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MARX IN 1869:

Notebook B113, *The Economist* and *The Money Market Review*^{(*)(**)}

Abstract: This paper presents Notebook B113, one of Marx's unpublished manuscripts, and suggests its importance for highlighting the monetary and financial issues which Marx was investigating after 1867. A combination of deciphering an index prepared by Marx and reading the 1868 editions of *The Economist* and *The Money Market Review* may help to improve the understanding of Part Five, Volume III of *Capital*. A preliminary investigation of Marx's references to the crisis of 1866 in Notebook B113, and the lack of references to this same crisis in Volume III of *Capital* supports the conjecture of this paper.

Key words: Karl Marx; Friedrich Engels; MEGA.

Resumo: Este artigo apresenta o Caderno B113, um dos manuscritos ainda não-publicados de Marx, buscando sugerir sua importância para colocar em evidência as questões monetárias e financeiras que vinham ocupando o autor após 1867. Ao combinar a decodificação do índice preparado pelo próprio Marx com a leitura das edições de 1868 de *The Economist* e *The Money Market Review*, torna-se possível aprimorar o entendimento da Parte Cinco do Volume III de *O Capital*. Uma investigação preliminar acerca das referências de Marx à crise de 1866 ao longo do Caderno B113, quando comparada à completa ausência de referências a essa mesma crise no Volume III de *O Capital*, corrobora a conjectura apresentada pelo artigo.

Palavras-chave: Karl Marx; Friedrich Engels; MEGA.

Sub-área: 1.2 – História do Pensamento Econômico

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INTRODUCTION

After almost 130 years of Marx's death, a significant part of his writings remains unpublished and therefore unknown to the vast majority of the researchers of his work. Indeed, the problem of publishing Marx's writings goes back to the long and hard work done by Engels to edit and publish the fourth edition of *Capital* – released in 1890 and taken for a long time as its standard or “definitive” version – and to assemble, from Marx's drafts, the second and third books of *Capital*, released in 1885 and 1894, respectively.

During this period, the rise of the socialist movement awakened a growing interest in the work of Marx and Engels, which motivated the translation of some of his classical writings, such as *The Communist Manifesto*, into various languages. It also induced Engels to try to systematically publish a significant part of the two authors' work in its original language, giving birth to new editions of sold-out books such as *The Poverty of Philosophy* and *The Eighteenth Brumaire*, and prompting the appearance in print of texts that were left unpublished by Marx – such as *Critique of the Gotha Program* and the second and third books of *Capital* – and also of new writings by Engels – such as *Anti-Duhring* and *The Origin of the Family, Private Property, and the State*. However, the intention of publishing all of Marx's writings was not present at that time, or even, for that matter, the intention of editing his writings in a way that would allow for the reconstitution of the genesis and development of his thought. The volumes edited by Engels were intended primarily to make available to the socialist militants a group of theoretical writings which constituted, in his opinion, the finished corpus of the doctrine elaborated by himself and Marx (Anderson, 2010: 247, Hobsbawm, 1983: 427).

The idea of publishing a critical edition of Marx's complete works goes back to December 1910, when it was discussed by a prominent group of Austro-Marxists. The plan for the so called “Vienna Edition”, however, did not take place, partially due to difficulties in funding it but also by reason of the problems created by the outbreak of the First World War. Even so, the number of available writings by Marx and Engels was increased through the effort of scholars such as Karl Kautsky – who, between 1905 and 1910, published a part of the manuscripts of 1861-63 known as *Theories of Surplus Value* – Franz Mehring – who edited, in 1902, a compilation of texts written by Marx and Engels' during the years 1841–50 (in addition to letters from 1849-62) – and, finally, David Riazanov, who published two volumes containing

the articles written by Marx and Engels in 1850 for newspapers such as the *New York Tribune* and the *People's Paper* (Rojhan, 1998: 3; Hecker, 2010: 282).¹

By the time of the First World War, Riazanov was already one of the greatest, if not the greatest expert in Marx's literary legacy. The contacts which he established with Auguste Bebel and Karl Kautsky granted him access to the manuscripts of Marx and Engels, which were in possession of the German Social-Democrat Party (SPD), as well as to Marx's writings preserved by Laura Lafargue. With the Russian Revolution of 1917, he had the opportunity to engage in the first attempt to produce a complete historical-critical edition of Marx and Engels' work, the *Marx-Engels-Gesamtausgabe* (MEGA). Having been charged by Lenin with establishing and directing the Marx-Engels Institute, Riazanov obtained a significant material and financial support for his organization, as well as some independency to recruit his staff among the available specialists. He assembled a wide net of correspondents across Europe and established an intensive cooperation with the *Institut für Sozialforschung* (Institute of Social Research), in Frankfurt, which at the time was under the direction of Carl Grünberg. Thus, he could gather the material needed to start editing the MEGA: originals or photocopies of the letters, manuscripts and other documents existing in the archives of the German Social-Democrat Party in Berlin.

The editorial plan for the first MEGA predicted the release of 42 volumes divided into four parts or sections. The first section, with 17 volumes, should gather the writings of Marx and Engels other than those related to *Capital*, which would be the object of the 13 volumes comprising the second section. The third part should gather all the letters written by Marx and Engels, which included the correspondence between the two authors, but also their letters to Lassalle, Weydemeyer, Kugelmann, Freiligrath and others. Finally, the original plan also predicted a fourth part consisting of two volumes containing indexes by themes and names.

Of the planned total, only 11 volumes appeared between 1927 and 1935, including the first editions of *Economic and Philosophical Manuscripts* and *The German Ideology*. To them were added a special volume with Engels' *Anti-Dühring*, published in 1935, and the two volumes of Marx's manuscripts from 1857-58, the *Grundrisse der Kritik der politischen Ökonomie*, which appeared in 1939 and 1941 in the same format as the MEGA volumes (Cerqueira, 2010: 208-12).

¹ Kautsky, Karl (ed.). *Theorien über den Mehrwert aus dem nachgelassenen Manuskript "Zur Kritik der politischen Ökonomie" von Karl Marx*. Stuttgart: J.H.W. Dietz, 1910; Mehring, Franz (org.), *Aus dem literarischen Nachlass von Karl Marx, Friedrich Engels, und Ferdinand Lassalle*, 4 volumes, Stuttgart: J.H.W. Dietz Nachf., 1902; Riazanov, David (org.), *Gesammelte Schriften von Karl Marx und Friedrich Engels, 1852 bis 1862*. 2 volumes, Stuttgart: J.H.W. Dietz Nachf., 1917.

For what matters to the purposes of this article, it is important to emphasize that, despite the rigorous philological and editorial criteria adopted by Riazanov and his team, the MEGA project did not foresee the publishing of a significant part of Marx's manuscripts, made up of his excerpts notebooks. These were collections of long fragments taken from the works that Marx studied throughout his life – excerpts that he copied, summarized and commented upon over the course of tens of volumes written for his own use. In a 1923 report, Riazanov already mentioned the existence of these notebooks which, in his opinion, would be useful especially to Marx's biographers, but whose publishing was not contemplated in the MEGA project². In fact, the existence of some of these notebooks and the nature of their themes caused surprise in Riazanov:

If in 1881–82 he [i.e., Marx] lost his ability for intensive, independent, intellectual creation, he nevertheless never lost the ability for research. Sometimes, in reconsidering these Notebooks, the question arises: Why did he waste so much time on this systematic, fundamental summary, or expend so much labor as he spent as late as the year 1881, on one basic book on geology, summarizing it chapter by chapter. In the 63rd year of his life – that is inexcusable pedantry. Here is another example: he received, in 1878, a copy of Morgan's work. On 98 pages of his very miniscule handwriting (you should know that a single page of his is the equivalent of a minimum of 2.2 pages of print) he makes a detailed summary of Morgan. In such manner does the old Marx work (Riazanov *apud* Anderson, 2010: 248-9).

