

**KARL
MARX
FREDERICK
ENGELS**

**Collected
Works**



Volume 33
Marx: 1861-1863

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1861-1863

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Translated by

BEN FOWKES

(For the translators of the section from
the *Theories of Surplus Value* see Preface, p. XII)



Preface

Volume 33 of the *Collected Works* of Marx and Engels contains the continuation of Marx's Economic Manuscript of 1861-63 (Notebooks XV to XX, pp. 944-1251 of the manuscript, and the continuation of Notebook V, pp. 211-19). The preceding part of the manuscript will be found in volumes 30 to 32. The whole manuscript is presented here in accordance with its new publication in the languages of the original in *Marx-Engels Gesamtausgabe* (MEGA), Zweite Abteilung, Bd. 3 (Teile 1-6), Berlin, 1976-1982.

In the text contained in this volume Marx continues his analysis of the capitalist economy, concentrating, in particular, on the theory of surplus value and its relation to profit, and proceeds with his critique of earlier political economists (Thomas Hodgskin, Sir George Ramsay, Antoine Elisée Cherbuliez, Richard Jones).

Obvious slips of the pen in Marx's text have been corrected by the editors without comment. The proper and geographical names and other words abbreviated by the author are given in full. Defects in the manuscript are indicated in footnotes, places where the text is damaged or illegible are marked by dots. Where possible, editorial reconstructions are given in square brackets.

Foreign words and phrases are given as used by Marx, with the translation supplied in footnotes where necessary. English phrases and individual words occurring in the original are set in small caps. Longer passages and quotations in English are given in asterisks. Some of the words are now somewhat archaic or have undergone changes in usage. For example, the term "nigger", which has acquired generally—and especially in the USA—a more profane and unacceptable status than it had in Europe during the 19th century. The passages from English economists quoted by

Marx in French or German are given according to contemporary English editions. In all cases the form of quoting used by Marx is respected. The language in which Marx quotes is indicated unless it is German.

The text and apparatus to Volume 33 were prepared by Alexander Chepureenko and Lyubov Zalunina (Institute of Marxism-Leninism of the CC CPSU). Svetlana Kiseleva (IML) took part in compiling the Name Index and the Index of Quoted and Mentioned Literature. The bulk of the text in this volume was translated by Ben Fowkes (Lawrence & Wishart) and edited by Victor Schnittke and Andrei Skvarky. The translation of pp. 1084-1157 of Marx's manuscript was taken from the three-volume edition of Marx's *Theories of Surplus Value*, issued by Progress Publishers, Moscow. It was made by Emile Burns, Renate Simpson and Jack Cohen and edited by Salo Ryazanskaya. This section was editorially checked with the new MEGA edition by Natalia Karmanova and Alla Varavitskaya (Progress Publishers). The volume was prepared for the press by Svetlana Gerasimenko (Progress Publishers).

The scientific editor for this volume was Larisa Miskievich (Institute of Marxism-Leninism of the CC CPSU).

KARL MARX

ECONOMIC WORKS

1861-1863

**ECONOMIC MANUSCRIPT
OF 1861-63
(Continuation)**

A CONTRIBUTION TO THE CRITIQUE
OF POLITICAL ECONOMY¹

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[MERCANTILE CAPITAL. MONEY-DEALING CAPITAL]¹²

[XV-944]¹³ It appears entirely correct to say:

The division of profit into interest and industrial profit becomes evident as soon as there exist 2 classes of CAPITALISTS, MONIED and INDUSTRIAL. The existence of these 2 classes is an expression of that division; but the split must be there (must be possible) for it to appear in the separation of the 2 classes. The profit may, however, be so low, e.g. 2%, that small capitalists are unable to live from it as MONIED CAPITALISTS; but this would not prevent big capitalists from doing so, since the sum total, THE ABSOLUTE AMOUNT, of interest, depends not only on its rate but on the size of the interest-bearing capital.

The level of interest for COMMON AGRICULTURISTS in India, for example, by no means indicates a profit of an extraordinary size. *Firstly*, the profit as well as the interest is appropriated in the form of interest, and so is part of wages. (Indirectly also *property* in capital itself, i.e. here in the conditions of labour.) *Secondly*: the rate of profit is the higher the lower the mode of production, i.e. the more variable capital is expended in proportion to the total capital; [or] the [XV-945] smaller the amount of AUXILIARY capital in proportion to the capital paid out on labour.¹⁴ *Thirdly*, to be sure, there is the paucity of the Indian's needs, determined by particular (physical) circumstances. HENCE THE LOW VALUE of his labour capacity.

With the development of monetary wealth (it is this development itself) as opposed to the more restricted forms of AGRICULTURAL and artisan wealth, the relation in which on the one hand the worker still appears as independent, hence not as a wage labourer, but on the other hand the objective conditions of his labour or the

product already possess an independent existence alongside him—form the joint property of a special class, the usurers—necessarily develops in all modes of production resting more or less on exchange. This relation shows itself as a detachment of the conditions of labour, which increasingly derive from circulation and depend on it, from the economic existence of the worker, their attainment of autonomy. On the other hand, the worker has not yet been subsumed under the process of capital. Therefore the mode of production, too, is not essentially changed. Where this relation reoccurs within the bourgeois economy, it is in backward branches of industry, or those which are still resisting the transition to the modern mode of production. And it is in those branches that the most odious exploitation of labour takes place. Moreover, the relation between labour and capital does not here bear within itself any kind of basis for the development of new productive power, or the germs of new historical forms. In the mode of production itself, capital still appears here as materially subsumed under the individual worker or the worker's family, whether in handicraft production or in small-scale agriculture. Exploitation of capital takes place, without the mode of production of capital. The rate of interest is very high, because 1) the rate of profit is high, since the proportion of AUXILIARY CAPITAL is small; 2) the interest includes profit; 3) it even includes part of the wage; and 4) it is not only surplus value and wages but the appropriation of the conditions of labour themselves. A part of the interest cannot be paid; the conditions of labour are themselves mortgaged (as in India). With industrial capital it goes without saying that the part of the product which represents the conditions of labour falls to the share of the capitalist. This form of usury, in which capital does not take control of the mode of production, hence is capital only formally, presupposes pre-bourgeois modes of production as dominant; but it is reproduced again in bourgeois society in subordinate spheres. In so far as the effect of this capital is not political—dissolution of existing conditions, as in antiquity, etc.—in so far as it has an historical meaning, it is the separation of the conditions of labour from the worker on the one hand; which is the same thing in other words as the formation thereby of monetary wealth which later buys the conditions of production as commodities.¹⁵

Another historical form of interest (wherever there is slavery, serfdom, and wealth and income founded thereon): lending of capital to wealth engaged in consumption. This *appears historically important here as itself a process by which capital originates*, in that the

income, rent and often the LAND TOO OF THE LANDED PROPRIETORS ACCUMULATES AND BECOMES CAPITALISED IN THE HANDS OF THE USURERS. This is one of the forms in which money, circulating capital, accumulates in the hands of a class independent of landed property.

Trade develops with the development of capitalist production, and at the same time the necessity arises for the producer to produce commodities, partly to buy the elements of these, partly to sell the product, to pay within certain due dates, etc. In short, the money form of the commodity becomes essential to him. This leads to an extension of usury, which now already begins to perform increasingly the function of interest-bearing capital in the modern sense. But the money still lies in part in the hands of old-fashioned usurers, a few money-dealers, monopolists, who thus hold sway over the emerging industries. Hence the struggle, in the 17th century for example.¹⁶

It is clear that where trade and industry develop in towns, money-dealing also develops. Here usury is already more subsumed in relation to *this form of capital* (merchants' capital). It first becomes subordinated with the development of forms of credit in which payment in cash or payment in gold, silver, loses its significance. But a new class of parasites develops on this basis.

For the development of usury nothing is needed except a certain development of commodity production and of the necessity of making payments in money. There exists on the one hand, in the SLAVEHOLDER, FEUDAL LORD, a person who possesses SURPLUS labour and who turns it over to or shares it with the usurer. Similarly a class of merchants, alongside whom the *hoard-builder who has developed into a usurer* settles down, sharing with them their profits, which are for the most part PROFIT UPON EXPROPRIATION.¹⁷ In relation to the small-scale producers, finally, it is a manner of reducing their income to a mere wage and appropriating the conditions of labour.

[XV-946] Thus as long as money capital retains its old-fashioned structure of usury, the rate of interest is compulsorily forced DOWN by law. As soon as the form of credit has been created—in which all the latent money capital of society is placed at the disposal of industrial production—as soon as money capital has become a commodity, subjected to competition, there is an end to the forcible methods of subjecting it to industrial capital and reducing it to a mere form, a moment of the latter.

