eventual Volume 3 includes **everything** that belongs to the level of abstraction of competition. Rather, only a part of the level of abstraction of competition is included in Volume 3 - only those aspects that have to do with these primary forms of appearance of surplus-value. There are other important topics that also belong to the level of abstraction of competition that are **not** included in Volume 3, such as: market prices, monopoly prices, concentration and centralization, crises, etc. (please see **Table 3** at the end of this paper and see Moseley 2001c for a further discussion of the topics to be included in the “later book on competition”). Indeed, Marx continued to refer in Volume 3 to a “later book on competition”, which would cover these more concrete aspects of competition not included in Volume 3. Therefore, Marx’s decision to expand Volume 3 beyond capital in general to include these aspects of the distribution of surplus-value in effect divided the level of abstraction of competition into two sublevels: one more abstract sublevel included in Volume 3 (related to the primary individual forms of surplus-value), and a second sublevel which consists of more concrete phenomena (market prices, etc.).

This expanded outline of “Section III” is the **main result** of Marx’s very creative exploratory work on his theory of the distribution of surplus value during the previous year. This outline is very close to the final version of Volume 3, which Marx wrote in the next two years (1864-65). Evidently, Marx’s work on the *Manuscript of 1861-63* clarified his thinking on these issues to such an extent that he was now ready to write this volume. The fact that this 1864-65 draft of Volume 3, although certainly not polished for publication, is as clear and complete as it is (except for 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 **One** of *Theories ...* (pp. 414-16), right after the discussion of Smith (to which it is not related) and before the encounter with Rodbertus and the

year-long development of Marx's theory of the distribution of surplus value. Therefore, the reader does not realize that this outline is located at the **end** of the *Manuscript of 1861-63*, not at the beginning, and that it is the main result of all the work on this manuscript.

Seeing the entire *Manuscript of 1861-63* together also puts the *Theories of Surplus-value* in an entirely new perspective. We can see much more clearly from the manuscript as a whole that Chapter 8 of the *Theories of Surplus-value* (on Rodbertus' theory of rent) is a decisive turning point and the beginning of a long and creative exploration of the different forms and individual parts of surplus-value, at the level of abstraction of competition, beyond capital in general.

3. Rosdolsky's interpretation

Roman Rosdolsky has argued that the reason Marx expanded the contents of Volume 3 to include these aspects of the distribution of surplus-value was because he **changed his definitions of capital in general and competition** somewhere between the *Grundrisse* and 1863 (1977, pp. 52-53). Rosdolsky emphasized the methodological importance of Marx's distinction between capital in general in the *Grundrisse* (for which he should be commended and appreciated). However, Rosdolsky argues that, after the *Grundrisse* (somewhere between the *Grundrisse* and the *Manuscript of 1861-63*), the definition of capital in general was expanded to include the subjects in Volume 3 that have to do with the distribution of surplus-value, and that the definition of competition was narrowed correspondingly to exclude these subjects. Rosdolsky does not explain **why** Marx made such an important change in the fundamental concepts of capital in general and competition; nor does he present any textual evidence to support this interpretation. He just asserts that this distinction was only a "blueprint" or a "working hypothesis" that "can lay claim to full validity only within specified limits" (p. 53), without explaining what those limits are.¹⁰

I argue that Rosdolsky's interpretation is mistaken. The main reason Rosdolsky is mistaken is that he does not recognize that Marx's distinction between capital in general and

competition coincides with his distinction between the production of surplus-value and the distribution of surplus-value. Capital in general is about the most essential feature that all capitals have in common - the production of surplus-value. Competition is about the differences among individual capitals and especially how these differences affect the distribution of surplus-value among the individual capitals. Therefore, it would be contradictory to include the distribution of surplus-value, which has to do with differences among individual capitals, at the level of abstraction of capital in general, which has to do with what all capitals have in common.

Furthermore, Marx's distinction between capital in general and competition is also coincides with his distinction between the "inner laws" of capital, and the "surface forms of appearance" of capital. Capital in general is about the inner laws of capital and competition is about the surface forms of appearance of capital. The different forms of surplus-value analyzed in Volume 3 - equal rates of industrial profit, commercial profit, interest, and rent - are clearly explained as forms of appearance of surplus-value, i.e. as the forms in which surplus-value appears on the surface of capitalist society. Therefore, these surface forms of appearance of surplus-value belong to the level of abstraction of competition, not to the level of abstraction of capital in general, where the inner laws of derived.

If Marx's decision in January 1863 to include his theory of the distribution of surplus-value in Volume 3 were the result of a fundamental change in Marx's analytical framework (essentially to transfer the theory of the distribution of surplus-value from the level of abstraction of competition to that of capital in general), then surely Marx would have discussed this fundamental change in these important concepts somewhere in his manuscripts. But there is no such discussion, either in the *Manuscript of 1861-63* or elsewhere. The expanded outline of "Section III" on "Capital and Profit" was simply inserted into the manuscript without comment, which suggests that the expansion of the contents of "Capital and Profit" was a practical decision to include some aspects of competition (the primary forms of the distribution of surplus-value) in Volume 3, not the result of a change in the fundamental concepts of capital in general and competition. (**Table 4** at the end of this paper presents the parts of Volume 3 that are at the level

of abstraction of capital in general and the other parts of Volume 3 that are at the level of abstraction of competition.)

Furthermore, there are many passages in the final draft of Volume 3, written two years later in the *Manuscript of 1864-65*, in which Marx explicitly stated that various parts of Volume 3 **belong to the level of abstraction of competition**. Indeed, the opening paragraph of Volume 3 announces that the main purpose of the volume is to approach step by step the forms of capital **as they appear in competition**, on the surface of capitalist society.