It is true, however, that over time Riazanov's position concerning the notebooks seems to have evolved. In a text of 1929 he recognized that, given the work method adopted by Marx, it was sometimes difficult to distinguish what should be considered an excerpts notebook from what could be considered a notebook of “preparatory work”. The reason is that, even on notebooks that barely contain Marx's own comments, the parts collected are so closely grouped around a particular issue that they should be considered a “preparatory work” for a research already planned. Moreover, in many notebooks the excerpts are intermingled with Marx's observations, whereas in others he develops long digressions that are already an expression of his thoughts. Aware that the study of the genesis of Marx's criticism of political economy could not forgo the exam of these notebooks, Riazanov expressed in this text his hope that the progress of the historical-philological research on Marx's works would be such that soon the necessity would be felt for a complete edition of the excerpts notebooks (Hecker, 2002: 50-51).

The fact is that the MEGA editorial effort succumbed in the 1930s, a victim of Nazism and Stalinism, indefinitely postponing the appearance of a complete edition of Marx and Engels' works. In the 1950s, the death of Stalin and the political overturns which followed it made room

² With the exception of “some math books” by Marx which were edited in the 1920s by Julius Gumbel, a young German mathematician, but which were only published in 1968.

for the plan of a critical edition to be discussed again both in Moscow and in Berlin. The problems related to this initiative were many, starting with the high costs of the project, but also involving ideological concerns – the fear that such an edition could weaken the primordial function served by the texts of Marx and Engels for the Communist parties and Eastern European governments, as intellectual support for Marxism-Leninism. Overcoming the resistance, by the end of the 1960s the Marxism-Leninism Institutes (IML) of Moscow and Berlin began the edition of a second MEGA (Bellofiore & Fineschi, 2009: 8; Rojhan, 1998: 3 ss.).

Amongst the editorial principles that should rule over the new MEGA, which were discussed throughout its period of preparation, it was established that it should be absolutely complete, including the whole of Marx and Engels' excerpts and notebooks, as well as the letters authored by third parties and addressed to both. Thus, the second MEGA was scheduled to contain over 100 volumes³, divided into four sections: the first, with texts and drafts not related to *Capital*; the second, with the various editions of *Capital* and the preparatory material related to the book; the third, with the letters of (and to) Marx and Engels; and the fourth, containing the extracts, annotations and marginal notes⁴.

The execution of this project, however, depended crucially on the cooperation of the *Internationaal Instituut voor Sociale Geschiedenis* (International Institute of Social History), the IISG, keeper of most of Marx and Engels' original manuscripts. After Hitler's rise to power, the papers which were under possession of the German Social-Democrat Party were taken abroad, being later acquired by a Dutch insurance company, which donated them to the newly-established IISG, where they remain until today (Rojhan, 1998: 3-4).⁵ The institute's *Karl Marx / Friedrich Engels Papers* collection covers a vast amount of material: personal documents, correspondence with Engels, Bruno Bauer, Nikolai Danielson, Moses Hess, Ludwig Kugelmann, Ferdinand Lassalle, Wilhelm Liebknecht, Pierre-Joseph Proudhon, Arnold Ruge and many others; manuscripts of Marx's doctoral thesis; parts of the manuscripts of *Critique of Hegel's Philosophy of Right* and *The German Ideology*, amongst others texts; the economic manuscripts of 1857-58

³ Each volume consists of two tomes, one containing the texts, and the other with the edition's critical apparatus.

⁴ At the time of writing (early 2011), 55 volumes have been published. Of the 32 volumes planned for the first section, 17 are available. Regarding the second section, work is further ahead: of all the 15 planned volumes, only the last part of volume 4, containing the manuscripts of 1863-67, remains to be published, thus completing the project. 12 of the 35 volumes planned for the third section have already been published. Finally, 11 of the 32 volumes planned for the fourth section have been released until today (cf. Anderson, 2010: 251-252 and the *Internationale Marx-Engels-Stiftung* and *Akademie Verlag* websites).

⁵ At this point, Bhukarin sought to acquire the papers for the Soviet archives, acting under Stalin's directions. The attempt was unsuccessful, being later used as part of the charges made against him at his trial (Hecker, 2010: 284-5).

and parts of *Capital*, including the corrections and additional notes made on a printed copy for the second edition of the first book; and almost 200 notebooks with excerpts from books and other publications on economics, history, philosophy and other scientific disciplines. Among Engels' papers, there can be found private documents, his correspondence with Marx, Victor Adler, August Bebel, Eduard Bernstein, Karl Kautsky, Antonio Labriola, Paul Lafargue, Georgij Plekhanov, the manuscripts of *Dialectics of Nature*, preparatory works for *Anti-Dühring*, notes, book excerpts and other publications. This material was organized by the IISG between 1959 and 1965, and it is divided in 18 parts, identified by letters from A to S.⁶

Part B of the Marx and Engels Archive contains the excerpts prepared by Marx, in boxes numbered from B1 to B168. It is in this part that the box containing Notebook B113 can be found. It consists of a notebook with 139 pages, containing excerpts in English and German prepared by Marx in 1869, and its contents cover five different sources: reports by the Bank of England; notes taken from *The Economist* (1868); notes taken from *The Money Market Review* (1868); notes about the book *The Theory of Foreign Exchange*, by G. J. Goschen (1862); and notes about the book *Kaufmännische Rechnung*, by Feller & Oderman (1866).

This paper presents Notebook B113 and suggests its importance in order to highlight the monetary and financial issues which Marx was investigating at that time. By deciphering (as far as possible) the material prepared by Marx in this notebook, and also analyzing the 1868 issues of *The Economist* and *The Money Market Review*, it may be possible to improve the current understanding of Part Five, Volume III of *Capital*. A preliminary investigation of Marx's references to the crisis of 1866 in Notebook B113, and the lack of references to this very same crisis in Volume III of *Capital*, supports the paper's initial conjecture.

The argument is structured around five sections. The first one describes the main aspects of Marx's biography in its historical context in 1868-69. The second section presents a preliminary description of Notebook B113. The third section shows how the edition of Volume II used information reviewed in Notebook B113. The fourth section contrasts Marx's interest in the crisis of 1866 with the complete lack of any references to it throughout the whole of Volume III, and stresses the importance of Notebook B113 for following Marx's investigations about the crisis. The fifth section concludes the paper.

⁶ Information available at the IISG site. See <http://www.iisg.nl/archives/en/files/m/10760604full.php>.

I- MARX IN 1868 AND 1869

In April 1867 Marx traveled to Hamburg to deliver to his publisher, Otto Meissner, the originals of Volume I of *Capital*. Relieved and satisfied with the outcome, Marx could, after years, rest in the company of his friend Kugelmann and his family in Hanover, while waiting for the proofs of his work. After a really insane task which, as he put it, “sacrificed his health, happiness and family”, these weeks spent in the company of his friend were a peaceful and joyful time. After coming back to London, Marx corrected the proofs and sent them to his editor in August 16, 1867. The book was finally published in the third week of September 1867, with a print run of 1.000 copies. However, the relief (or as he called it, “the nightmare’s suspension”) which the book’s publication brought was only partial and temporary. The recurring problems soon started to anguish him again. At this time, not only his health was deteriorating, but Marx was also facing increasing material difficulties, in spite of Engels’ support.