We have seen^a: The less developed the character of the product

^a K. Marx, *A Contribution to the Critique of Political Economy*. Part One (present edition, Vol. 29, p. 367).—Ed.

as commodity, the less exchange value takes control of production over the whole of its breadth and depth, the more does *money* appear as actual wealth, as abstract wealth, vis-à-vis the restricted modes of representation it has in use values. *Hoard formation* is based on this. Leaving aside its functions of world money and hoard, it is precisely in the form of the *means of payment* that money appears as the absolute form of the commodity. And it is its development as means of payment which chiefly gives rise to *interest*, and develops money as money capital.¹⁸ What spendthrift or corrupting wealth wants is money as money, AS THE GENERAL POWER OF PURCHASING. (Also for paying debts.) Where the small producer needs money above all, is for *payment*. In both cases money is used as money. Hoard formation, on the other hand, only becomes real, fulfils its dream, in *usury*. What is demanded of the usurer is not capital, but money as money, and through interest he converts this hoard of money for himself into capital, self-valorising value, a means whereby he takes control of part of the surplus labour and part of the conditions of production themselves, even if they remain nominally independent of him. *Usury* exists apparently in the pores of production, like the gods in the system of Epicurus.¹⁹ This form of interest-bearing capital admittedly presupposes that production has developed the circulation of commodities so far that it has progressed to the formation of money, and developed money in its various functions. But it depends on a situation in which the part of the product which is converted into a commodity still only forms a relatively small part of production, and in which the conversion of the commodity into money is still difficult, and money itself, the existence of the commodity as exchange value, is still exceptional. This kind of money capital, although it presupposes the production of commodities, cannot be derived directly from the relation between commodity and money. The more the commodity develops as a commodity, the more does money develop as its pure form; and the more is the price at which the commodities are sold determined by their value. It is competition as form of realisation of capital, in which this is paid. That money is paid for money loaned is a simple consequence of the need TO HAVE IT ON ANY PRICE, and the hoard-forming usurer exploits this need.²⁰ Money is a condition, a necessary condition, and it is the more difficult to obtain the less the commodity form is the general form of the product. It is a condition for production, even though still very extraneous, and a condition for extravagance and to fulfil the need for corruption. As such a condition, as money, it is sold. *Merchants' wealth* is older than

interest-bearing money capital to the extent that it emerges directly from the circulation of commodities, whereas *money capital* emerges from the privileged position of money which grows out of circulation, and from the need for it as a condition. In the first case the form of circulation is $M—C—M$ (or $C—M—C$). In the second the result is $M—M'$; that more money can be made with money. In so far as it attaches itself to *commercial capital* it has the same relation to it as interest-bearing capital does to capital on the basis of capitalist production in general. In contrast to this, where it exploits small-scale property or extravagant wealth (which itself appropriates the labour of slaves or serfs), it emerges simply from money as money—as hoard, in its function of means of payment, etc., and the price at which it is granted is determined purely by the price the usurer succeeds in extorting. That “nothing is given for nothing”, hence nothing is lent free of charge, is already evident from the fact that [XV-947] with the development of the commodity every divestiture appears as an appropriation.²¹

Commercial capital, or money as it appears in merchants' wealth, is the first form of capital, i.e. value which proceeds exclusively from circulation (from exchange), preserves, reproduces, and increases itself within it; and thus the exclusive purpose of this movement is exchange value. There are two movements: buying in order to sell, and selling in order to buy, but $M—C—M$ is the predominant one. Money and its increase predominate as the exclusive purpose of the operation. Commercial capital is money as the mediating movement of circulation. Money similarly appears here as an end in itself, without on that account rigidifying in its metallic existence. It is here the living transformation of value into the two forms of the commodity and money; the indifference of value towards the particular use values in which it is incorporated, and at the same time its metamorphosis into all of these forms, which appear, however, merely as disguises for it. Thus while the action of commerce gathers together the *conditions of circulation*, and merchants' wealth is therefore on the one hand the first form of capital's existence, and also appears historically in this way, on the other hand this form appears as contradictory to the concept of *value*. To buy cheap so as to sell dearer is the law of commerce. Hence not the *exchange of equivalents*. The concept of value is present to the extent that the different commodities are all *value*, and therefore *money*; equal, from the qualitative point of view, expressions of social labour. But they are not equal *magnitudes of value*. It should in general be noted that when products are first exchanged as commodities the *quantitative ratio*

in which they are exchanged is *d'abord*^a directly a matter of accident. They are posited as commodities to the extent that they are *exchangeable* at all, i.e. expressions of *the same thing*. But it is not thereby posited that they are *equivalents*, in so far as each contains the same amount of labour time. Continued exchange and therewith reproduction increasingly eliminates this accidental character. At first, however, this does not operate for the producer on the one side and the consumer on the other, but rather for the mediating movement between both of them, for the merchant, who compares the money prices and pockets the difference. He posits the *equivalence* through his own movement. He compares the prices. If the whole of production is based on the exchange value of the product, the value of the commodity is regulated not only by its *qualitative* but by its *quantitative* identity. Money as commercial wealth, as it appears embedded in the most divergent forms of society, and at the most distinct stages of the development of the social forces of production, is merely the mediating movement between extremes it does not dominate and presuppositions it does not create.

Money emerges from the mere form of commodity circulation $C—M—C$ not only as measure of values and means of circulation but as absolute form of the commodity and thereby of wealth, as hoard, etc., and its retention and increase as money appears as an end in itself; in the same way, money, the hoard as self-preserving and self-increasing by alienation, emerges from the mere form of merchants' wealth, $M—C—M'$, as a value which increases itself merely by being alienated. *Usurers' capital* has the same relation to *merchants' wealth* as *interest-bearing money capital* has to *industrial capital*. Usurers' capital, in and for itself, is as far from having an internal limit as is merchants' wealth, which rests on PROFIT UPON EXPROPRIATION. The second depends on fraud, which goes as far as it can, and the first depends on force, which goes as far as it can. That both develop *monetary wealth* means in fact that they appropriate for themselves the wealth of society in the form of money; that they monopolise the monetary wealth of society.

Independent merchants' wealth—as predominant form of capital—is the achievement by the process of circulation of an independent position vis-à-vis its extremes—and these extremes are the exchanging producers themselves. These extremes remain independent towards this process, this process is, conversely, independent towards them. Here the product becomes a commod-

^a At first.—*Ed.*

ity through trade. Trade does not exist because the product is produced from the outset as a commodity (or if it is this is only within narrow limits). Here it is trade which develops the forming of products into commodities; trade is not the movement of produced commodities. Here, therefore, capital first makes its appearance as capital in the circulation process, because this process is altogether the form in which exchange value first moves as in its element; exchange value dominates this form, whose *development is the circulation process*. What is produced, as a result of this money developed in the circulation process into capital, is money capital *quand même*,^a usurers' capital.

[XV-947a] The long and short of this story, the reason why capital develops as commercial capital and usurers' capital—in these two forms as monetary wealth—before its actual shape emerges, the shape in which it subjects production to itself, the shape in which it constitutes the fundamental form of modern society, is this, that the product is first developed as exchange value *in circulation*, that it first becomes *commodity* and *money* in circulation. Capital can be formed in the circulation process, and must be formed in it, before it dominates the extremes of the process—the different spheres of production between which the circulation process mediates. The circulation of money and commodities—hence also money and commodity capital—can *mediate* between the spheres of production of the most diverse organisations, which by virtue of their internal structure are still chiefly directed towards the production of use value. This *achievement of an independent position by the circulation process*, whereby the spheres of production are related to each other by a third element, expresses two things. It expresses both that circulation has not yet taken control of production, but rather relates to it as an indifferent presupposition, a *given* presupposition, and that the process of production has not absorbed that of circulation as a mere moment of itself. Both these things are apparent in capitalist production. The process of production rests entirely on circulation, and circulation is a mere moment of production, merely the realisation of the product produced as a commodity. The form of capital which it obtains *directly* out of circulation, that of commercial capital, appears here as merely a *form* of capital in its movement of reproduction; the same is true of all the forms it assumes as money capital, and the valorisation of money capital as such—through its mere alienation as

^a All the same.—Ed.

commodity—appears as a particular form merely through its valorisation in the production process itself.