The configurations of capital, as developed in this volume, thus approach step by step the form in which they **appear on the surface** of society, in the action of different capitals on one another, i.e. **in competition**, and in the everyday consciousness of the agents of production themselves. (C.III. 117)

The forms of capital that are explained in Volume 3 are of course the individual forms of appearance of surplus-value (equal rates of profit, commercial profit, etc.). Thus it is clear from this important introductory paragraph that the individual forms of surplus-value that are explained in Volume 3 are surface forms of appearance, and thus belong to the level of abstraction of competition, not capital in general.

In Part 2, the title of Chapter 10 is “The Equalization of the General Rate of Profit through **Competition** ” (p. 273), thus clearly indicating that the subject of the general rate of profit, and prices of production determined by the general rate of profit, was still considered (as in earlier drafts) to belong to the level of abstraction of competition.¹¹ Similarly, toward the end of Chapter 10, Marx clearly stated that price of production is “a form that appears in **competition**”:

... the **price of production** is already a completely externalized and *prima facie* irrational form of commodity value, **a form that appears in competition**, and is therefore present in the consciousness of the vulgar capitalist and consequently also in that of the vulgar economist. (C.III. 300)

And in one of the “supplementary remarks” in Chapter 12, Marx explicitly stated again that prices of production belong to the level of abstraction of competition:

Competition rather exhibits rather the following phenomena: (1) **average profits** that are independent of the organic composition of capital in the various spheres of production ; (2) rises and falls in the **prices of production** as a result of changes in the wage level ; (3) fluctuations in market prices that reduce the average market price not to its market *value*, but rather to a market **price of production** that diverges from this market value and is something very different. All these phenomena *seem* to contradict both the determination of value by labor-time and the nature of surplus-value as consisting of unpaid surplus labor. *In competition, everything appears upside down.* The finished configuration of economic relations, as these are visible **on the surface**, in their actual existence, and therefore also in the notions with which the bearers and agents of these relations seek to gain and understanding of them, is very different from the configuration of their **inner core**, which is essential but concealed, and the concept corresponding to it. It is in fact the very reverse and antithesis of this. (p. 311)

We can also see from this passage that the level of abstraction of competition is about the “surface appearances” of capital, as opposed to the “inner core” of capital, i.e. the “inner laws” of capital (the laws of the production of value and surplus-value). These inner laws of capital continue to be derived at the prior level of abstraction of capital in general.

In Part 4, on **commercial profit** and the modification of prices of production due to commercial profit, Marx stated again that prices of production belong to the level of abstraction of competition:

If the limits of value and surplus-value are given, it is easy to perceive how the **competition** between capitals transforms values into **prices of production** and still further into commercial prices, transforming surplus-value into average profit. But without these limits, there is absolutely no way of seeing why competition should reduce the general rate of profit to one limit rather than to another, to 15 per cent instead of 1,500 percent. (p. 429)

We can also see from this passage that the limits of value and surplus-value (i.e. the total amount of value and surplus-value) are determined independently of the determination of prices of production, and are taken as given in the determination of the latter. The limits of value and surplus-value are determined at the prior level of abstraction of capital in general, and then the general rate of profit and prices of production are determined at the subsequent level of abstraction of competition.

The concluding Part 7 also makes it clear that Marx’s theory of the distribution of surplus-value presented in Volume 3 belongs to the level of abstraction of competition. In the

preceding parts of Volume 3, Marx had presented his theory of the individual forms of appearance of surplus-value, these key phenomena of competition, that are “visible on the surface of capitalist society”. Part 7 presents Marx’s critique of the explanations of these same surface phenomena of competition that are offered by vulgar political economy. The main point of Marx’s critique is that vulgar political economy remains entirely within the realm of the surface appearances of capital, and thus at the level of abstraction of competition; it does not recognize the inner laws of capital at the level of abstraction of capital in general. Therefore, Marx’s critique is necessarily about the surface appearances of capital at the level of abstraction of competition. Chapter 50 is entitled “The Illusion Created by **Competition**”. The illusion that is created by competition is the appearance that the price of commodities appears to be determined by adding up the individual components of price, rather than price being determined by labor-time and then divided into individual component parts. As Marx said many times, “everything appears reversed in competition.” There is a continual contrast in Part 7, and indeed throughout Volume 3, between the “inner laws” of capital and their “surface forms of appearance” in competition, the latter of which is the main subject of Volume 3.

It is also true that Marx also referred a number of times in the 1864-65 draft of Volume 3 to a “later investigation of competition”, as discussed in the previous section. Rosdolsky interprets these passages as evidence to support his interpretation that Volume 3 remains at the level of abstraction of capital in general. However, we have already seen that Marx’s references to a “later investigation on competition” does **not** imply that some parts of Volume 3 do not also belong to the level of abstraction of competition. Not all the phenomena at the level of abstraction of competition are included in Volume 3; other more concrete phenomena of competition remain at outside Volume 3 (market prices, monopoly prices, concentration and centralization, crises, etc.). As discussed earlier, Marx’s decision to expand Volume 3 to include parts that belong to the level of abstraction of competition in effect splits the level of abstraction of competition into two parts – a more abstract part (the forms of appearance of surplus-value) that is included in Volume 3 and the more concrete phenomena that are not included in Volume

3 (see **Table 3**). Therefore, Marx's references to a "later investigation of competition" are not inconsistent with his other statements that some parts of Volume 3 also belong to the level of abstraction of competition, which we have just reviewed. Rosdolsky's interpretation of the former passages is contradicted by all the latter passages.

Therefore, I conclude that Marx's theory of the distribution of surplus-value in Volume 3 continued to be at the level of abstraction of competition, as it was in the earlier drafts of *Capital*. Marx's decision to include his theory of the distribution of surplus-value in Volume 3 was not the result of a change in the fundamental concepts of capital in general and competition, but was instead a practical decision to include some aspects of competition in Volume 3 (those having to do with the primary forms of appearance of surplus-value), rather than to wait for a later separate volume on competition.