Coming back to London meant coming back to the British Museum and to his responsibilities as member of the General Council of the International Workingmen’s Association. Between 1868 and 1869, Marx wrote 14 documents in the name of the IWA’s General Council. Four of them are particularly relevant: the Fourth Annual Report of the General Council, adopted by the General Council on September 1, 1868; the message to the workingmen of Europe and the US denouncing the bloody conflict between the Belgian Government and the Miners of Charleroi on May 1869; the Report of the General Council about the Right of Inheritance on October 1869; and the Report of the General Council to the Fourth Annual Congress in Basle on September 1869.

In this latter report, Marx developed a comprehensive account of the current conditions in world politics, stressing the critical points for the class struggle. This text can be considered, together with the IWA’s Inaugural Manifest published in 1864, as a singular example of the critical possibilities of political economy and its capacity for synthesizing the economic, political and social determinations of capitalist reality in its totality. It works, in this sense, as a confirmation of the analytical and political potentiality of the critique of political economy, as a decisive instrument in the struggle against capital and for the construction of socialism.

After the publication, in 1867, of Volume I, which dealt with the production of capital, Marx turned his attention to the elaboration of Volumes II and III (on the circulation of capital and on the global process of production and circulation, respectively), previously drafted between

1865 and 1866. Marx focused on new materials and sources, and made some progress with empirical research on issues that would be addressed in both volumes: ground-rent, the monetary and banking systems, the duration of fixed capital, and capital turnover. Both Marx's correspondence and the copious notes he took during the period are evidence of this vigorous resumption of studies and research in the British Museum. It is interesting to highlight, in particular, the increase of his correspondence on issues relating to *Capital*, as evidenced below.

TABLE 1
Marx's active correspondence about *Capital*, 1843-1881

Years	Letters
1845-1850	2
1851-1855	10
1856-1860	20
1861-1865	19
1866-1870	60
1871-1875	12
1876-1880	2
1881	3

Source: Marx & Engels (1974), authors' elaboration.

In effect, between 1868 and 1869, Marx wrote 19 letters, most of them to Engels, discussing and developing arguments, asking for information, and testing hypotheses. Such is the case of the letter to Engels dated April 30, 1868, in which Marx presented the draft structure he intended to use for volumes II and III: there, he expounded the core of his theory of profit, of the rate of profit, and of the tendency of the rate of profit to fall, and also introduced issues regarding commercial capital, the division of profit into interest and profit of enterprise, interest-bearing capital, and the transformation of surplus-profit into ground-rent (Marx, 1974, pp. 163-68).

1868 and 1869 were both years of intense research and of permanent concern with political-organizational issues within the International Workingmen Association. It is in this period that the political dispute with the Proudhonian currents intensifies, the fight against Bakunin and his partisans begins, and the attempts to unify the German communist movement –

divided by sectarianism and legitimate disputes, but also mistaken amongst Becker/Hess/Borkheim/Bebel/Schweitzer/Libknecht – are pursued.

These were years of intensifying international conflicts. There was, for instance, the threat of war between England and the United States. In England, Gladstone's reformist policy was defeated and there was a return to Disraeli's conservatism in government. In France, Napoleon III sank into a terminal crisis, while Bismarck's Prussia advanced, striving to bring hegemony to Europe. The Austro-Hungarian Empire, defeated by Prussia in 1866, worked as a selective counterbalance for an Italy that could never unify and modernize itself.

On the other side, the International Workingmen Association and the labor union movement in general experienced their heyday. The Basle Congress, in September 1869, received 78 delegates representing 9 countries. It occurred within a favorable conjuncture for the socialist struggle in many European countries and even in the US. Marx's report in the name of the General Council to the Fourth Annual Congress held at Basle bears testimony to how his intellectual activity during those years was in tune with the dedication to the political and organizational issues of the IWA, concretely expressing the inseparability of theory and practice which was a distinctive trait of Marx's activities.

It was within this broad historical context that Marx organized his Notebook B113⁷.

II- NOTEBOOK B113, *THE ECONOMIST* AND *THE MONEY MARKET REVIEW*

This section focuses on Marx's excerpts from *The Economist* (*TE*) and from *The Money Market Review* (*TMMR*). Marx read the whole volumes which compiled these two business journals, taking notes about every relevant issue he found on them – as is clear from the dates of the issues excerpted by him. The notes taken from the 1868 issues of *TMMR* are located between pages 19 and 58, while the ones related to *TE* can be found between pages 59 and 86. On pages 87, 88, and 89 Marx organizes his own notes in an index. Figure 1 shows the first page of this index in his own handwriting (Notebook B113, page 87). Chronologically, this index must have been prepared after he took the notes about both periodicals.

⁷ According to a chronology prepared for the new German edition of *Marx und Engels Werke* (MEW), it was during January and February 1869 that Marx read and took excerpts from *The Economist* and *The Money Market Review*.

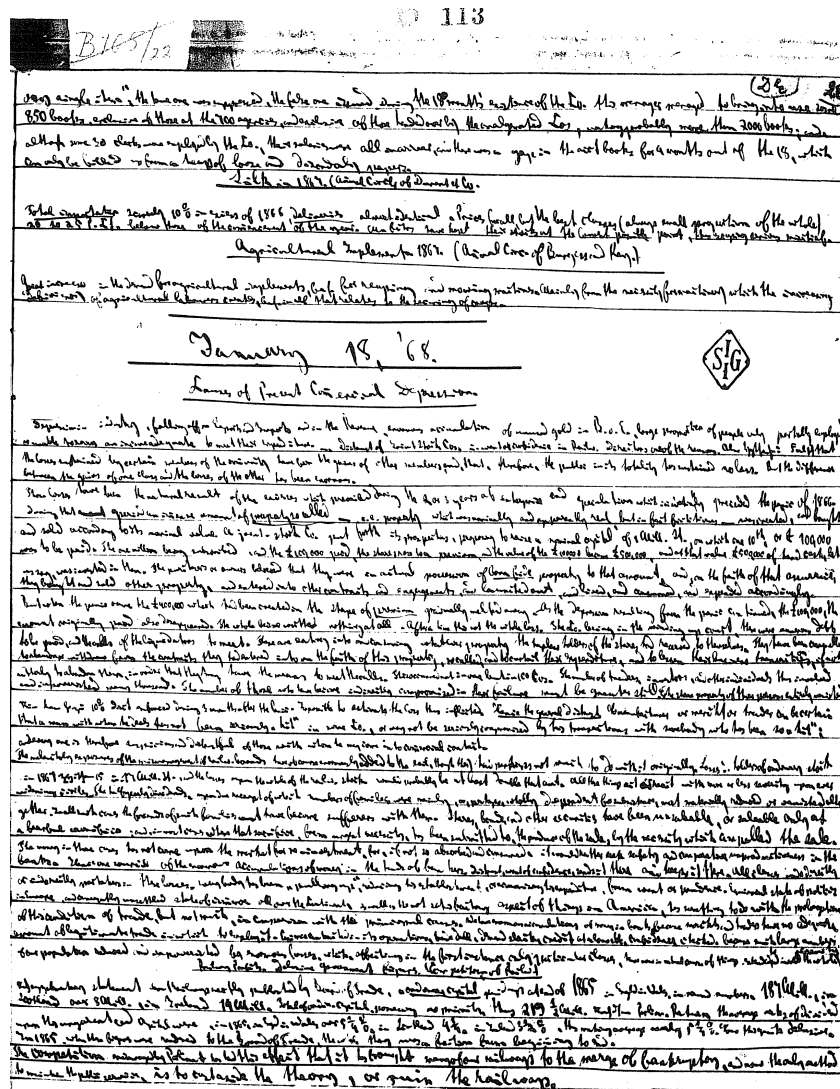
FIGURE 1

A reproduction of Marx's index for his notes on *The Economist* and *The Money Market Review*