Wealth as the subject of consumption. This is at bottom more akin to productive capital than to commercial capital or usurers' capital, because it is a direct appropriation of surplus labour (of the slave, the serf, etc.) through the possession of the conditions of production. But here the worker himself still belongs *d'une manière ou d'une autre*^a to the objective conditions of production. What is predominant is use value. The agents do not come to meet each other as buyers and sellers. The independent forms of exchange value as money and as commodity do not condition the process itself. The slave (not the serf) may be bought as a commodity. But his exploitation does not take place in the form of the exchange of commodities between exploiter and exploited. Slavery, serfdom, are posited by relations independent of production itself—in so far as it is directed to exchange value. The SLAVEHOLDER, FEUDAL LORD, possesses surplus labour in the form of HOMELY VALUES IN USE. The merchant brings him commodities, of which he exchanges very few for the mass of these products. Usury attaches itself here to anticipate the income of the LANDLORD, etc., to provide for him the means with which to purchase the merchant's commodities, and altogether to advance to him that form of wealth through which it *always* holds power over men and things. On top of this there is the *necessity for payment*.

Productive classes.

To the extent that usury becomes attached to merchants' wealth itself, the latter aims to gain a profit. It therefore pays interest in order to make more profit. Here the interest must already become more moderate, because it must allow the possibility of a profit; it may however, where things are on a small scale, also lead simply to an increase in *prices*, to which interest and a proportional amount of profit are added. There are natural limits to this increase. With the merchant there is never the compulsion to buy from him BEYOND A CERTAIN PRICE. Thus reproduction is slow despite the high prices, because the market is restricted. Here, then, usury dominates the small, nascent COMMERCIAL and INDUSTRIAL TRADE. On the other hand, trade whose wealth exists only in circulation leads to the absolute dependence of that wealth on circulation, [XV-947b] to the development of due dates of payment, to dependence on the RETURNS, on the payments of others, etc. But in so far as money is *means of payment* it must absolutely be procured, AT WHATEVER COST.

^a In one way or another.—Ed.

Here therefore usury—which advances the money—rules unconditionally, prescribes the conditions.

*Petty-bourgeois and small peasant industry.*²²

Needs money either as *means of purchase* or *means of payment*.

As *means of purchase* chiefly when, in forms of production where the worker must still be the proprietor of his conditions of production, must possess the conditions of production, those conditions are lost to him through accidents or extraordinary vicissitudes, or at least fail to be replaced in the customary course of *reproduction*. For example, harvest failure or cattle plague, etc. These [corn and cattle] also belong among the conditions of production as means of subsistence and raw material. A mere rise in their price can make him incapable of buying them back with the yield of his product or even replacing them *in natura*. *Examples*: the same wars through which the Roman patricians ruined the plebeians, forcing them into military services which prevented them from reproducing their conditions of labour, hence *impoverishing* them (and this is here the predominant form—impoverishment is here the loss of the conditions of reproduction), filled up their storehouses and cellars with captured copper, the money of that epoch. Instead of giving the plebeians directly the commodities—corn, horses, etc.—they lent them this useless copper, and used the situation to charge enormous, usurious interest rates. Under Charlemagne, who similarly ruined the peasants, all they could do was become serfs instead of debtors. Thus we know that in Africa, as in the Romanian principalities,²³ etc., starvation leads people e.g. to sell themselves as slaves to those who are richer. This for the epoch-making moments at which money develops as usurers' capital. If this is considered in detail, the retention or the loss of the conditions of production depends for the individual producer on 1,000 fortuities, and every such accident of loss—of *impoverishment*—is a point at which the usurer-parasite can strike root. For a small peasant it merely needs the death of a cow, for a small cobbler it merely needs a rise in the price of leather, to make both of them unable TO BEGIN their reproduction ANEW on the previous scale: and here usury steps in, seizing control of their surplus labour, etc., by alienating from them their conditions of production juristically if not yet economically. Here money is demanded purely as means of purchase, yet the intention is neither to consume nor to make a “profit”, but rather to recover control of the conditions of labour which have been lost.

Means of payment. This is the true terrain of usury, large in

extent and peculiar to it. Here money steps forth in its absolute form, and indeed in the usual sphere of the production process, in the native sphere of the circulation process. In the narrowest circle. Every monetary obligation to be fulfilled on certain *TERMS*, tribute, taxation, involves the necessity to pay money. And with the slightest degree of division of labour, and emerging from commodity production itself, the relation of creditor and debtor develops from that of buyer and seller, as I have proved,^a partly from the particular form of alienation which flows from the particular nature of use values, partly from the failure of the different times and periods of production of the different *TRADES* to coincide. Here it is absolutely essential to have the commodity in the form of money at the particular time appointed. Use value as such, the commodities themselves, appear here as worthless rubbish. Money is absolute, counts for everything, and this all-embracing power of money is the power of the usurer.

[XV-948] Even on the basis of modern capital, e.g. in monetary crises, where interest=20%, the price of the commodity is far below its production costs. Then usury holds sway even here. And the same usury is the chief means of developing the necessity of money as means of payment, for it pushes the producer more and more deeply into debt, and nullifies his usual means of payment, his total production being insufficient for him to pay the interest. Here usury sprouts from money as *means of payment* and creates and extends this form of money, hence its own terrain.

Means of purchase—as soon as the usual reproduction is dislocated and fails to provide for the replacement of the conditions of labour, which therefore have to be derived from circulation. *Means of payment* as the form of money in which it appears, in general, as the absolute form vis-à-vis concrete wealth. In both forms money is required not as capital but as money: In one case *money* must, by way of exception, be first converted into the conditions of labour. In the other case we have the necessity of conversion *into money*. In both forms money capital develops on a basis independent of capitalist production. In both forms it can lead to the latter. In their direct form, usury and trade *merely exploit given relations of production*. They do not create these relations; are external to them. Direct usury endeavours to preserve them in order to be able to exploit them again and again; it is conservative, it merely makes them more wretched. The less

^a K. Marx, *A Contribution to the Critique of Political Economy*. Part One (present edition, Vol. 29, pp. 375-76).—*Ed.*

the conditions of production enter the process and emerge from it again as a commodity, the more does their creation out of *money* appear as a specific act. The less the whole of production depends on circulation, with payments exclusively in cash, with the sale of commodities restricted to a narrow sphere, with little accumulation and little money in circulation, with slow and interrupted metamorphoses, little intertwining therefore of the production process of one person with the circulation of the other, the stronger is the power of money as *means of payment*. Hence the greater the area for usury. Just as money as hoard is the more important, the less exchange value is developed, so money as usurers' capital is the more important, the less money is a form naturally implied by the mode of production.

The development of *monetary wealth* as a particular form of wealth means with regard to usurers' capital that all its claims are possessed in the form of *monetary claims*. The more the bulk of production in a given country is restricted to payments in kind, etc., and use value, the more does monetary wealth develop there.

Adam Smith has this to say with regard to merchants' capital:

"The inhabitants of a city, it is true, must always ultimately derive their subsistence, and the whole materials and means of their industry, from the country. But those of a city, situated near either the sea-coast or the banks of a navigable river, may draw them from the most remote corners of the world, either in exchange for the manufactured produce of their own industry, or by performing the office of carriers between distant countries, and exchanging the produce of one for that of another. A city might, in this manner, grow up to great wealth, while not only the country in its neighbourhood, but all those to which it traded, were in poverty. Each of those countries, perhaps, taken singly, could afford it but a small part either of its subsistence or of its employment; but all of them taken together, could afford it both a great subsistence, and a great employment" ([Garnier,] t. II, liv. III [pp. 452-53; McCulloch's edition, Vol. III, p. 209]²⁴).

Just as money first developed [in exchange] between communities, so did trade first develop as foreign trade and intermediary trade. On a large scale first as *CARRYING TRADE*.

"The cities of Italy seem to have been the first in Europe which were raised by commerce. The crusades gave extraordinary encouragement to the shipping of Venice, Genoa, and Pisa, sometimes in transporting men, and always in supplying them with provisions. These republics were the commissaries, if one may say so, of those armies" (l.c. [p. 454; Vol. III, p. 210]).

[XV-949] "The inhabitants of trading cities, by importing the improved manufactures and expensive luxuries of richer countries, afforded some food to the vanity of the great proprietors, who eagerly purchased them with great quantities of the rude produce of their own lands. The commerce of a great part of Europe in those times, accordingly, consisted in the exchange of their own rude, for the manufactured produce of more civilised nations" ([pp.] 454-55 [ibid.]).

Luxury manufactures, the offspring of *FOREIGN COMMERCE*, established by merchants ([pp.] 456-57 [Vol. III, p. 211]) (worked up foreign materials).

Adam Smith speaks of a second kind, which

"grow up naturally, and ... of their own accord, by the gradual refinement of household manufactures. Worked up HOME-GROWN MATERIALS" ([p.] 459 [Vol. III, p. 213]).

The trading peoples of antiquity, like the gods of Epicurus, exist in the spaces between the worlds, or RATHER like the Jews in the pores of Polish society.¹⁹

The first independent trading peoples or cities attained their magnificent development through the *CARRYING TRADE*, which rested on the barbarism of the producing peoples, between which they played the part of intermediary.