4. Heinrich's interpretation¹²

Michael Heinrich (1989) has argued that Marx encountered "difficulties" in maintaining the distinction between capital in general and competition while writing the *Manuscript of 1861-63*, which caused Marx to eventually **abandon this distinction** and to not employ it in *Capital*. Heinrich defines capital in general to include the explanation of "all those characteristics that **manifest themselves in competition**" or "**are visible in competition**" (p. 67; emphasis added). One such characteristic explicitly discussed by Heinrich is equal rates of profit across industries. Presumably, other characteristics that are visible in competition would also include the other forms of appearance of surplus-value discussed in Volume 3 of *Capital* (commercial profit, interest, rent, and revenue). According to Heinrich, all these characteristics that are visible in competition **have to be explained at the level of abstraction of capital in general**, which abstracts from competition. Marx's inability to explain these characteristics that are visible in competition, while abstracting from competition, is (according to Heinrich) the "difficulty" that eventually led Marx to abandon the distinction between capital in general and competition in his theory.¹³

I argue that Heinrich's interpretation is based on an **erroneous definition of capital in general**. Marx's level of abstraction of capital in general does **not** include the explanation of the more concrete phenomena of competition, such as equal rates of profit and the other individual forms of appearance of surplus-value analyzed in Volume 3. According to Marx's logical method, these individual forms of surplus-value are not supposed to be explained at the level of abstraction of capital in general, but rather at the lower level of abstraction of competition. Heinrich presents no textual evidence to support this interpretation, because there is none. According to Marx's method, these individual forms of surplus-value **cannot be explained until after** the total amount of surplus-value has been determined, and that is the main task of the theory of surplus-value at the level of abstraction of capital in general. Specifically, with respect to the general rate of profit and prices of production, the general (or average) rate of profit is determined by the ratio of the total surplus-value produced in the capitalist economy as a whole to the total capital invested. The total surplus-value, the numerator in the general rate of profit, is determined by the prior theory of surplus-value at the level of abstraction of capital in general. Thus the general rate of profit can be explained at the level of abstraction of competition only **after** the total amount of surplus-value has been determined at the level of abstraction of capital in general.

We have seen above that Marx explicitly stated many times that the explanations of these individual forms of appearance of surplus-value **do not belong to the level of abstraction of capital in general**, but instead belong to the level of abstraction of competition. Specifically with respect to the characteristic of equal rates of profit, Marx stated several times in the *Grundrisse* (pp. 435-36, 669, 760, and 762), and again in the *Manuscript of 1861-63* (MECW.33. 83, 94, 101; and MECW.33. 280 [TSV.III. 356]) that the explanation of this important phenomenon **does not belong to the level of abstraction of capital in general**, but instead belongs to "the later investigation of competition." Nowhere does Marx ever make any suggestion that the explanation of equal rates of profit belongs (or might belong) to the level of abstraction of capital in general. As we have seen above, one of Marx's main critiques of

Ricardo and Smith is that they mixed up the levels of abstraction of capital in general and competition, by assuming that prices determined by values are consistent with equal rates of profit. Heinrich's interpretation similarly mixes up these two levels of abstraction, by including in his definition of capital in general the phenomena of equal rates of profit and other individual forms of appearance of surplus-value, that belong instead to the level of abstraction of competition.

To his credit, Heinrich recognizes Marx's distinction between the "inner laws of capital" and the "surface appearances of capital". But he argues that the concepts of capital in general and competition are only "a first attempt to conceptualize this distinction" (p. 65), which was eventually abandoned because of the alleged "difficulties" in maintaining this distinction. I argue, to the contrary, that the concepts of capital in general and competition are not merely a "first attempt" to conceptualize the distinction between the inner laws and the surface appearances of capital, but are instead identical with this distinction. Capital in general is about the inner laws of capital, i.e. the laws of the production of value and surplus-value (especially the determination of the total amount of surplus-value). Competition is about the surface forms of appearances of capital, i.e. the individual forms of appearance of surplus-value. Contrary to Heinrich, these surface forms of appearance are not supposed to be explained at the level of abstraction of capital in general.

Heinrich argues that important textual evidence to support his conclusion that Marx abandoned the distinction between capital in general and competition after 1863 is that Marx no longer used the term capital in general as a title or heading for Volumes 1 and 2 of *Capital*. However, I argue that Marx continued to make the same distinction, but with other terms for capital in general, such as the "general formula for capital", the "general analysis of capital", the "inner laws of capital", the "inner nature of capital", "capital as such", etc. To take one clear and important example, from Chapter 12 of Volume 1 (concerning the derivation of relative surplus-value, or inherent technological change):

While it is not our intention here to consider the way in which the **immanent laws** of capitalist production manifest themselves in the **external movement** of the individual capitals, assert themselves as the coercive laws of competition, and therefore enter into the consciousness of the individual capitalist as the motives which drive him forward, this much is clear: a scientific analysis of **competition** is possible only if we can grasp the **inner nature of capital**; just as the apparent motions of the heavenly bodies are intelligible only to someone who is acquainted with their real motions, which are not perceptible to the senses. (C.I. 433; emphasis added)

Thus there continues to be a clear distinction here between the “immanent laws of capitalist production” (i.e. the laws of capital in general) and the external phenomena of competition, even though Marx does not explicitly use the term “capital in general”. But this is a mere change of terminology, not a change of substance, i.e. not a decision to abandon the distinction between capital in general and competition. Surely, if Marx had decided to abandon this key distinction in his theory – the two basic levels of abstraction in his theory – he would have discussed this important methodological change somewhere in his manuscripts. But there is no such discussion. I think that this change of terminology is another example of Marx’s attempt to “popularize” *Capital* and to use less Hegelian terminology.