[illegible]

With goodwill and luck it is possible to decipher at least Marx's chosen entries. It is possible to see that the index is organized at first by countries. On page 87, figure 1 shows the first part of the entry related to the United Kingdom. In its turn, this entry is divided into sub-parts. Page 87 shows four topics: 1) money market, Bank of England, currency, exchange; 2) crisis of 1866 "und Nachwirkungen" (utter consequences); 3) commercial morality; and 4) railways. Each of these sub-topics contains specific entries about subjects which deserved attention, from Marx's standpoint. For instance, under sub-topic 2 (crisis of 1866), the second

Marx's notes on "Causes of present commercial depression", Notebook B113, p. 22



With this information in hand, it is possible to go to the relevant page (for instance, page 22) and find out to which issue this article refers. Figure 2 shows page 22, which contains one reference to “causes of present depression”. This article is from the January 18, 1868 issue of *TMMR*, and the title used by Marx is “causes of present commercial depression”. Unfortunately, it is still not possible at this stage to read the actual notes taken by Marx. But it is now possible to check the relevant issue and read the same article that Marx had read. Figure 3 shows page 59 of

the aforementioned issue, with an article entitled "What are the causes of the present depression in the commercial world, and what their probable duration?".

FIGURE 3
Partial reproduction of the January 18, 1868 issue of *The Money Market Review*, p. 59

JAN. 18, 1868.

THE MONEY MARKET REVIEW.

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C. F. I. and C.—For COST, FREIGHT, INSURANCE, and COMMISSION, and profit of the United States can be procured at the lowest rates, through Messrs. BELLING, KIRK, and CO., AMERICAN BANKERS and MERCHANTS, 50 Lombard Street, London. Orders transmitted by Cable. Circulars on application.

* All Communications for the Editor of the MONEY MARKET REVIEW should be addressed to the Publishers OFFICE 7, CABLE-STREET, BARNES, LONDON, E.C., where also Subscriptions and Advertisements are received.

TERMS OF PUBLICATION, PAYABLE IN ADVANCE.—Single paper, 6d.; half-yearly, 15s.; yearly, £1. 6s. By Post.—Single paper, 7d.; half-yearly, 16s.; yearly, £1. 10s.—Post-office orders to be made payable to FRANCIS FISHER.

The Money Market Review.

LONDON, SATURDAY, JANUARY 18, 1868.

THE MONEY MARKET.

The exports of the precious metals to the Continent have been trifling during the week, and the coin and bullion at the Bank of England have somewhat increased. The decrease in the reserve is trifling, although there appear to have been further borrowings by the Chancellor of the Exchequer on Deficiency Bills. Altogether the appearance of the Money Market is one of extreme and undiminished ease. The following are the figures of the week:—

BANK OF ENGLAND.

Increase in coin and bullion	...	...	£36,145
Decrease in loans ("other securities")	...	...	994,981
Increase in notes with the public	...	...	90,915
Decrease in "Reserve"—Notes and coin in the Banking Department	...	...	64,772
Total reserve	...	...	12,751,443
Minimum rate of discount	...	...	2 per cent.

BANK OF FRANCE.

Increase in coin and bullion	...	...	£58,000
Decrease in loans (bills discounted)	...	...	1,926,509
Increase in notes with the public	...	...	725,000
Minimum rate of discount	...	...	2½ per cent.

BOEN BANKS TOGETHER.

Increase in coin and bullion	...	...	£34,140
Decrease in loans	...	...	1,920,581
Increase in notes with the public	...	...	1,016,915

Notes in Circulation.

Bank of England	...	£22,086,218
Bank of France	...	29,378,440
Total	...	£51,464,658

CLEARING HOUSE.

Cheques and bills cleared during the week ended Wednesday, January 15, 267,729,000.

Yesterday the demand for money was small, and the general rate for choice bills 1½ to 1½ per cent. £35,000 was taken from the Bank for Egypt in sovereigns.

The latest quotations for money on the Continent are as follows, viz.:—At Paris, 1½ per cent.; at Brussels, 2; at Hamburg and Frankfurt, 2½; at Amsterdam, Berlin, 3½; at Vienna, 4; at Turin, 5; and at St. Petersburg, 8 per cent.

WHAT ARE THE CAUSES OF THE PRESENT DEPRESSION IN THE COMMERCIAL WORLD, AND WHAT THEIR PROBABLE DURATION?

Wherever we go, and whomsoever we meet, on the Exchange, in the banks, or at the clubs, there is but one universal cry and complaint of the present depression, "the dead, unhealthy calm," which prevails throughout the world of commerce and finance. Everybody sees and feels it, and everybody has some explanation to give for it. Some assign one reason, and some another, but it is easy to see that no one is perfectly satisfied with the causes he professes to believe in, and that they are propounded only with a view to arrive at something that shall be more satisfactory. But another and even more pertinent, if not more important question, is sorely troubling the minds of commercial men, and that is, how long this state of things is to last! It has continued through the whole of last year—is it to continue through the whole of the present one? In January last sanguine hopes were generally entertained of a speedy revival, and many saw, or thought they saw, some symptoms of it; but the year wore on to its close without affording any realisation of those hopes. Similar anticipations are now prevailing, and men are anxiously looking out to see some of the long-sought indications of a revival; but the hopes of January, 1868, appear to be based on no better foundation than those of January, 1867, and to afford no greater probability of their ultimate realisation. The prospect is neither exhilarating nor even moderately reassuring. Without a careful and accurate diagnosis of the disease, the ablest and most experienced physician can say but little as to the speedy recovery of the patient, and the little he may say is comparatively valueless because it is scarcely more than specu-

lative conjecture. But if the patient be suffering not from any one specific disease, but from a complication of disorders, a careful diagnosis is all the more essential to enable him to form even a proximate opinion as to the period of ultimate recovery. And that, we fear, represents our present commercial and financial condition. We are labouring under a complication of disorders, all of them the unhappy consequences of previous excesses, and until we have thoroughly examined them, traced them to their source and origin, and ascertained how far the body politic of the commercial community has been really compromised by them, it will be hopeless for us to endeavour to predicate the duration of the disease and the period of recovery.

What is the cause of the existing depression in the commercial world? The most general answer to that inquiry is "general distrust;" but distrust of whom, distrust of what? No doubt there is general distrust, but that is only one of the forms in which the disease is manifested, and is not the disease itself. No doubt the general disposition—the breaking-down and the winding-up—of such a number of joint-stock companies has created a general distrust of such investments. No doubt the astounding disclosures which have recently been made of the gross mismanagement of several of our leading railway companies have tended to destroy confidence, not in the implicated companies only, but, in a greater or less degree, in most other railways also. But distrust of joint-stock companies, or want of confidence in railway directors, will not alone account for the general and continued depression in the commerce, the manufactures, and the industry of the country, for the falling-off in exports and imports and in the revenue, for the enormous accumulation of unused gold in the Bank of England, or for the large proportion of the population who are only partially employed, and are unable to earn an income adequate to meet their expenditures. For the true explanation we must search deeper, and the cause we shall find to be the comparative, but extensive and general, poverty, arising from the enormous losses which the public have sustained during the last eighteen months. It is very easy to contend, as some of our contemporaries have done, that the losses sustained by certain members of the community have been the gains of other members, and, therefore, that the public in its totality has sustained no loss. But it is not the fact that the gains of the one class have been equal to the losses of the other; and thus the losses to the public have been great, for the difference between the two has been enormous.