In the preliminary stages of bourgeois society, trade dominates industry; in modern society the reverse. Trade will naturally react back to varying degrees upon the communities between which it is carried on. It will subjugate production more and more to exchange value; force direct use value more and more into the background, by making enjoyment and subsistence more dependent on the sale than on the immediate use of the product. It dissolves the old relations. It increases the circulation of money. It does not merely seize hold of the overflow of production; it progressively bites into production itself. (Certain branches of production are still based on trade.) Yet its solvent effect depends to a great extent on the nature of the producing communities between which it operates. For example, [it] has hardly shaken the old Indian communities and Asiatic relations in general. Fraud in exchange is the basis of trade where it appears independently.

Commercial wealth, like usury, as an independent economic form and as the foundation for trading peoples and trading cities, exists and has existed between peoples standing at very different stages of economic development, and production in the guild form, etc., can continue to exist in the trading city itself (the old Asian cities, the Italian cities of the Middle Ages, the Greek cities, etc.).

* "*Trade* is an operation, by which the wealth, or work, either of individuals, or of societies, may be exchanged by a set of men called merchants, for an equivalent, proper for supplying every want, without any interruption to industry, or check to consumption" * ([James] Steuart, [*An Inquiry etc.*] Dublin edition, [1770,] Vol. I, [p.] 166).²⁵ * "While wants continue simple and few, a workman finds time enough to distribute his work: when wants become more multiplied, men must work harder; *time becomes precious*; hence trade is introduced with the merchant as middleman between workmen and consumers" ([p.] 171). "*The collection*" *

(of products. The *TRADE is concentrated* at first, but in *circulation*, while the work itself continues to be carried on in isolation.)

* "*into a few hands* is the introduction of trade" * [ibid.].

(This COLLECTION INTO A FEW HANDS is not yet a feature of the process of production itself.)

"The CONSUMER does not buy so as to sell again. The merchant buys and sells solely WITH A VIEW TO GAIN" ([p.] 175). "The most simple of all TRADE, is that which is carried on by *BARTERING the necessary articles of subsistence*" (barter between the SURPLUS fund of the farmers and the FREE HANDS²⁶) ([p.] 175). "When reciprocal wants are SUPPLIED BY BARTER, there is not the smallest occasion for money: this is the most simple of all combinations. When wants are multiplied, BARTERING BECOMES more difficult; UPON THIS MONEY IS INTRODUCED. This is the COMMON PRICE of all things: it is a PROPER equivalent in the hands of those who WANT. This OPERATION OF BUYING AND SELLING is a little more complex than the former" [ibid., p. 177].

Thus 1) *BARTER*; 2) *SALE*; 3) *COMMERCE*. The merchant must be introduced. What before we called WANTS is here represented by the CONSUMER; what we called industry, by the MANUFACTURER; what we called money, [XV-950a] by the merchant.

// Money is on the one hand the first metamorphosis of the commodity, its existence as exchange value. Secondly, however, it is the beginning of the 2nd metamorphosis, as the form in which the commodity is converted into the other commodity. The merchant represents these two points, the 2 moments of money in $M-C-M$, but in such a way that money itself appears as the aim. //

"...This OPERATION of BUYING and SELLING is TRADE: IT RELIEVES both parties of the whole TROUBLE of TRANSPORTATION, and ADJUSTING WANTS TO WANTS, OR WANTS TO MONEY; THE *MERCHANT REPRESENTS BY TURNS* THE CONSUMER, THE MANUFACTURER, AND THE MONEY. To the CONSUMER he appears as the whole body of MANUFACTURERS; to the manufacturer as the whole body of CONSUMERS; and to one and the other class HIS CREDIT SUPPLIES THE USE OF MONEY" ([pp.] 177-78).

*"Merchants are supposed to buy and sell not by necessity, but with a view to profit" * (l.c., [p.] 201).

Gilbart (J. W.), *The History and Principles of Banking*, London, 1834, has this to say about *interest*:

"That a man who borrows money with a view of *making a profit* by it, should give some portion of his profit to the lender, IS A SELF-EVIDENT PRINCIPLE OF NATURAL JUSTICE. A man makes a profit usually by means of *TRAFFICK*. But in the Middle Ages the population was purely agricultural. And under such conditions, as under *FEUDAL GOVERNMENT*, there can be but little *TRAFFICK*, and hence little *PROFIT*. Therefore, the laws on usury in the Middle Ages were justified" [pp. 163, 164]. "Besides, IN AN AGRICULTURAL COUNTRY A PERSON SELDOM WANTS TO BORROW MONEY EXCEPT HE BE REDUCED TO POVERTY OR DISTRESS BY MISERY" (p. 163).

"Henry VIII limited interest to 10%, James I to 8, Charles II to 6, Anne to 5%" (pp. 164-65). "In those times, the lenders were in fact, if not legally, monopolists, and hence it was necessary that they, like other monopolists, should be placed under *RESTRAINT*" (l.c., [p.] 165). "In our times, it is the rate of profit which regulates the rate of interest; in those times, it was the rate of interest which regulated the rate of profit. If the money-lender charged a high rate of interest to

the merchant, the merchant had to charge a higher rate of profit on his GOODS. Hence, a large sum of money was taken from the pockets of the purchasers to be put into the pockets of the MONEY-LENDERS. This *ADDITIONAL PRICE*, put upon the goods, made the capital less able and less inclined to purchase them" ([p.] 165).

In the 17th century, Josiah Child, in his *Traité sur le commerce et sur les avantages qui résultent de la réduction de l'intérêt de l'argent* (written in 1669, translated from the English), Amsterdam and Berlin, 1754 //a *Traité contre l'usure*, by Thomas Culpeper, 1621, is there as well argues against Thomas Manley (whose TRACT is called *Interest of Money Mistaken*), calling him the "CHAMPION OF THE USURERS".²⁷ The starting point, as with all the discussions of the English political economists of the 17th century, is naturally the wealth of Holland, where "the RATE OF INTEREST IS LOW". Child makes this LOW RATE OF INTEREST the reason for the wealth [of the Dutch], Manly says it is only the result of it.

"Insomuch that to know whether any country be rich or poor no other question needs to be resolved, but this, viz. What interest do they pay for money?" ([J. Child, *Brief Observations Concerning Trade and Interest of Money*, London, 1668, p. 9] l.c., [p.] 74).^a "Like a stout champion for the sly and timorous herd of usurers, he plants his main battery against that part which I confessed to be weakest. ... And he positively denies that the lowness of interest is the cause of wealth and affirms it to be only the effect thereof" ([J. Child, *A New Discourse of Trade...*, London, 1775, p. 39; *Traité...*, p.] 120).^b "When interest is abated, they who call in their money must either buy land (whose price goes up as a result of the number of buyers) or trade with it" ([*A New Discourse...*, p. 47; *Traité...*, p.] 133).^a "Whilst interest is at 6 per cent no man will run an adventure to sea for the gain of 8 or 9 per cent which the Dutch, having money at 4 or 3 per cent at interest, are contented with" ([*ibid.*; *Traité...*, p.] 134). "The low rate of interest and the high price of land force the merchant to stick to commerce" ([*ibid.*, p. 52; *Traité...*, p.] 140). "The reduction of interest inclines a nation to thriftiness" ([*ibid.*; *Traité...*, p.] 144).^a "If trade be that which enriches any kingdom, and lowering of interest advances trade, then the abatement of interest, or more properly restraining of usury, is doubtless a primary and principal cause of the riches of any nation; it being not absurd to say that the same thing may be both [XV-950b] a *cause* under certain CIRCUMSTANCES and an effect under others" ([*ibid.*, p. 58; *Traité...*, p.] 155).^a "An egg is the cause of a hen, and a hen the cause of an egg. The abatement of interest causes an increase of wealth, and the increase of wealth may cause a further abatement of interest. But that is best done by the midwifery of good laws" ([*ibid.*, p. 59; *Traité...*, p.] 156).^a "I am an advocate for industry, my adversary for idleness and sloth" ([*ibid.*, p. 71; *Traité...*, p.] 179).^b

Child appears here as the direct champion of industrial and commercial capital. //

^a Marx quotes partly in German and partly in French.—*Ed.*

^b Marx quotes in French.—*Ed.*

The number of turnovers of capital can only increase profits in so far as it increases the number of reproductions, *hinc*^a the amount OF SURPLUS LABOUR, or the amount of reproduction (its scale) in the same period of time. Engaged capital cannot be utilised to extend the scale of reproduction. But with COMMERCIAL CAPITAL the situation is different.