Furthermore, Marx continued after 1863 to use the term “competition” (including in the paragraph from Volume 1 just quoted), and with the same meaning as before 1863; in particular to include the surface forms of appearance of surplus-value that are discussed in Volume 3 (as well as other more concrete phenomena beyond Volume 3). We have also seen in the preceding section that there is much textual evidence from Volume 3 in which Marx explicitly stated that equal rates of profit and the other forms of appearance of surplus-value that are explained in Volume 3 belong to the level of abstraction of competition. If competition continued to be used and to have the same meaning, then it seems reasonable to infer that capital in general, the other side of this distinction, also continued to be used and to have the same meaning, just with different names. In other words, if Marx continued to use the term competition to mean the level of abstraction at which the individual forms of appearance of surplus-value are explained, then it seems reasonable to conclude (especially with all the supporting arguments and textual evidence discussed above) that capital in general continued to mean the level of abstraction at which the

total surplus-value (the “inner law”) is determined. The only difference is that Marx used different terms for capital in general. The logical distinction remains the same.

Finally, Marx also continued after 1863 to distinguish between the production and the distribution of surplus-value, and also continued to distinguish between the inner laws and the surface forms of appearance of capital. Since Marx’s distinction between capital in general and competition is identical with these other key distinctions in his theory, it follows that Marx also continued to maintain the distinction between capital in general and competition after 1863.

Therefore, I conclude that Marx encountered no difficulties in maintaining these parallel distinctions in the *Manuscript of 1861-63*, and that he did not abandon the distinction between capital in general and competition after 1863. The alleged “difficulties” to which Heinrich refers are of Heinrich’s own making. They are due solely to his misinterpretation of Marx’s concept of capital in general, not to Marx’s concept itself.

5. Arthur’s interpretation

Chris Arthur has written two companion papers on capital in general and competition (2002a and 2002b). In the first paper, Arthur identifies what he considers to be five distinct definitions of Marx’s concept of capital in general in the *Grundrisse*, and focuses on one of them - a tripartite division, along the lines of Hegel’s logic, between generality, particularity, and individuality - and presents a “reconstruction” of *Capital* based on this tripartite division. In the second paper, Arthur argues that there is a contradiction in Marx’s theory between the general rate of profit and the average rate of profit, and also discusses the relation between Volumes 1 and 3 and the distinction between capital in general and competition.

In the first paper, the following five definitions of capital in general in the *Grundrisse* discussed by Arthur:

1. what all capitals have in common
2. the total social capital
3. the economic basis of the capitalist class

4. as a real existence, as bank loans
5. generality, as contrasted with particularity and individuality

The first four definitions are consistent with my interpretation of the level of abstraction of capital in general - that it is mainly about the determination of the total surplus-value produced in the capitalist economy as a whole - and the fifth definition might also be consistent with my interpretation. The first three definitions are the most important ones, and are all consistent with my interpretation. The main property that all capitals have in common (definition #1) is the **production of surplus-value**. Since this is the main property common to **all capitals together**, the theory of surplus-value has to do both with the surplus-value produced by each individual capital and also with the total surplus-value produced by all capitals together, i.e. by the **total social capital** (definition #2), which is the economic basis of the **capitalist class** (definition #3).

Definition #4 above (bank capital) is not very important (it is mentioned only once in the *Grundrisse* (pp. 449-50), and never again), but it is also consistent with my interpretation of capital in general. Marx states in this passage that the logical abstraction of capital in general obtains a “real existence” in bank capital, because bank capital could be allocated to any industry in the economy as a whole. Therefore, the “real existence” of capital in general as loan capital also has to do with the economy as a whole, just as the logical abstraction of capital in general does. Marx is not considering here bank capital as a particular kind of capital, as distinguished from industrial capital, etc. The specific characteristics of bank capital are not a “common property” of all capitals.

Definition #5 (the tripartite division) is discussed only twice early in the *Grundrisse* (pp. 264 and 275, in November 1857), and then never again discussed in all of Marx’s writings. This tripartite outline appears to have been an early attempt, which didn’t work out and was abandoned.¹⁴ The “generality” in this outline might refer to the total social capital, but Marx says so little about it that there is no way to know. On the other hand, we have seen above that by the end of writing the *Grundrisse*, Marx had articulated a four-part outline (capital in general,

competition, etc.) which remained the basic logical structure of his book on Capital for the rest of his life, even though he was able to finish only a part of it. The tripartite outline was never mentioned again.

Therefore, I conclude that Marx's meaning of the level of abstraction of capital in general was consistent throughout the *Grundrisse* (and also in later works), and that it is about what all capitals have in common - the production of surplus-value - and thus is about the total surplus-value produced by all capitals together, or the total social capital. The subsequent level of abstraction of competition is about the division of this total amount of surplus-value into individual parts (such as equal rates of profit).

In Arthur's second paper, there are several important points of agreement with my interpretation, and also several less-important points of disagreement. The important points of agreement are: (1) that capital in general is an important concept in Marx's theory and that Marx did not abandon this concept in later versions of *Capital*, even though the term is not explicitly used; (2) that it is legitimate to interpret Marx's concept of capital in general as referring to the total social capital of the capitalist class as a whole, in relation to the working class as a whole, for the purpose of explaining surplus-value and the nature of exploitation in capitalism (although Arthur argues that this is only a partial understanding of capital in general, because capital in general also necessarily includes individual capitals confronting one another through competition); and (3) that Marx assumed that the total surplus-value is determined prior to its division into individual parts, and that the total surplus-value is taken as given and remains unchanged in the theory of the distribution of surplus-value in Volume 3. Arthur also seems to agree that the prior determination of the total surplus-value implies that the general rate of profit, which is equal to the ratio of the total surplus-value produced to the total capital invested, is determined prior to prices of production and is taken as given in the determination of prices of production. I think these points of agreement are very important and substantive, and are more important than the points of disagreements discussed below.

The first point of disagreement is that Arthur argues that **Volume 1 is not about the total social capital** and thus is not about the total surplus-value produced by the total social capital. I have discussed this point at length in Moseley (2004), and I refer the reader to that paper, which presents substantial textual evidence from almost every part of Volume 1 to support my interpretation that Volume 1 is about the total surplus-value produced by the total social capital. I argue that Volume 1 is about the total class relation between the capitalist class as a whole and the working class as a whole. The most important aspect of this general class relation is the total surplus-value produced by the working class as a whole for the capitalist class as a whole. The origin and magnitude of that total surplus-value is the main question to which Volume 1 is devoted.