Those losses have been the natural result of the excesses which prevailed during the two or three years of enterprise and speculation which immediately preceded the panic of 1866. During that period an immense amount of property so called—that is, property which was nominally and apparently real, but which was in fact fictitious—was created, and was bought and sold according to its nominal value. A joint-stock company put forth its prospectus, proposing to raise a nominal capital of a million sterling, on which one-tenth, or £100,000, was to be paid. The one million being subscribed, and the £100,000 paid, the shares rose to a premium, and the value of the £100,000 became £500,000, and at that value £500,000 of hard cash, let us say, was invested in them. The purchasers or owners believed that they were in the actual possession of bona fide property to that amount, and, on the faith of that assurance, they bought and sold other property, and entered into other contracts and engagements, and launched out, and lived, and consumed, and expended accordingly. If that half million of property so called had continued to be what it originally appeared to be, the transactions and expenditure of the owners, which had been based upon the faith that it would so continue, would have been alike advantageous to themselves and to the other parties with whom they had contracted obligations. But when the panic came the £400,000 which had been created in the shape of premium gradually melted away. As the depression which resulted from the panic continued, the £100,000 which was the amount originally paid also disappeared. That which had once been deemed worth the £100,000 paid, and £400,000 beyond, became in reality worth nothing at all; the premium was gone, and the investment out of which it had arisen was gone also. Then, after a time, it was found that even this was not the whole loss. The premium had been consumed, if not wasted, and the original sum invested was irrecoverably lost; but, the company being in the winding-up course, there are still numerous debts to be paid, and the calls of the liquidators to meet. These are eating into and consuming whatever property the hapless holders of the shares had reserved to themselves. They have been compelled to abandon or withdraw from the contracts they had entered into on the faith of this property, so called, and to curtail their expenditure, and to lessen their business transactions, if not utterly to abandon them, in order that they may have the means to meet the calls. This, or something approaching to it, has been occurring not in one company only, but in hundreds of companies. The number of traders, investors, and other individuals who have thus become involved and impoverished must amount to very many thousands, and the number of those who have become indirectly compromised in their failure must be greater still. The share pro-

This proceeding has helped our research group decipher the whole index elaborated by Marx, since his notes and page references may lead us to the original article, and the latter's title in its turn may help us decode Marx's handwriting. With this intuitive and pragmatic "method", we prepared a preliminary transcription of Marx's index, which result is shown in Figure 4.

FIGURE 4

A transcription of Marx's index for his notes on *The Economist* and *The Money Market Review*

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2. Crises of 1866 u. Nachwirkungen			
Das July 1867.....			
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Paying ??? Dead Weight.....	28		
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Source: Notebook B113, pages 87-89, authors' transcription.

This transcription thus reveals what Marx thought to be most important among his notes. The topics, as previously mentioned, are organized by country and subjects. There are notes about nine countries (United Kingdom, Italy, Russia, Belgium, France, United States, India,

South Africa, and Australia). The largest entry is about the United Kingdom, followed by France, United States, India and Australia. In the case of the United Kingdom, the entry is divided in ten sub-topics, with a clear preponderance of topics related to monetary and financial issues – railways, as will be discussed later on, seem to matter because they were at the avant-garde of institutional and financial changes which were taking place at that time.

Figure 4 is important, therefore, because it shows how Marx worked with his notes, and also, in the specific case of Notebook B113, what were the most important topics of those two journals as defined by Marx's reviewing of his own notes. In this sense, it may help to define a specific agenda of research for this material, and it also may signal Marx's intentions for an edition of Volumes II and III of *Capital*. Figure 4 confirms the information presented by Kraetke (2005, p. 149) regarding Marx's return to the British Museum in order to resume his investigations, especially regarding money, finance and crisis.

With these preliminary transcriptions, and with an initial appreciation of the material accumulated and prepared by Marx to be used for the development of his major work, it is possible to ask if he would have used those notes afterwards, and what could be their potential role in the completion of *Capital* – an issue which will be addressed in the next two sections.

III- THE MANUSCRIPTS OF VOLUME II AND *THE MONEY MARKET REVIEW*

According to Rosdolsky (1948: 27), the definitive plan for *Capital* was announced by Marx in a letter to Engels from 1865. However, this plan had been established during the writing of the *Economic Manuscript of 1861-1863*, which can be shown by examining the section "The revenue and its sources", where Marx exposes the complete logical system of *Capital*. In fact, many important questions were set during this period, and only then would Marx write and re-write his work in a way that resulted in the three complete volumes. At first, he worked on the manuscripts that resulted in the 1867 publication of Volume I (MEGA II/4.1), and then on a series of manuscripts that were used by Engels to publish the two other volumes in 1885 and 1894. These manuscripts are now available for assessment of Engels' work, and also to find out if Marx actually pursued the plan set out in the 1860's. Regarding the first book, the creative process and all the manuscripts have been known for quite a while⁸, and thus the greatest interest

⁸ Although the materials relevant for Volume I have been published for some years now, MEGA's fourth section remains unfinished and thus may still disclose new aspects of the Marxian research process.

still centers around the recently published manuscripts of the second and third volumes. For the purposes of this paper, we intend to read the volume MEGA II/11 as the volume II/3, for example, was once read. Indeed, in the *Manuscript of 1861-1863*, Marx took important notes that were to appear in a very synthetic way in Volume I of *Capital*, such as those on the *Factory Reports*. The editing of the preparatory manuscripts for Volumes II and III allows us to adopt the same analytical procedure.

It is quite evident from the *Grundrisse* that Marx developed the contents of Volume III prior to those of Volume II, and that he did so still during the period 1863-65, when he wrote important manuscripts (MEGA II/4) short after finishing the so-called *Theories of Surplus Value* (MEGA II/3). Nevertheless, after the editing of Volume I in 1867, he inverted his writing method and was able to begin with Volume II, or with subjects related to Volume II, so to speak. In 1868, the notes he took were thus meant to help in the writing process of Volume II, and he kept quoting his *Exzerptheften* in his manuscripts of the period.⁹

The manuscripts related to Volume II were written from 1865 to 1881, and they display a remarkable unity of content, making things easy for Engels when the time came to publish the book. The sole interruption occurred during the years of 1866 and 1867, when Marx worked once again on Volume I¹⁰. He worked on Volume II in two different periods, in 1868 and 1876-81, writing a set of eight manuscripts. In 1868, he was able to solve many problems with his theory which he had not been able to cope with back in 1865, such as the conception and turnover of capital, the exchange of capital against and revenue, the reproduction schemes¹¹, and the circulation of capital with and without money. On the other hand, from 1876 to 1886, in *Manuscripts V to VIII*, Marx could establish a difference between the monetary and capital functions of the money-capital, and the particularity of the commodity-capital's circuit. Finally, in *Manuscript VIII* Marx was able, for the first time, to make a comprehensive critique of Smith's dogma of the revenue and its sources, which led him to new considerations about the total reproduction schemes and also the circulation of money.

⁹ There was even a reference by Marx in his version of Volume II, which Engels left out of his edition. In MEGA II.11, p. 194, there is a reference to an article from *TMMR* (19 December, 1868 issue) which was excerpted by Marx on p. 56 of Notebook B113. The Heaton Process was mentioned in the November 19, 1868 issue of *TMMR*, and also excerpted by Marx on p. 49 of Notebook B113. In MEGA II.12 and II.13, the references to the process (and to the *TMMR* article) were suppressed by Engels.

¹⁰ Not to mention the years of political turmoil in France.

¹¹ Cf. MEGA II/11, *Apparat*, p. 852 and ss.