If the productivity of industry increases, the price of the individual commodity falls. It contains less labour, less paid and unpaid labour. Let us assume 300 yards of linen instead of 100. Let these 300 be the work of 10 men (as linen, and let yarn remain equally expensive, etc.); while previously the 100 were the work of 10 men. In the latter case 10 yards would contain the work of one man, for instance=12 hours of labour. 10 yards=12 hours of labour; 1 yard= $\frac{12}{10}=\frac{6}{5}=1\frac{1}{5}$ hours of labour. In the former case 30 yards=12 hours of labour; 1 yard= $\frac{12}{30}$ hours of labour= $\frac{4}{10}=\frac{2}{5}$ hours of labour. In one case the yard contains $\frac{6}{5}$ hours of labour, in the other $\frac{2}{5}$, hence 3 times less. Assume that 1 hour of labour=3 shillings.²⁸ Then in the first case the yard costs $1\frac{1}{5}$ s. and in the second $\frac{2}{5}$ s. In the first case ls. $2\frac{2}{5}$ d. and in the second case $4\frac{4}{5}$ d. Assume now that the yarn, etc., the constant capital contained in the yard,=ls. Then in the first case the yard costs 2s. $2\frac{2}{5}$ d. and in the second ls. $4\frac{4}{5}$ d. Assume the wage= $\frac{1}{2}$ of the value added; then in the first case the yard contains $7\frac{1}{5}$ d. and in the second $2\frac{2}{5}$ d. [of the wage]. The surplus value is equal to this. The ratio between the wage and the surplus value has remained the same. If the individual commodity is considered, the profit (and the wage) contained in it is 3 times smaller than in the other case. But if the total amount is considered, the total of wages and profits has remained the same, because $10 \times 7\frac{1}{5} = 30 \times 2\frac{2}{5}$. The rate of profit, in contrast, would have fallen, because the capital laid out in yarn, etc., would be tripled. The rate of profit could only remain the same if the yarn, etc., had also fallen three times in value or there had been a threefold reduction in wages.

In the first case the 10 yards cost 10 (2s. $2\frac{2}{5}$ d.)=£1 2s.

In the second case the 30 yards cost 30 (ls. $4\frac{4}{5}$ d.)=£2 2s. (but in the first case 30 would have cost £3 6s.)

Let us now assume that the cost of the yarn, etc., falls threefold in the second case as well.

Thus in the first case the 10 yards cost £1 2s., and one yard costs 2s. $2\frac{2}{5}$ d.

^a Hence.—Ed.

In the second case the 30 yards cost £1 2s. and one yard costs $8\frac{4}{5}$ d.

In this case too, the total amount of profit (and wages) is as much for the 30 yards as it was previously for the 10; despite the big fall in the price of the commodity, of each individual yard. The rate of profit is the same on the individual yard, for in the first case it comes to $7\frac{1}{5}$ d. on an outlay of ls. $7\frac{1}{5}$ d. In the second case the ratio is $2\frac{2}{5}:6\frac{2}{5}$. In both of them the ratio is 3:8. But from the point of view of the individual yard the amount of profit is reduced. In the first case it was $7\frac{1}{5}$ d., while in the second it is now only $2\frac{2}{5}$ d.²⁹

[XV-950] If 300 yards are the work of 10 men, who previously produced 100 yards, there would be in the first case 30 yards from 1 man, in the second 10 yards from 1 man. In the first case the yard contains $\frac{1}{30}$ of a day's labour, in the second case $\frac{1}{10}$.

Let us therefore assume that the price of the yarn, etc., remains the same, e.g. = x ; then in one case the price of the yard = $x + \frac{1}{10} M$,^a in the other it = $x + \frac{1}{30} M$. The 100 yards cost in the first case $100(x + \frac{1}{10} M) = 100x + 10 M$; and in the second $300(x + \frac{1}{30} M) = 300x + 10 M$. It is clear, therefore, that if the wage remains the same, e.g. $\frac{1}{2}$ of the day's labour, the *amount of profit* will remain the same in both cases. In the first case the profit on 100 yards = $\frac{100}{20} M = 5 M$, and in the second case the profit on 300 yards = $\frac{300}{60} M = \frac{100}{20} M = 5 M$. The amount of profit is the same here because $100(\frac{1}{20})$ is not more than $300(\frac{1}{60})$. But the *rate of profit* has fallen; for in the [first] case the outlay on one yard = $x + \frac{1}{20} M$ and the profit = $\frac{1}{20} M$. In the second case [the outlay] = $x + \frac{1}{60} M$ and the profit = $\frac{1}{60} M$. If the man's cost = 20s., and the x (yarn, etc.) = 1s., then $x + \frac{1}{20} M = 1s. + 1s. = 2s.$ And the profit similarly = $\frac{1}{20} M = 1s.$ The price would therefore be 3s., and the profit within that would be $\frac{1}{3}$. In the other case $x + \frac{1}{60} M = 1s. + 4d. = 1s. 4d.$ And the profit would = $\frac{1}{60} M = 4d.$ Therefore the price = ls. 8d. and the profit within that would be $\frac{1}{5}$. Disregarding this fall in the rate of profit, the *total amount of profit* on each yard would in the first case = $\frac{1}{20} M$ and in the second $\frac{1}{60} M$, hence 3 times less. But the latter profit is repeated on 3 times as many yards as the former.

Let us posit the second case, namely that the yarn becomes cheaper TO THE SAME DEGREE AS weaving becomes more productive.

Under the old mode of production 100 yards would have been produced by 10 men. The price of the whole product =

^a "M" designates one worker's working day.—Ed.

= 100 x + 10 M. The price of a single yard = $x + \frac{1}{10}$ M. And the profit on that is $\frac{1}{20}$ M.

In the second case the yarn, etc., for 300 yards costs $\frac{300}{3} x = 100 x$. The 300 yards cost 100 x + 10 M. The price of a single yard is $\frac{x}{3} + \frac{1}{30}$ M. The profit = $\frac{1}{60}$ M. So if x again = 1s. and 1 M = 20s., the yard cost $\frac{1}{3}s. + \frac{20}{30}s. = \frac{1}{3}s. + \frac{2}{3}s. = 1s.$ The profit out of this would be $\frac{1}{60}$ M = $\frac{20}{60}s. = \frac{1}{3}s.$ The rate of profit would therefore be $\frac{1}{3}$ of the whole, as in the old production. But the amount of profit on a single yard would in the first case be $\frac{1}{20}$ M or 1s.; in the second it would only be $\frac{1}{60}$ of a man = $\frac{1}{3}s.$, hence 3 times less. The profit on the total number of yards would be the same, for 100 or 100s. = $300 \times \frac{1}{3}s. = \frac{300}{3} = 100s.$

Assume a third case, in which it is not the yarn but the wage which falls in the same measure as weaving becomes more productive.

In the old mode of production the yard = $x + \frac{1}{10}$ M. The profit = $\frac{1}{20}$ M. In the new mode of production the yard = $x + \frac{1}{30}$ M. But the profit = $\frac{2}{90}$ M. The outlay is $x + \frac{1}{30}$ M. Therefore if x = 1s. and 1 M = 20s., [XV-951] $\frac{1}{30}$ M = $\frac{20}{30}s. = \frac{2}{3}s.$ $\frac{2}{90}$ M = $\frac{1}{30}$ M = $\frac{2}{3}s.$ and $\frac{1}{90}$ M = $\frac{2}{9}s.$ The profit would therefore be $\frac{4}{9}s.$

The price of the commodity = $1\frac{2}{3}s.$ The profit contained within that = $\frac{4}{9}s.$ The price of the commodity = $1\frac{5}{9}s.$, of which $\frac{4}{9}$, hence more than $\frac{1}{4}$, is profit.

Positing the fourth case: yarn and wages fall equally.

So we have the following four cases:

Case I. Price of yarn, etc., remains the same in both modes of production = 1s. per yard. The value of a man or a day's labour = 20s.

a) 10 M produce 100 yards, 1 M 10 yards; 1 yard therefore contains $\frac{1}{10}$ of a man = $\frac{20}{10}s. = 2s.$ The yard therefore costs 1s. yarn + 2s. labour = 3s. The 100 yards cost 300s. = £15. If the rate of surplus value amounts to half the labour, the profit on 1 yard = 1s. = $\frac{1}{3}$ of the [price of the] product. Or, calculated on the outlay, the rate of profit is 1s.:2 = 50%. On the 100 yards it is 100s. = £5 = 5 men.

b) 10 M produce 300 yards, 1 man 30 yards; 1 yard therefore = $\frac{1}{30}$ M = $\frac{20}{30}s. = \frac{2}{3}s.$ A single yard therefore costs 1s. (yarn, etc.) + $\frac{2}{3}s.$ (labour) = $1\frac{2}{3}s.$ The 300 yards cost 300 $(1 + \frac{2}{3})$ or 500s. = £25. Rate of surplus value as previously, thus the surplus value on 1 yard is $\frac{2}{6}s. = \frac{1}{3}$ of the product. Or, calculated on the outlay, it is $\frac{2}{6}$ or $\frac{1}{3}s.$ to 1s. + $\frac{1}{3}s. = \frac{4}{3}s.$ Therefore the rate of profit = 1:4 = 25%. On the 300 yards, = 300 $(1 + \frac{2}{3}s.) = 500s.$, this makes $\frac{300}{3}s. = £5 = 5$ M as above.