Arthur seems to agree that the main question in Volume 1 is the production of surplus-value, but he does not specify the level of aggregation to which this theory of surplus-value applies, although he seems to suggest that it applies to individual capitals (2002b, p. 145). I agree that Marx's theory of surplus-value in Volume 1 applies to individual capitals, but I argue that it applies to **all individual capitals** together. The theory is about what all these individual capitals have in common- the production of surplus-value. The theory determines the amount of surplus-value produced by **each and every** capital together, and thus also determines the total amount produced by the **total social capital**. The determinants of the amount of surplus-value produced by each individual capital are the **same** for each and every capital (surplus labor, or total labor - necessary labor), and thus these are also the determinants of the total surplus-value. Therefore, the sum total surplus-value produced by all workers together is at least implicitly determined in Volume 1, and could be obtained by adding up the surplus-value produced by each and every workers ($S = \sum S_i$), or by multiplying the quantity of surplus-value produced by the *average worker* times the number of workers employed ($S = n S_a$). Marx determined the total surplus-value in Volume 1 in the latter way, in terms of the average worker (see Moseley 2004, pp. 159-60).

In Part 3 of Volume 2 of *Capital*, in the context of his critique of “Smith’s dogma” (according to which the total price of the total annual product can be entirely resolved into wages + profit),¹⁵ Marx stated clearly that the theory of value and surplus-value that applies to an individual worker in a given working day – that this worker produces a certain amount of new-value, which is divided into variable capital and surplus-value – also applies to the **entire working class in a given year** – that it produces a certain amount of new-value, which is divided into total variable capital and total surplus-value.

What applies to the industrial labour of a single day, however, **also applies to labour set in motion by the entire capitalist class in the course of a whole year**. The society’s total annual value product, therefore, can be broken down only into $v + s$, into an equivalent with which the workers replace the capital value spent on their own purchase price, and the additional value that they have to provide for their employers over and above this. (C.II. 451)

What holds for a commodity produced in a single capitalist business by some industrial worker holds also for the annual product of all branches of industry taken together. What applies to the day’s labour of an individual productive worker **applies also to the annual labour performed by the entire class of productive workers**. This class ‘fixes’ (Smith’s expression) in the annual product a total value determined by the amount of labour annually expended, and this total value breaks down into one part determined by that portion of the annual labour in which the working class creates an equivalent for the annual wage, in point of fact this wage itself, and another part determined by the additional annual labour in which **the workers create a surplus-value for the capitalist class**. The annual value product contained in the annual product thus consists of only two elements, the equivalent for the annual wage received by the working class and the surplus-value annually supplied to the capitalist class. (C.II. 452)¹⁶

An individual capital that is analyzed in Volume 1 is an average representative of the total social capital, in its function of the producer of surplus-value. Marx remarked in the important first outline of Part 2 of Volume 3, written in January 1863 (discussed above, p. 11), that an individual capital in Volume 1 is considered as an “aliquot part” of the total social capital:

For the **total capital**, however, what was explained in Chapter 1 holds good. In capitalist production [i.e. in Volume 1], each capital is assumed to be an **aliquot part of the total capital**. (MECW.33. 299 [TSV.I. 416])¹⁷

Arthur seems to ultimately agree that the theory of surplus-value of Volume 1 **could also be applied to the total social capital** and the total surplus-value, even though he argues that Marx himself did not do this. In an earlier draft of his (2002b) paper, Arthur concluded:

In my view, Volume 1 is about the general idea of ‘capital’ and shows how surplus value is explained and determined. Given that aggregation is here warranted, this means that we can take the Volume 1 determinants of surplus-value to hold at the aggregate level and presuppose this when we consider the detailed analysis of distribution in Volume 3.

Therefore, our disagreement over Volume 1 does not seem to be very significant. The only difference is that I think there is substantial textual evidence that Marx himself intended his theory of surplus-value to apply to the total surplus-value, i.e. that Marx himself made the application of his theory of surplus-value to the total surplus-value that Arthur agrees it is legitimate for us to make.

Another point of disagreement is that Arthur argues that **all of Volume 3 is at the level of abstraction of capital in general**. This interpretation is similar to Rosdolsky’s discussed above, except that Arthur seems to agree with me that Marx’s theory of the distribution of surplus-value belongs to the level of abstraction of competition, and that Part 2 of Volume 3 is about the distribution of surplus-value, and thus is at the level of abstraction of competition. However, Arthur argues that Part 2 **also** belongs to the level of abstraction of capital in general, because equal rates of profit belong to the “inner nature” of capital. Therefore, Part 2 is at **both** levels of abstraction - capital in general **and** competition.¹⁸ Arthur does not explicitly discuss the other parts of Volume 3 that have to do with the distribution of surplus-value and competition (Parts 4-7), but it appears that the same interpretation applies to these other parts as well – that they belong to both the levels of abstraction of capital in general and competition.

I argue that Arthur’s interpretation **ignores the quantitative dimension** of Marx’s levels of abstraction of capital in general and competition - that capital in general has to do with the **production** of surplus-value (the determination of the total surplus-value) and competition has to do with the **distribution** of surplus-value (the division of the total surplus-value into individual

parts). Equal rates of profit are **not** part of the “inner nature” of capital, because equal rates of profit do not have to do with the **production** of surplus-value, but rather with the **distribution** of surplus-value; or the **receipt** of surplus-value by **individual capitals**.