When Engels had to write down Volume II, he had an immense amount of writing that showed the demarche of a thought, but never a chaotic one. It was the object itself that took so much of Marx's time to be developed, but his methods of work were the main cause of delay in the publishing of *Capital*. Marx would take many notes on any subject which concerned his book, an example of modesty and *rigueur* that is not comprehensible under contemporary academic standards. *Exzerptheft* B113, for instance, which is quoted throughout the manuscripts of Volume II, contains many examples of this procedure.

In the beginning of *Manuscript II*, one of Marx's main concerns was with fixed capital and its depreciation. He would quote many articles about railways and their maintenance, including *TMMR* (MEGA II/11, p. 121 e ss.). As he always did, there was also a quote from Thomas Morus' *Utopia*, considered "*sehr naiv*". It is exactly the same procedure he had adopted years earlier in the *Manuscript 1861-1863*, a text which contains pages and pages on every theme concerning absolute and surplus value, sometimes only for the author's own information¹². But Marx had something else in mind besides information when he took the notes that would appear in the preparatory manuscripts, and eventually in the book published by Engels¹³. Marx left behind his plan for the six books, and incorporated all of them into the main theme of capital as its categories. At this stage of his reasoning, he was about to develop important questions on credit, crisis and the circuit of capital. All those themes should be treated in his book on capital, and would emerge from the circulation of capital - that is, in Volume II. His research and careful notes on railways were one of the starting points on that matter, which had even been referred in Volume I and on the *Manuscript of 1865*. Throughout all the manuscripts of Volume II, Marx continuously developed a reflection about credit, which allowed capital to perform its circuit by keeping the reproductive process in motion while capital had to circulate as money, surplus value and commodities. This process generated monied capital (*zinstragendes Kapital*), concentration of capitals, and stock markets.

En somme, it can be shown in these manuscripts how Marx was pursuing exactly the plan established around 1865 (or even before that), and also that, at each step, the details of the whole enterprise demanded more of his efforts, including major research that is registered in his *Exzerpthefte*. If the task was not concluded, one cannot say it was not complete. All the

¹² In *Manuscript II*, while considering the difference between labour and production time, Marx used the example of a chemical process applied to steel-making which spared time, also described in *TMMR* (MEGA II.11, 194).

¹³ The notes would eventually appear in the book in an abbreviated form.

manuscripts recently published demonstrate once more the logical completeness of the critique of political economy.

IV- *CAPITAL*, VOLUME III, AND THE POTENTIAL USE OF THE EXCERPTS

The discussion about Volume II shows that a reasonably well-organized edition was available to Engels after Marx's death. It also shows that, while re-working the original manuscripts, Marx had included information gathered in Notebook B113, as shown in section III above. This level of preparation for Volume II may be contrasted with its equivalent for Volume III. In his introduction to the first edition of the latter, in 1894, Engels described the state of the manuscripts he had found. Now, after the MEGA-2 edition of volumes II.4.2, II.14 and II.15, it is possible to follow what Engels had described in his well-known introduction, where he explained his editorial problems. It is noteworthy to mention that, although difficulties permeated the whole manuscript, Engels stressed that "it was Part Five that presented the major difficulty, and this was also the most important subject in the entire book. Marx was engaged in elaborating precisely this Part, when he was attacked by one of the serious illnesses referred to above" (Preface to the Third Volume of Capital, p. 94, in Marx, 1894). Part Five deals with "The division of profit into interest and profit of enterprise", with chapters on "interest-bearing capital", "credit and fictitious capital", "accumulation of money capital", "the role of credit in the capitalist production", "banking capital's components parts", and "precious metals and the rate of exchange".

This comment by Engels about Marx's engagement with this subject is important, because Notebook B113 may serve as a demonstration of his unfinished effort. A comparison among volumes II.4.2, II.14 and II.15 shows that Marx had re-worked passages of Volume III, but that he had not reached Part Five. Especially in MEGA II.14, it is possible to grasp the topics to which Marx dedicated himself between 1870 and 1882, which were: "Formeln und berechnungen zu Mehrwert- und Profitrate", "Rate des Mehrwerts und Profitrate", "Mehrwert und Profitrate mathematisch behandelt", "Differentialrente und Rente als blosser Zins der Boden einverleibten Kapitals", "Mehrwert und Profitrate formeln"; "Über Profitrate, Kapitalumschlag, Zins und Rabbat".¹⁴ Therefore, the final edition (II.15) kept Part Five as originally conceived by Marx (II.4.2), with his rework concentrated in Parts I, II and III, and with the editorial work by Engels as explained in his Preface of 1894.

¹⁴ There is one reference to Feller and Oderman under this topic (MEGA II.14, p. 155).

The conjecture of this section is simple: Marx had taken all notes of Notebook B113 aiming to use them in a revision of Part Five. Unfortunately, given time and health problems, he could not properly use those notes.

Why can we speculate that Marx would use such notes? One reason are the statistics produced by the Bank of England regarding bullion and notes, which Marx quoted from sources such as the Bank Committee of 1858 (*Capital*, III, p. 629). The “credit swindles” mentioned there are another example, which Marx quoted from an 1847 issue of *TE* (*Capital*, III, p. 629 and 631). The question we are faced with therefore is: Marx had fresher data from 1866-68, as demonstrated by his notes on the reports of the Bank of England (Notebook B113, pages 3-18) and by the information contained in articles he had read in *TMMR* (see, for instance, the article of January 4, 1868, page 5 – “the Bank of England accounts for the past year”); he also had excerpts of news about more modern and complex swindles such as the one involving Overend, Gurney & Co. Why, then, would Marx not use them, updating statistics and case studies for Volume III?

IV.1 - THE FAILURE OF OVEREND, GURNEY & CO.

The case of Overend, Gurney & Co. is a good example of unused available information prepared for Volume III. It seems warranted, therefore, to delve a little deeper into the specifics of this rather peculiar financial episode. In 1867, in the first edition of *Capital*, Marx had already included a note about the very recent, at that point, crisis of 1866, where he stressed its particular nature: “the crisis assumed this time a predominately *financial* character” (MEGA II.5, p. 540). The origin of this crisis had its epicenter in a very specific institution: “[i]ts outbreak in May 1866 was signalled by the *failure of a giant London bank*, immediately followed by the collapse of countless swindling companies”. The editors of MEGA II.8 (p. 1289) explain that this “giant London bank” was Overend, Gurney & Co., whose bankruptcy took place in May 10, 1866.

Overend, Gurney & Co. was a traditional and prestigious London discount house, which had dominated the market for broking and discounting bills of exchange in England during the first half of the 19th century. By the 1850’s, however, the company had engaged in a series of ill-fated ventures, and found itself on the verge of bankruptcy (Barnes, 2007, p. 34; Wood, 2000, p. 207). In a bold attempt to rescue the business, the directing board decided in 1865 to float its capital as a limited company, under the provisions of the 1862 Act of Companies. This piece of legislation, which expanded and amended previous acts promulgated in 1855 and 1856, made it

possible for business enterprises to issue shares for private investors with limited liability over the company's obligations – a remarkable legal innovation which resulted, among other things, in the separation between ownership and control of firms and the emergence of a class of investors which had little or no expertise in the technical aspects involved in the business ventures they took part in (Barnes, 2007, pp. 32-3; Foucaud, 2006, p. 6).