In this case, I [b)], the rate of profit falls, the *amount of profit* on a single yard falls from 1s. to $\frac{1}{3}$ s., from $\frac{1}{20}$ M to $\frac{1}{60}$ M. The amount of profit on the whole product remains the same.

Case II. The price of yarn, etc., falls under the 2nd mode of production in line with the [rise in the] productivity of the weaving, hence a 3fold fall. The yarn, etc., for the 300 yards then costs as much as it cost previously for 100, namely 100s. A yard therefore costs $\frac{1}{3}$ s. yarn, etc. + $\frac{2}{3}$ s. labour = 1s. The 300 yards cost 300s. = £15, as in case a) of I. The profit = $\frac{1}{3}$ s. = $\frac{1}{3}$ of the product. Or, calculated on the outlay, $\frac{1}{3}$ against $\frac{2}{3}$ = 50%, which is the *rate of profit*.

In this case the rate of profit remains the same, while the *amount of profit on a single yard, compared with Ia), falls from 1s. to $\frac{1}{3}$ s.* The amount of profit on the whole product remains the same, for $\frac{300}{3}$ = 100s. = £5 = 5 M.

Case III. The price of yarn, etc., remains the same as under I, while the rate of surplus value undergoes a threefold increase with the tripling of productivity:

Yarn for the 300 yards costs 300s. One yard costs 1s. yarn + $\frac{2}{3}$ s. labour = $1\frac{2}{3}$ s., as under I b). But now only $\frac{1}{3}$ s. = $\frac{2}{9}$ s., of the $\frac{2}{3}$ s. labour represents wages. Hence the profit = $\frac{4}{9}$ [s.] = $\frac{2}{5}$ of the product = 40% on the product.³⁰ [XV-952] The outlay is 1s. yarn + $\frac{2}{9}$ wages = $\frac{11}{9}$ s. And the profit is $\frac{4}{9}$; the ratio is therefore 4:11, which gives a *rate of profit of $36\frac{4}{11}\%$* . The rate of profit is lower than in I a) and II, but higher than in I b).

The 300 yards cost $300(1 + \frac{2}{3}) = 500$ s. = £25, as in I b). The *amount of profit on a single yard is $\frac{4}{9}$ s.*, whereas under I a) it came to 1s.; under I b) it was $\frac{1}{3}$ s., under II it was $\frac{1}{3}$ s. Therefore in comparison with I a), at $\frac{9}{9}$, it has fallen by over a half; in comparison with I b), at $\frac{1}{3}$ s., or $\frac{3}{9}$, it has risen by $\frac{1}{9}$; and similarly in comparison with II, where the amount of profit was also $\frac{1}{3}$ s., or $\frac{3}{9}$. The amount of profit on the whole product rises from 100s. to $133\frac{1}{3}$ s. It is now $6\frac{2}{3}$ M instead of 5 M.

Case IV. The price of yarn falls in the new mode of production, and similarly the rate of wages, in the same proportion as the productivity of labour grows.

As before, there are 10 men producing 300 yards. 1 M for 30 yards. 1 yard = $\frac{1}{30}$ M.

The price of yarn = $\frac{1}{3}$ s. Therefore the price of yarn, etc., for the 300 yards = $\frac{300}{3}$ s. = 100s., as under I and II. The price of the product = $\frac{1}{3}$ s. yarn + $\frac{1}{30}$ M, or $\frac{1}{3}$ s. yarn + $\frac{20}{30}$ s. = $\frac{1}{3} + \frac{2}{3}$ = 1s., as under II and I a).³¹ But out of this 1s., or $\frac{9}{9}$ s., $\frac{4}{9}$ are profit. And if we calculate the outlay, we have $\frac{1}{3}$ s. + $\frac{2}{9}$ s. wages, or $\frac{3}{9} + \frac{2}{9}$, or

In the first part of the notebook, the author discusses the relationship between the price of a commodity and the quantity demanded. The text is written in a cursive script and includes several paragraphs of handwritten notes. The author appears to be exploring the concept of marginal utility and how it relates to the price of a good. There are some mathematical expressions and diagrams interspersed throughout the text, though they are somewhat difficult to decipher due to the handwriting.

Quantity	Price	Total Revenue	Total Cost	Profit
100	30	3000	1000	2000
200	25	5000	2000	3000
300	20	6000	3000	3000
400	15	6000	4000	2000
500	10	5000	5000	0

The table above is a simplified representation of the data in the handwritten table. The handwritten table contains more detailed calculations, including marginal revenue and marginal cost, and uses various symbols and abbreviations. The author also includes some diagrams and additional calculations below the main table, showing the relationship between price, quantity, and profit.

$\frac{5}{9}$. The profit is therefore in the ratio $\frac{4}{9}:\frac{5}{9}$, or 4:5, = a rate of profit of 80%. The amount of profit on a single yard is $\frac{4}{9}$ s., as under III, hence higher than under I b) and II but it continues to be more than 50% lower than under I a). The amount of profit on the whole product = $300 \times \frac{4}{9} = 133\frac{1}{3}$, = $6\frac{2}{3}$ M, hence as under III.

If we now compare these 4 cases with each other, we see that in all those cases where the productivity of labour grows, there is a decline not only in the value of the individual commodity and therewith in its price, but in the amount of profit in proportion to the individual commodity, whether the rate of profit rises or falls. The same labour produces 3 times the product; hence $\frac{2}{3}$ less labour is contained in the individual product, and since the amount of profit can be nothing other than a portion of this quantity of labour contained in the individual commodity, the amount of profit on the individual commodity must decline. In all the cases the amount of profit on the whole product does not fall below the original amount of profit, for the number of products increases in the same proportion as the amount of profit on the individual product declines.

The amount of profit remains the same as long as the rate of exploitation remains the same, and the same number of workers are employed, however the amount of profit is divided among the number of commodities; there is no change either in the amount or in the division of that amount between workers and capitalist. Thus under I a), with 100 yards and a profit of 1s. per yard, a profit of 100s. or £5 results; the same with 300 yards and a profit of $\frac{1}{3}$ s. under I b) and II.

In comparing II with I a) we found that the rate of profit remained the same, for in the 2nd case the profit on an outlay of 3s. was 1s. and in the other case it was $\frac{1}{3}$ s. on $\frac{2}{3}$ s. outlay. This happens when, firstly, the rate of wages remains the same, but, secondly, when, as labour becomes more productive in a particular sphere, it becomes more productive in the same proportion in the spheres which provide constant capital, yarn, etc. In this case the rate of profit remains the same because the proportional values of the raw material, etc., contained in the individual commodity and of paid labour, the proportion between the two, remains the same; just as does the ratio between paid [XV-953] and unpaid labour.

In I b), where the productivity of weaving increases threefold and wages remain the same, but the yarn, etc., retains its old price, we have a fall in the rate of profit. In this case the rate of profit falls from 50% to 25%, by half therefore. It falls because the value of the added labour³² falls in relation to the value and not merely

in relation to the quantity (as under II) of the constant capital *applied*, and the division of this added labour between capitalist and worker remains the same; under II, where the *rate of profit remains the same*, the total price of the individual commodity falls in the same proportion as the productivity of labour [rises]. Previously³³ the yard cost 3s., under II it costs 1s. Under I b), in contrast, it costs $1\frac{2}{3}$ s. Here, therefore, where the *rate of profit falls*, the total price of the commodity does not fall in the same proportion as the productivity of labour in the weaving process [increases].

We have equally a fall in the *rate of profit* under III, where wages fall in the same proportion as the productivity of labour [rises]. But raw materials, etc., remain the same here as before the threefold increase in the productivity of labour, as under I a). The value of the whole of the labour³⁴ falls here in relation to the constant capital, and with it the rate of profit too. *But the amount of profit on the whole product* rises here, whereas in the 3 cases I a), I b), and II, it remained the same.