Furthermore, most of the remaining parts of Volume 3 (Parts 4 through 7) also pertain to Marx’s theory of the distribution of surplus-value, and thus also belong to the level of abstraction of competition. Arthur does not discuss these other parts, but I don’t see how one could argue that the specific types of capital analyzed in Parts 4-6 (commercial capital, banking capital, and landed capital), nor how the individual forms of surplus-value analyzed in these parts (commercial profit, interest, and rent), are part of the “inner nature” of capital. Therefore, these three parts of Volume 3 clearly belong to the level of abstraction of competition and clearly do not belong to the level of abstraction of capital in general. Similarly, Part 7 of Volume 3 is about the “illusions created by competition” (the title of Chapter 50), and thus also clearly belongs to the level of abstraction of competition. To be sure, these illusions (that each part of surplus-value has its own separate source) are **necessary forms of appearance** of the inner nature of capital; but they are not the **inner nature** of capital itself. The inner nature of capital is that all these different parts of surplus-value originate from the same source - surplus labor.

In spite of this minor disagreement about whether these parts of Volume 3 that belong to the level of abstraction of competition **also** belong to the level of abstraction of capital in general, Arthur and I agree on the most important point - that Marx took the total surplus-value as given in his theory of the distribution of surplus-value in Volume 3, and similarly took the general rate of profit as given in his theory of prices of production in Part 2 of Volume 3.

The main disagreement between Arthur and myself is that he argues that there is a **contradiction** in Marx’s theory between the **general** rate of profit and the **average** rate of profit. The contradiction, according to Arthur, is that the general rate of profit is derived from the total surplus-value and the total social capital and is determined **prior** to prices of production, and the average rate of profit is derived from individual rates of profit and individual capitals and is **not**

determined prior to prices of production, but is instead determined **simultaneously** with prices of production.

But this is not true. The average rate of profit, as determined by Marx is **not** determined simultaneously with prices of production, but is instead determined **prior** to prices of production. The individual rates of profit, of which the average rate of profit is an average, assume that individual commodities are exchanged at their **values**, not at their prices of production. The individual rates of profit are first calculated on the assumption that prices = values, and these value-determined individual rates of profit differ from one another because of unequal compositions of capital across industries. The average rate of profit is then calculated as the average of these individual “value rates of profit”, and then subsequently taken as given, i.e. as predetermined, in the determination of prices of production. There is no difference in this key respect between the average rate of profit and the general rate of profit - they are both determined **prior** to prices of production (see C.III. 257; MECW.31. 301-03[TSV.II. 67-69]; and SC. 120-22).¹⁹

The average rate of profit that is determined in this way is always (by definition) identically equal to the general rate of profit determined as a ratio of aggregates, as Arthur acknowledges (and which can easily be shown algebraically).²⁰ The average rate of profit is just another way to calculate the general rate of profit, a way that highlights the dependence of the general rate of profit on the distribution of capital across industries, because the average rate of profit is a **weighted** average, with the weight for each industry determined by the share of the capital in that industry in the total capital (C_i / C) (Marx emphasized this point in C.III. 261-63).

Therefore, I conclude that there is no contradiction in Marx’s theory between the general rate of profit and the individual rate of profit. These are just two different ways to calculate the same rate of profit - the rate of profit for the economy as a whole, which is determined prior to prices of production and taken as given in the determination of prices of production. But I repeat that I regard these disagreements to be less important than the agreements between Arthur and

myself listed above concerning the prior determination of the total surplus-value (i.e. prior to its distribution, or its division into individual parts) in Marx's theory.

7. Conclusion

This paper has argued that Marx's levels of abstraction of capital in general and competition have a quantitative dimension: capital in general is about the production of the total surplus-value, and competition is about the distribution of the total surplus-value into individual parts. The total surplus-value is determined at the level of abstraction of capital in general and then is taken as given (and does not change) at the level of abstraction of competition. Volume 3 of *Capital* is mainly about the distribution of surplus-value, and thus is mainly at the level of abstraction of competition, although Parts 1 and 3 are at the level of abstraction of capital in general.

This paper has also argued that, when Marx decided in January 1863 to expand Volume 3 to include elements of his theory of the distribution of surplus-value, this decision was a practical decision, motivated by Marx's work on this theory in the preceding year and the desire to include these new developments in Volume 3, rather than wait for a later separate volume, which Marx probably realized by that time that he would probably never complete. This decision to expand Volume 3 did not involve any changes in the definitions of capital in general and competition, nor any difficulties in maintaining this distinction. The inclusion of these elements of the distribution of surplus-value in Volume 3 does not suggest that Marx expanded his definition of capital in general to include these elements (Rosa Luxemburg). Nor does it indicate that Marx abandoned the distinction between capital in general and competition (Heinrich). Nor does it indicate that these elements of the distribution of surplus-value also belong to the level of abstraction of capital in general (Arthur). Rather, Marx's decision simply made Volume 3 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). And the crucial quantitative premise of the prior determination of the total surplus-value (prior to its distribution) is maintained throughout Marx's writing, both before and after 1863.

Table 1:

**TWO BASIC LEVELS OF ABSTRACTION
IN MARX'S THEORY OF SURPLUS-VALUE**

CAPITAL IN GENERAL

COMPETITION

**PRODUCTION OF SURPLUS-VALUE
(the total surplus-value)**

**DISTRIBUTION OF SURPLUS-VALUE
(individual parts of the total surplus-value)**

PRICES = VALUES

PRICES = PRICES OF PRODUCTION

INNER LAWS

SURFACE FORMS OF APPEARANCE

**VOLUMES 1 and 2
(except Part 6 of Volume 1)**

**VOLUME 3
(except Parts 1 and 3)**

Table 2:
OVERVIEW OF MARX'S *MANUSCRIPT OF 1861-63*

	CAPITAL IN GENERAL production of s.v.	COMPETITION distribution of s.v	MECW Volumes
Aug. 1861	<i>Parts 2-4</i>		30. 9-346
Mar. 1862	TSV. 1 Smith, etc.		30. 347 31. 250
Jun. 1862		TSV. 2 rent (Rodbertus , etc.) prices of production	31. 250- 32. 208
Oct. 1862	TSV. 3 Disintegration opposition (Hodgskin)		32. 209-49
Nov. 1862		TSV. 3 revenue and interest critique of vulgar economics	32. 449-541
		<i>commercial profit</i>	33. 9-68
Dec. 1862	<i>“Capital and Profit”</i> (draft of Parts 1 and 3 of Volume 3)		33. 69-153
Jan. 1863		<i>commercial profit</i> <i>reflux of money</i>	33. 154-252
	TSV. 3. Ramsay, etc.		3. 253-371
		EXPANDED OUTLINE OF VOLUME 3 (out of place in TSV)	33. 299, 346-47
Mar. 1863	<i>Parts 4-8</i>		33. 373- 34. 354