Overend, Gurney & Co., capitalizing on its solid reputation, carried out a very successful public subscription, raising around £1,500,000 in new capital – a result greeted with mixed reactions by the specialized press. However, the financial strains through which the company went were not appropriately disclosed to prospective investors, and from the last months of 1865 onwards a conjunction of adverse factors started to put pressure on its operations. The railway contracting company Watson Overend & Co. – which, despite its name, had no connection whatsoever with Overend, Gurney – went bankrupt, taking with it Joint Stock Discount, the discount house which supported its operations. This crash introduced a premium on liquidity in a financial system which was already tight due to imbalances in foreign exchange markets – the Bank of England's discount rate had risen from three to seven percent during the last months of 1865, and then to eight percent after the failure of Watson Overend. The new scenario made unviable the operations of numerous companies which had been formed in the speculative boom which followed the introduction of limited liability in share-ownership, and a general downward pressure was felt on the valuation of shares of all companies which adopted such structure. With the failure of Pinto, Perez & Co., a Spanish merchant firm with which Overend, Gurney had close business associations, and the judicial liquidation of its holdings of railway company shares on May 9, public confidence was shaken for good. Depositors frantically searched for liquidity and the company crashed on May 10, leading to a widespread run on the English banking system on “Black Friday” May 11 (Barnes, 2003, pp. 8-10; Kindleberger, 1993, pp. 199, 269).

The collapse of Overend, Gurney & Co. and the systemic complications it occasioned offered glaring evidence of some of the features and difficulties associated with the developing structure of financial markets in Britain – an event which must have certainly caused a strong impression on such a close and interested observer of monetary and financial phenomena as Marx. In fact, the episode brought to public attention several issues of agency, informational asymmetry, and moral hazard which were embedded in the limited-liability company structure in its rudimentary stages. Limited companies were offered for public subscription by means of a

prospectus, and with the help of specialized professionals known as promoters or financial agents.¹⁵ The process was, in its essence, one of advertising, but with the significant difference that those in charge of the advertising were also directly financially involved with the dealing – the promoters actually purchased the business from its original owners before reselling it to private investors. Thus, there was a strong incentive to highlight the positive aspects of a given business’ performance while omitting structural frailties which might afflict it. The legislation on joint stock companies did not, at that time, regulate the elaboration of business’ prospectuses; even more importantly, it did not offer any rules regarding the disclosure of financial information for prospective investors or current shareholders. Private investors were thus at a clear disadvantage towards company management, who could benefit from their privileged access to information. The conversion of Overend, Gurney & Co. into a limited liability company was one such case. Although *The Economist* expressed doubts at the time about the company’s financial health, the prestige it had acquired in the past was enough to attract a vast number of investors who were not aware of the company’s present difficulties (Barnes, 2007, p. 34).

One of the consequences of the Overend, Gurney collapse was a sudden shift from enthusiasm to distrust in the public attitude towards limited liability companies. In a subsequent judicial decision regarding the legality of collections of outstanding calls on shareholders, it was stated that, although the subscription process had been morally objectionable, there was no evidence to implicate the company with intentional fraud (Barnes, 2007, p. 35). It thus became clear that the regulatory framework for the operation of limited liability companies was defective, and in the absence of significant legal amendments, public concern was naturally geared towards a more strict control of business practices. This meant, in practice, a growing reliance on professional auditors and more adequate accounting procedures – something which had only been pursued in very rudimentary forms prior to the Overend, Gurney crisis. It seems reasonable to speculate that part of the interest in accounting that Marx demonstrated on Notebooks B113 and B114 had its roots on his willingness to understand exactly what was behind the shady deals which culminated in the financial collapse of 1866. But there is yet another issue brought to light by the dramatic events of that year that seems to have exerted a strong impact on his mind.

¹⁵ See the article “Limited liability, the real and the true, the false and delusive” (*TMMR*, January 11, 1868, p. 34), which was excerpted in Notebook B113, p. 21 as “Contract Corporation (Limited)” – a subject broached therein.

The generalization of limited liability in Britain from 1862 onwards induced the proliferation of financial companies which followed the model offered by the *Crédit Mobilier* in France.¹⁶ For all practical purposes, these were banking institutions, which collected local deposits in order to offer credit, but which, in contrast to the traditional banking houses, enjoyed the privileges of limited liability in share-ownership (Foucaud, 2006, pp. 5-6; Kindleberger, 1993, p. 95). Consequently, the financial companies exhibited less risk-aversion in their credit operations than their traditional banking counterparts, therefore being more prone to invest in speculative ventures. The main effects of this change in regulatory standards and consequent expansion of financial companies were felt in the finance conditions which prevailed in the railway sector. The railway business was, at that time, becoming increasingly dominated by the activities of so-called “contractors” – public-works entrepreneurs who engaged in partnerships with railway companies, accepting their payment in companies’ shares and securities. Up until 1864, while the railway sector went through an expansionary phase, contractors were mostly limited to their role as railway constructors, with the companies issuing shares and raising capital directly on financial markets. However, the market for railway equity suffered a reversal in 1864, forcing companies to seek alternative sources of credit (Foucaud, 2006, pp. 8-9).

Railway contractors started developing close connections with the flourishing financial companies, which were still willing to pour resources into the railway business due to their bias in favor of speculative investment. The financial companies emitted bills of exchange which the contractors could discount for liquidity, taking their railway shares as collateral. Thus, even if the financial company did not have capital at its disposal, it could offer credit against future assets which were linked to the very enterprise being financed. The problem with this practice, of course, was that if the business failed, the value of its assets would drop until they eventually became unrealisable. This was exactly what happened in Britain throughout 1865-66. As already mentioned, the failure of Watson Overend & Co. brought about the crash of Joint Stock Discount, and put an initial strain on the British money market. Other financial companies failed during the next months, triggering a cumulative process where financial tightness made it impossible for unsound railway companies to continue operating, and the consequent fall in the valuation of their assets caused the bankruptcy of financial partners who held them as collateral for past loans.

¹⁶ Marx’s interest in the *Crédit Mobilier* is well-known (cf. articles in the *New York Tribune* and references in the *Grundrisse* and in *Capital*), and also a feature of Notebook B113 (Figure 4 exhibits six entries on the French bank).

The Overend, Gurney crisis thus reflected the workings of two novel features of the developing British financial system. First, it put in evidence the agency and informational problems which were occasioned by the separation between ownership and control brought about by the limited liability principle. In that sense, the events of 1866 resulted in increased public awareness with respect to fraudulent corporate behavior and the need for more adequate accounting and auditing procedures.¹⁷ Second, the crisis was the climax of a systemic failure which had its roots in the over-speculative behavior of new financial institutions which had not yet been properly regulated, and could thus get deeply involved in the financing of unsound ventures in a fragile economic sector.¹⁸

Marx's interest in this particular bankruptcy is clear from the references revealed by his own index, and also from the articles which dealt directly or indirectly with this key event in the crisis of 1866 (see Figure 4). Furthermore, his interest in the episode can also be inferred from his correspondence (MEW, volume 43, note 43, p. 599). Four different letters make reference to the Overend, Gurney failure, and there is also a revealing letter from Jenny Marx to Kugelman (December 27, 1869) in which she writes: "I have looked through several hundred newspapers in order to make extracts from them to the Moor of financial swindling concerns etc (... Overend & Gurney)" (MEW, v. 43, p. 548). And, it must be stressed once again, his attention towards this case was already registered in the 1867 edition of *Capital* (MEGA II.5, p. 657).

IV.2- CENTRAL BANKING, RAILWAYS, AND THE ART OF "COOKING" ACCOUNTS

Apart from the excerpts and notes taken from *TE* and *TMMR*, two other items stand out in the table of contents for Notebook B113: Marx's notes about Goschen's *The Theory of Foreign Exchange* (1862) and about Feller & Oderman's *Kaufmännische Rechnung* (1866). Bearing in mind the historical context which surrounded Marx's activities at that time, it is possible to better understand his interest in both these items.