The amount of profit, namely, in I a), $=100 \times 1s. = 100s.$ In I b) it $=300 \times \frac{1}{3}s. = 100s.$ And in II it $=300 \text{ yards} \times \frac{1}{3}s. = 100s.$; namely in I a) the number is 100 yards (=100s.) $\times 1s.$ In I b) the number is $300 \text{ yards} \times \frac{1}{3}s. = 100s.$ And in II the number is $300 \text{ yards} \times \frac{1}{3}s.$ Nevertheless, the yard costs 3s. in the first case, $1\frac{2}{3}s.$ in the 2nd, and only 1s. in the 3rd. In the first case as in the third the profit $=\frac{1}{3}$ of the product.

In Case III the amount of profit rises, for 300 ($\frac{4}{9}$) is more than 100×1 or $300 (\frac{1}{3})$, which only $=300 \times \frac{3}{9}$. The amount of profit on the individual [product] has fallen (compared with I a)) from $\frac{9}{9}$ to $\frac{4}{9}$; more than a half. But the number of yards has tripled. The amount of profit on a single yard has therefore not fallen in the same proportion as the number of yards has increased. Hence an increase in the amount of profit on the *product taken as a whole*.

In Case IV, finally, the price falls as under II to a 3rd of I a), from 3s. to 1s. But there is a rise in the rate of profit and the amount of *profit on the whole product*. The amount of profit on the individual yard, as under III, $=\frac{4}{9}s.$, but this amount of profit forms a higher rate on the constant capital in the individual yard.

Let us put these results together.³⁵

[XV-956]³⁶ These results follow from the foregoing investigation: If the increase in the *productive power of labour* has an equal effect on all components of the commodity, as under II and IV, the price of the commodity will fall in *the same proportion* as the productivity of labour increases. In this case, therefore, where the

Number of yards	Price of yard	Total product	Outlay	Profit	Labour in a yard	Rate of surplus value	Amount of profit on 1 yard	Profit on total amount	Rate of profit
I a) 100	3s.	300s.	1s. yarn+1s. wages	1s.	$\frac{1}{10}$ M	100% = $\frac{1}{20}$ M	1s. = $\frac{1}{20}$ M	100s. = 5 M	50%
I b) 300	$1\frac{2}{3}$ s.	500s.	1s. yarn+ $\frac{1}{3}$ s. wages	$\frac{1}{3}$ s.	$\frac{1}{30}$ M	100% = $\frac{1}{60}$ M	$\frac{1}{3}$ s. = $\frac{1}{60}$ M	$\frac{300}{3}$ = 5 M	25%
II) 300	1s.	300s.	$\frac{1}{3}$ yarn+ $\frac{1}{3}$ s. wages	$\frac{1}{3}$ s.	$\frac{1}{30}$ M	100% = $\frac{1}{60}$ M	$\frac{1}{3}$ s. = $\frac{1}{60}$ M	$\frac{300}{3}$ = 5 M	50%
III) 300	$1\frac{2}{3}$ s.	500s.	1s. yarn+ $\frac{2}{9}$ s. wages	$\frac{4}{9}$ s.	$\frac{1}{30} = \frac{3}{90}$ M	200% = $\frac{2}{90}$ M	$\frac{4}{9}$ s. = $\frac{2}{90}$ or $\frac{1}{45}$ M	$\frac{300 \times 4}{9} = 6\frac{6}{9}$ M	$36\frac{4}{11}$ [%]
IV) 300	1s.	300s.	$\frac{1}{3}$ yarn+ $\frac{2}{9}$ s.	$\frac{4}{9}$ s.	$\frac{1}{30} = \frac{3}{90}$ M	200% = $\frac{2}{90}$ M	$\frac{4}{9}$ s. = $\frac{2}{90}$ or $\frac{1}{45}$ M	$\frac{300 \times 4}{9} = 6\frac{6}{9}$ M	80 [%]

Composition of Capital

	Total outlay	Total product		Constant	Variable	Surplus value	Amount of profit	Rate of profit
Under I a)	200s.	300	I a)	100	100	100	100	50%
I b)	400	500	I b)	300	100	100	100	25%
II)	200	300	II)	100	100	100	100	50%
III)	$366\frac{2}{3}$	500	III)	300	$66\frac{2}{3}$	$133\frac{1}{3}$	$133\frac{1}{3}$	$36\frac{4}{11}$ %
IV)	$166\frac{2}{3}$	300	IV)	100	$66\frac{2}{3}$	$133\frac{1}{3}$	$133\frac{1}{3}$	80%

productivity of labour is tripled, the price of the individual yard undergoes a 3fold reduction, it falls from 3s. to 1s. Similarly, the *ratio* of the IMMEDIATE LABOUR contained in the commodity to the REALISED LABOUR contained in it remains the same. If for that reason the value of the wage remains the same, or the ratio between paid and unpaid labour, the division of the product of the IMMEDIATE LABOUR between capitalist and worker, then the *ratio between variable and constant capital* also remains the same, hence the *rate of profit*. Compare II with I a).

If, on the other hand, *wages* (the value of labour capacity), and therefore the necessary labour time, fall in the same proportion as the *productivity of labour grows* (the middle stages, e.g. a fall, but not a very deep one, only bring about a modification in the level), the *rate of profit* will rise, as in IV, and the *amount of profit* on the whole product will grow. (The rate of profit = the ratio of the amount of profit to the capital laid out.)

This is the situation with cases II and IV, where the price falls from 3s. to 1s.; in II the rate of profit remains the same and the *total amount* of profit ditto; in IV the rate of profit rises and the *total amount of profit* ditto.

I b) and III, in contrast, both represent cases in which the productivity of labour is multiplied by three in the FINISHING PROCESS, but the value of raw material, etc., remains UNALTERED. Here there is a reduction in I b): if wages remain the same, the *proportion* of variable to constant capital falls to the same degree as constant capital grows. Hence a fall in the rate of profit. If, as in III, the value of labour falls,³⁷ the rate of profit admittedly falls, because the surplus value is calculated on a greater total capital. But, firstly, the total capital does not rise as high as in I b), where firstly the constant capital rises from 100 to 300 and secondly the variable capital, 100, remains the same, the total capital therefore rising by 200 (the excess of the constant capital in I b) over the constant capital in I a); whereas the surplus value remains the same as in I a); whereas in III the constant capital admittedly rises from 100 to 300, but the variable capital, in contrast, falls from 100 to $66\frac{2}{3}$, the total capital therefore does not rise by the whole amount of the growth of the constant capital; and, secondly, the surplus value grows from 100 to $133\frac{1}{3}$, therefore rises by $33\frac{1}{3}\%$ in comparison with I a). The rate of profit therefore falls, but not in the same proportion as in I b), and the *amount of profit* on the whole thing rises, because the rate of profit is admittedly lower than in I a), but the AGGREGATE surplus value is greater, or, in other words, the rate of profit in III falls in a lesser proportion, as

compared with I a), than the total capital advanced in III rises, as compared with I a).

We can therefore see that with a fall in the *price of the individual commodity* resulting from an increase in the productivity of labour and therefore a simultaneous increase in the *numbers* of these LOWER-PRICED COMMODITIES, the rate of profit may fall, or rise, or remain the same. At least the AGGREGATE amount of profit remains *always the same*, if the same number of workers remain in employment (and wages do not rise); it may rise if the further condition is added to these that wages fall as the productivity of labour increases. But *the aggregate amount of profit only remains equal* under the condition that the same number of workers remains in employment. This is only possible, in case NO CHANGE OF VALUE occurs in the constant capital, if the capital outlay is increased. For example, compare I b) with I a). If the expendable capital remained the same in I b) as it was in I a), namely 200, the amount of profit could not remain the same. $\frac{3}{4}$ of this 200 would now have to be laid out in constant capital, and $\frac{1}{4}$ in variable capital. Therefore 150 in constant capital and 50 in variable capital. 100 represented 10 M; 50 would therefore only represent 5.³⁸ And we should have:

Constant capital	Variable capital	Surplus value	Product	Number of yards	Price of yard	Rate of profit	Amount of profit
150[s.]	50[s.]	50s.	250s.	150	12/3s.	25%	50[s.]

The capital laid out would be the same. The number of yards would have grown from 100 to 150, hence by 50%; the amount of profit, on the other hand, would have fallen from 100 to 50, hence by 50. The exploitation of labour would remain the same; *hinc* the rate of surplus value too. Both the amount of profit and the *rate of profit* can remain the same if, as in II, productivity grows simultaneously and *in the same measure* in those branches of industry which produce constant capital and those which USE IT UP. It can only grow if, *apart from this condition*, another is added to it, that there is a fall in wages.