MECW: *Marx-Engels Collected Works*, Volumes 30-34

TSV: *Theories of Surplus-Value*

bold italics: recently published for the first time.

Table 3:
MARX'S OUTLINE OF HIS "BOOK ON CAPITAL"
(April 1858 - January 1863)

MAIN QUESTIONS

I. CAPITAL IN GENERAL

- | | |
|----------------------------------|--|
| 1. Process of production | production of surplus-value
absolute surplus-value
relative surplus-value |
| 2. Process of circulation | effect of turnover time on surplus-value
reproduction of the total social capital |
| 3. Capital and Profit | transformation of surplus-value into profit
falling rate of profit |

II. COMPETITION

- | | |
|--------------------|--|
| 1. Abstract | distribution of surplus-value
general rate of profit and prices of prod.
commercial profit
interest
rent
revenue and critique of vulgar economics |
| 2. Concrete | market prices
monopoly prices
concentration and centralization |

III. CREDIT SYSTEM

IV. SHARE CAPITAL

Table 4

**CAPITAL IN GENERAL AND COMPETITION
IN VOLUME 3 OF *CAPITAL***

CAPITAL IN GENERAL

**1. PROFIT, and the
RATE OF PROFIT**

3. FALLING RATE OF PROFIT

COMPETITION

**2. GENERAL RATE OF PROFIT
and PRICES OF PRODUCTION**

4. COMMERCIAL PROFIT

5. INTEREST

6. RENT

**7. REVENUE and its SOURCE
CRITIQUE OF VULGAR ECONOMICS**

ENDNOTES

¹ The references to Marx's works in this paper utilize the following shorthand notation:

C.I.	<i>Capital</i> , Volume 1
C.III.	<i>Capital</i> , Volume 3
G.	<i>The Grundrisse</i>
MECW.29.	<i>Marx-Engels, Collected Works</i> , Volume 29
MECW.30.	<i>Marx-Engels, Collected Works</i> , Volume 30
MECW.31.	<i>Marx-Engels, Collected Works</i> , Volume 31
MECW.32.	<i>Marx-Engels, Collected Works</i> , Volume 32
MECW.33.	<i>Marx-Engels, Collected Works</i> , Volume 33
MECW.34.	<i>Marx-Engels, Collected Works</i> , Volume 34
MECW.40.	<i>Marx-Engels, Collected Works</i> , Volume 40
SC.	<i>Selected Correspondence</i>
TSV.I.	<i>Theories of Surplus-value</i> , Volume 1
TSV.II.	<i>Theories of Surplus-value</i> , Volume 2
TSV.III.	<i>Theories of Surplus-value</i> , Volume 3

² References to the *Manuscript of 1861-63* will be given in the following form: first the *Marx-Engels Collected Works*, followed by the *Theories of Surplus-value*, if any, in brackets.

³ Of course it is always possible in capitalism that the surplus-value that has been produced in production might not be realized in circulation, due to insufficient aggregate demand. However, Marx assumed throughout the three volumes of *Capital* that demand = supply in all industries and in the aggregate (in order to analyze capitalism in its “pure form”). Under this assumption, all the surplus-value produced in production is realized in circulation. The long debate over the “transformation problem” has also assumed that demand = supply in all industries. The controversial issue in this debate has been whether or not the total surplus-value (or the total value) changes **due solely to the transformation** of values into prices of production, assuming supply = demand. I think it is clear that such a change in the total surplus-value is not possible in Marx's theory of prices of production. The total surplus-value is determined in production and then this predetermined quantity is distributed in circulation to individual industries according to equal rates of profit and prices of production. The question of possible “realization problems” of insufficient aggregate demand, belongs to a lower level of abstraction, beyond the three volumes of *Capital*.

⁴ It has been discovered in recent decades that Marx wrote **four** drafts of *Capital*, not just two (the *Grundrisse* and *Capital*), as was previously thought. In between these two, Marx wrote two other fairly complete drafts of all three volumes of *Capital* - one in the *Manuscript of 1861-63* and another in the *Manuscript of 1864-65* (see Dussel 2001a and Moseley 2001a for further discussions of the four drafts of *Capital*).

⁵ The *Manuscript of 1861-63* was published for the first time in its entirety in German in the *Marx-Engels Gesamtausgabe*, abbreviated as MEGA, in 1976-82. The English translation was

published in 1988-94 by International Publishers, as Volumes 30 to 34 of the 50-volume *Marx-Engels Collected Works*. The publication of this entire manuscript is an important event in Marxian scholarship. This manuscript is an important link between the *Grundrisse* and *Capital* and provides many valuable insights into the logical structure and content of *Capital*, especially Marx's theory of the distribution of surplus-value in Volume 3. See Dussel 2001b for a detailed textual study of this manuscript and Moseley 2001b for an introduction to Dussel's book.

⁶ References to the *Manuscript of 1861-63* will be given in the following form: first to the *Marx-Engels Collected Works*, followed by the *Theories of Surplus-value*, if any, in brackets.

⁷ There is a very interesting digression on pp. 467-69 of MECW.32 on "different forms of capital", which unfortunately is not included in the *Theories of Surplus-value*.