George Joachim Goschen – who would later become a peer of the kingdom of England – belonged to a London merchant family, and his business experience earned him a position as a director of the Bank of England during the late 1850's. From the 1860's on, he entered a prolific

¹⁷ The need for business regulation was debated in the article "Railway reform, uniform accounts, and a government audit" (*TMMR*, 11 January, 1868, p. 31), excerpted by Marx under the heading "state control" (see Figure 4).

¹⁸ The systemic nature of the crisis initiated with the failure of Overend, Gurney & Co. was stressed in a comment by Marx in the first edition of *Capital* (MEGA II.5, p. 657). Articles from *TMMR* excerpted by Marx also stressed the same issue (see, for instance, the article from the January 4, 1868 issue, p. 3).

public career, joining parliament on several occasions as a member of the House of Commons, and eventually becoming Chancellor of the Exchequer in 1887. In 1862, Goschen published *The Theory of the Foreign Exchange*, a book which provided the theoretical framework to support the Bank of England's role as lender of last resort. At the time of the 1866 financial collapse, the Bank of England actually hesitated to provide additional liquidity to the nation's banking system, preserving for some time its strict adherence to the precepts of the Bank Charter Act of 1844 (Wood, 2000, p. 207). This led some voices – chief among them that of Walter Bagehot – to argue that the Bank was actually responsible for aggravating the financial turmoil, turning it into a system-wide crisis. Goschen's book served as a standard reference for those who advocated a fundamental role for the Bank of England in times of financial strain. One such occasion, obviously, had come about with the failure of Overend, Gurney & Co., and Goschen was duly invoked in the public arena – as, for example, in the article published by *TE* in the issue of June 2, 1866, entitled “The Money Market”, where his “valuable treatise” was extensively quoted. Given that Goschen was such an important theoretical reference in the debates about the crisis, it only was natural that Marx would be interested in his work.

Furthermore, the references to the crisis of 1866 in Notebook B113, in which the Overend, Gurney & Co. episode occupied such an important place, can support a conjecture about why Marx had read and taken notes from the Feller & Oderman book: his interest had something to do with the nature of that crisis. Marx read *Kaufmännische Rechnung* (1866) with attention and care, reviewing it in Notebooks B113 (30 pages) and B114 (36 pages). The question then is: why was Marx so interested in a book about basic accountancy?¹⁹

A preliminary reading of the news articles reviewed by Marx may inform a conjecture. Through his index (Figures 1 and 4) we learn how important for him were the crisis of 1866 and related issues about “commercial morality” (this expression was taken from *TMMR*, April 11, 1868, p. 419: “Commercial credit and morality, and the new bankruptcy law”). Tracking the articles excerpted in his notebook, we may discover in *TMMR* one important (new) feature of this crisis: accountancy tricks (Enron case has historical precedents...). Notebook B113, p. 19, presents Marx's notes about the article published in the January 4, 1868 edition, p. 3 – “The year 1867 in its commercial and financial aspect – its lessons and its warnings”. At this stage, as has

¹⁹ It is important to stress that there are both a previous reference (MEGA II.4.2, p. 386) and a later reference to Feller & Oderman's book within Marx's writings (MEGA, II.14, p. 155). Regarding the latter, the MEGA editors mention that Marx would have resumed his reading of this book in 1878 (MEGA, II.14, pp. 390-391).

been put forward, we cannot read Marx's notes. But we can read the newspaper's article, which comments on the failure of Overend, Gurney & Co. "and the enormous amount of their uncovered liabilities, together with that of Joint Stock Discount Company, and other financial associations". The article mentions that "there was a general suspicion and distrust of the boards of directors of joint stock companies, and that distrust has continued throughout the year". Those directors had developed a new art, according to *TMMR*: "[t]he art of deceiving by fictitious reports and 'cooked' accounts and balance-sheets seems to have been well studied by them, and proficiency in it appears to have been regarded as a high recommendation" (p. 59).

This article also helps one understand why Marx had paid such attention to railways in a notebook focused on monetary and financial matters. According to *TMMR*, "[i]n no branch of joint-stock enterprise has this break-down been more conspicuous than that in which we might have expected it would have been least conspicuous, viz., the railways". And the article presented a long list of "embarrassments": "London, Chatter and Dover Co.", "London, Brighton and South Coast Railway", "North British Co.", "Great Eastern", "Caledonian" and "Great Western Co."

If accountancy mattered for understanding contemporary swindles, this may have stimulated Marx to understand the inner world of accountancy.

V- AN AGENDA FOR FURTHER RESEARCH

A preliminary finding of this paper is the clear contrast between Marx's deep interest in the crisis of 1866 and the final version of Volume III, where no single reference to it is to be found (MEGA, II.15)²⁰. Why is that so? The meaning and significance of the crisis of 1866 were very clear to Marx, as shown by the reference to it in the first edition of *Capital*. Moreover, Marx had already in that original reference stressed the financial nature of this crisis, which naturally leads to the following question: why would Marx choose not to discuss it in Part Five of Volume III, given his own evaluation of its character – a subject which is intimately related to the theme

²⁰ In the 1894 Penguin edition and in the Brazilian editions, there is one reference to the crisis of 1866 in Volume III, but it is in the Appendix written by Engels (Supplement to Volume 3 of *Capital*, p. 1046). When MEGA II.15 is searched for the crisis of 1866, no reference it is found – in this case, the Supplement is in MEGA II.14. Engels, too, had a clear understanding about the meaning of that episode. Writing in 1893, he discussed the "significantly increased role" of the "stock exchange of today" (p. 1045), and mentioned that "since the crisis of 1866, accumulation has proceeded at an ever growing pace". Those were times of institutional change, as Engels noted, where "in order to aid the investment of the mass of money capital thus afloat, new legal forms of company with limited liability were devised wherever they did not exist yet..." (p. 1046).

²² Rolf Hecker suggested that uses other than changes in Part Five could have crossed Marx's mind. He also gave notice of an initiative by the MEGA-Project to edit these "Books of Crisis".

of Part Five? Notebook B113 could attest Marx's intention to update Part Five of Volume III, as he had partially done with Volume II. However, it may also indicate that Marx planned to write a whole new book – a book about crises, as suggested by the contents of other notebooks (see, for instance, Notebook B91 – “The book of commercial crisis”, IISG, 2008, p. 44)²².

These preliminary findings shape an agenda for further research.

Firstly, regarding Notebook B113, it is worthwhile to investigate its composition by Marx as a coherent arrangement of readings and notes. It seems that the five different sources used by Marx in this notebook (see Figure 1) were closely articulated – a coherence shaped by the crisis of 1866 and its specific nature. Therefore, further investigations on the Bank of England's reports and on the contents of Goschen's book could prove useful. Secondly, it would be interesting to deepen the investigation about the potential contribution of Notebook B113 for the understanding of Part Five, Volume III of *Capital*. This paper explored the crisis of 1866, but there are other equally interesting subjects, such as the previous failure of *Crédit Mobilier* or references to developments in the United States. Thirdly, Notebook B113 presents guidelines for the investigation of relevant events which took place during those years – investigations on economic history. Fourthly, a closer look into B113 would help us understand Marx's method of information-gathering. And finally, a closer investigation of the crisis of 1866 may be pursued through the reading of the 1868 issues of *TE* and *TMMR* – especially the articles therein contained which Marx thought to be important. This may be complemented by the analysis of other notebooks which Marx prepared with excerpts from either of these two newspapers: Notebook B108 (with excerpts from *TMMR* between 1866 and 1867) and Notebook B109 (containing excerpts from *TE* and *TMMR* between 1866 and 1867), in particular, appear as ideal candidates for the further development of this research. The “methodology” employed to deal with Notebook B113 may also be used to investigate those two other sets of documents.

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