⁸ Marx began a new notebook with the draft of this chapter and wrote "Ultimum" on the front of this notebook, suggesting that this was more of a final draft than the exploratory work of the previous notebooks; see MECW.33: 506, note 4.

⁹ 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 1 of *Capital* (MECW.33: 347 [TSV.I: 414]).

¹⁰ Rosdolsky also does not specify exactly **when** Marx changed these key definitions. He does not say anything about Marx's *Manuscript of 1861-63*, because this manuscript had not yet been published in its entirety, even in German. All Rosdolsky knew was the part of the manuscript that is included in *Theories Surplus-Value*, with the expanded outline of Section III" out of place. He does not seem to be aware of the important moment of decision in January 1863, when Marx decided to expand the contents of "Section III".

¹¹ Similarly, in the important outline discussed above of "Chapter Two of Section III" (i.e. Part 2 of Volume 3 of *Capital*) from January 1863, when Marx decided to expand the contents of "Section III", point 4 in this outline states in part: "... *Formation of the general rate of profit. (Competition)*", thus indicating again that the general rate of profit belongs to the level of abstraction of competition. (MECW.33: 299 [TSV.I: 416])

¹² See Moseley 1995 for a more extensive critique of Heinrich. Although I disagree with Heinrich's interpretation of Marx's concepts of capital in general and competition, I appreciate very much his path-breaking 1989 paper, which called attention to the *Manuscript of 1861-63* in the English-speaking world, before the manuscript had been translated into English. What Heinrich's paper seems to miss is that this manuscript is where Marx developed his theory of the distribution of surplus-value for the first time.

¹³ Heinrich argues that after 1863 Marx replaced the capital in general / competition outline with the following three-part outline, that correspond respectively to the three volumes of *Capital*: production, circulation, and unity of production and circulation. Please see Moseley 1995 (pp. 40-45) for a critique of Heinrich's alternative framework. I argue that the first two parts of this outline belong to the level of abstraction of capital in general, and the third part ("unity ...") is

Marx's way of describing the expanded contents of Volume 3 which includes both capital in general and competition. We saw above that ever since the *Grundrisse* Marx had divided capital in general into production / circulation / capital and profit. These three parts are not an alternative logical structure that Marx discovered after writing the *Manuscript of 1861-63*.

Furthermore, Heinrich's alternative interpretation does not provide an explanation of the determination of the general rate of profit and prices of production. This was the main problem that Marx's distinction between capital in general and competition was intended to solve, and it is not solved in a different way by Heinrich, but is instead simply ignored and not addressed at all. In addition, Heinrich's interpretation does not discuss the rest of Volume 3 (Parts 4 through 7) and the other individual forms of surplus-value discussed in these parts (commercial profit, interest, and rent).

¹⁴ Oakley (1983, p. 63) refers to this tripartite plan as an "intellectual exercise", utilizing Hegel's terminology, that was "not pursued in subsequent discussions".

¹⁵ The critique of what Marx called "Smith's dogma" is the main purpose of Marx's reproduction schemes of Part 3 of Volume 2; see Moseley 1998).

¹⁶ In the *Grundrisse*, Marx commented: "But the relation of every capitalist to his own workers is the *relation as such of capital and labour*, the essential relation. (G. 420)

¹⁷ Rosdolsky (1977, p. 48), Foley (1986, p. 6) and Shortall (1994, p. 452) have also emphasized the representative nature of the individual capitals analyzed in Volume 1.

¹⁸ The editors of the *Marx-Engels Gesamtausgabe* (MEGA) (Müller, et. al.), in their Introduction to the *Manuscript of 1861-63*, make an argument to Arthur's - that the equalization of the profit rate across industries, which is a phenomenon of competition, is also a part of the inner nature of capital, and therefore should belong to the level of abstraction of capital in general. However, the MEGA editors draw a different conclusion from Arthur, and similar to Heinrich's - that the equalization of the rate of profit cannot be part of **both** capital in general **and** competition, and therefore Marx abandoned the distinction between them.

Similar to these other authors discussed, the MEGA editors do not recognize the quantitative dimension of Marx's distinction between capital in general and competition - the production of the total surplus-value and distribution of surplus-value of the total surplus-value into individual parts - which is maintained throughout Marx's manuscripts.

¹⁹ In a more recent paper, Arthur (2005) has presented a "value-form reconstruction" of Marxian value theory, which is not intended to be an interpretation of Marx's theory in *Capital*, and according to which the average rate of profit and prices of production are **determined simultaneously** (and also determined simultaneously with socially necessary labor-time). However, Arthur **does not state exactly how** the general rate of profit and prices of production are determined simultaneously. He does not specify the **independent variables** upon which the general rate of profit and prices of production depend; nor does he specify the **equations** that determine the general rate of profit and prices of production from these independent variables.

Therefore, I would argue that Marx's theory is superior to Arthur's "value-form reconstruction", because Marx's theory provides an extensive and robust quantitative explanation of the determination of the general rate of profit and prices of production, and Arthur's "reconstruction" provides very little along these lines, except the general presumption that they are determined simultaneously. Perhaps more quantitative details are forthcoming, which I would welcome.

²⁰ The average rate of profit is a weighted average of the individual "value" rates of profit, which can be expressed as:

$$\mathbf{ARP} = \Sigma (\mathbf{S}_i / \mathbf{C}_i) (\mathbf{C}_i / \mathbf{C})$$

From which it follows that the average rate of profit is identically equal to the general rate of profit, because the sum of the individual amounts of surplus-value in the individual "value" rates of profit is by definition equal to the total sum of surplus-value in the general rate of profit:

$$\mathbf{ARP} = \Sigma (\mathbf{S}_i / \mathbf{C}_i) (\mathbf{C}_i / \mathbf{C}) = \Sigma (\mathbf{S}_i) / \mathbf{C} = \mathbf{S} / \mathbf{C} = \mathbf{GRP}$$

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