[XV-954]³⁶ It would appear, according to this, that the rate of profit cannot *fall* unless:

1) the *relative value of labour capacity* rises (while the value of the constant capital remains the same). This is Ricardo's assertion, but he does not include the restrictive clause, without which the statement is absolutely incorrect.³⁹

2) or there is a rise in the *value of constant capital in relation to variable*. And the latter would appear to be restricted to cases

where the productive power of labour does not rise *equally* and *simultaneously* in all the branches of production which contribute to produce the commodity.

Let us assume a threefold increase in productivity in spinning and weaving. If productivity in the production of cotton itself is simultaneously tripled, the proportion of constant to variable capital *SO FAR* remains the same (in so far as the raw material comes into consideration). If £100 can command 10⁴⁰ men, and these ten previously worked up cotton for £300, and they now work up 3 times as much cotton, 3 times x cotton now cost only £300, which is what x cotton cost previously, since the *value of cotton* has fallen three times. Even in this case a *fall in profit* would prove not that the yield of cotton cultivation had declined, but only that it had not become more productive in *the same ratio* as cotton manufacturing. Therefore only a *relative* reduction in its productivity, despite the absolute increase in it. Ricardo, however, thinks that agriculture must become more unproductive absolutely. It would only demonstrate that industry and agriculture do not develop to *the same degree* in *bourgeois* production. If they do not do this, that alone is sufficient to explain the decline in the rate of profit.

But the presupposition that the value of constant capital, despite the increase in its amount, falls in *the same proportion as the productivity of labour increases*, can be reduced to the presupposition that the value of constant capital *consists of present labour alone, and no past labour enters into reproduction*. The value of the past labour does indeed fall once its product can be reproduced more cheaply. If, with a threefold increase in the productivity of spinning, a worker sets 1,800 spindles into action instead of 600, it must be assumed that 1,800 spindles could now be reproduced with the same labour as was required previously for 600. We shall postpone any further discussion of this question, and pass on to why we took up this investigation again at all at this point.

We have seen that in all cases where the productivity of labour grows, hence the same amount of labour is represented in a greater quantity of commodities, hence the price of the individual commodity falls (because the value does), *the amount of profit made on the individual commodity is reduced*, whether the rate of profit rises, falls, or stays the same, and even if there is an increase in the amount of profit on the total product.

// It turns out, incidentally, that the investigation always goes awry when one looks at the *price of the individual commodity in itself*. Or when one merely measures the labour IN REGARD TO THE QUANTITY OF COMMODITY PRODUCED BY IT. Everything depends on the magnitude of

the total amount of capital laid out. Even if we analyse the price of the individual commodity, e.g. in the above case, where the price of the yard falls from 3s. to $1\frac{2}{3}$ s.; if we know that 1s.=yarn, etc., $\frac{1}{3}$ s.=wages and $\frac{1}{3}$ s.=profit, we do not know whether the total amount of profit has remained the same or not. For example, in case I b), if the capital laid out continues to be, as before, only 200, the amount of profit falls; if it is 400 it remains the same. Even in case III, if *the capital remains the same* at this price of $1\frac{2}{3}$ s. per yard, while the rate of wages is reduced, the amount of profit on the whole product does not grow.

The situation would then be as follows:

Constant capital	Variable capital	Surplus value	Product	Number of yards	Price of yard	Rate of profit	Amount of profit
$163\frac{7}{11}$	$36\frac{4}{11}$	$72\frac{8}{11}$	$272\frac{8}{11}$	$163\frac{7}{11}$	$1\frac{2}{3}$ s.	$36\frac{4}{11}$	$72\frac{8}{11}$

Total capital is 200 instead of 100 as previously.⁴¹ //

[XV-955] The phenomenon—which derives from the nature of capitalist production—that with a growing productive power of labour the price of the individual commodity falls, the number of commodities increases, the *amount of profit on the individual commodities declines in all circumstances*, the rate of profit rises, falls or remains the same, but the *amount of profit on the total number of commodities* remains the same or *grows* (even when it *falls* in the cases we have explained, in which the capital ought to have grown but remains *the same*, it in fact remains the same or grows, because the capitalist who applies the improved mode of production sells *below* the old market price *alias* above *his own* individual production price, until competition has balanced this out; the second requisite, the growth of the capital laid out, proceeds hand in hand with this period of adjustment)—this phenomenon only presents itself on the surface in: a fall in the amount of profit on the individual commodity, a fall in its price, a stable or growing amount of profit on the increased total number of commodities. This is conceived in such a way that the capitalist, of his own free choice, adds less profit on each single commodity but finds compensation through the increased number of commodities he sells. This view rests on the notion of “PROFIT UPON ALIENATION”,¹⁷ which is in turn for its part abstracted from the attitude of mind of *merchants’ capital*, of *commercial capital*. If a merchant were to sell 100 yards, which cost him 3s. per yard (I a)), hence 300s. per year, with a 10% increase in the price, he would make a profit of 30s. And he would sell one yard at 3s. $3\frac{3}{5}$ d. ($3\frac{3}{5}$ d. or $1\frac{8}{5}$ d. or $\frac{36}{10}$ of a penny= $\frac{3}{10}$ s., since 3s.= 3×12 d.=36d., hence $\frac{3}{10}$ s.= $\frac{36}{10}$ d.). If,

in contrast, he sells 300 yards (case II), each yard costing him 1s., he must equally make a profit of 30s. in order to gain 10% on the capital of 300s. But whereas the first merchant adds $\frac{3}{10}$ s. to each yard, this one only needs to add $\frac{1}{10}$ s.; the first merchant adds $3\frac{3}{5}$ d., he only adds $1\frac{1}{5}$ d. He therefore sells a yard at 1s. $1\frac{1}{5}$ d., whereas the first merchant sells it at 3s. $3\frac{3}{5}$ d., and he makes the same profit thereby as the first merchant. If he sold at 1s. $1\frac{1}{2}$ d., he would make a much greater profit than the other, despite adding much less to the individual yard, and even so he would still sell it more than twice as cheap.

If we now look at merchants' capital as a whole, e.g. here the whole section of MERCANTILE CAPITAL INVESTED IN THE SELLING OF LINEN, it is clear that it by no means depends on merchants' capital whether it has 100 or 300 yards to sell, and whether it has to advance 300s. for 100 yards or for 300, whether *its* cost price per yard is 1s. or 3s., and it therefore depends just as little on merchants' capital whether it makes its 10% profit by adding $3\frac{3}{5}$ d. per item on a smaller number of yards or $1\frac{1}{5}$ d. per item on a greater number. The rate of surcharge itself—again from the point of view of the whole—depends just as little on the merchant; it is determined rather by the general law of AVERAGE PROFIT, namely that he can obtain the same profit, e.g. 10%, for *capital of equal magnitude*, whatever particular sphere it may be invested in, and however much or however little labour it may set in motion. This is just as valid for capital which remains constantly in the *process of circulation* as it is, let us say, for fixed capital, which never (*in natura*) dwells anywhere but in the sphere of the *direct process of production*. The *production price* of industrial capital appears as the *cost price* for commercial capital. But since industrial capital does actually buy, does replace on the market the elements, in part of its constant capital, in part of its variable capital (the latter in so far as the value of labour capacity is determined by the price of the worker's means of consumption)—and since these elements pass from the hands of the merchant into the hands [XV-957]⁴² of the industrialist, it is clear that not only does the production price of one commodity pass over into the cost price of the other, but the *industrial production price* of one commodity together with *the commercial addition to this price* appear as an element in the cost price of the other commodity.

The *industrial production price* of one commodity always enters into the *cost price* of the other, even when the industrialists exchange directly, without the interposition of merchants. The weaver, for example, pays the production price of the yarn. This

therefore forms an outlay for him, it enters into his constant capital, it is an advance for him, an element in the cost price. It is therefore not only in the form of interest that SURPLUS VALUE, even from the point of view of the individual capitalist, forms a part of his advances, enters into the cost price of his commodity. But this is also the case for all the elements of his constant capital, and for wages (variable capital) in so far as the value of labour capacity is determined by the production price of the worker's means of consumption.

Profit—and therefore the difference between price of production and cost price—appears to him *as a surplus over the cost price* only as regards his own commodity. As regards all the other commodities which *enter* into the price of production of his own commodity, *their cost price*, hence the costs of his production, *appear to him* as determined by the price of production, and profit therefore appears *as an element which enters into the price of production, not as a result which emerges from it.*

This is the case if the price of production is considered quite independently of the interposition of merchants' capital. But how do things stand with the latter's inclusion? Is the additional charge it makes to be regarded as a merely *nominal raising of the price over the value*, or how otherwise? If this is the case on an average—since the commercial price of the commodities enters as an element into their reproduction—then all commodities are sold *above* their value. For included in the price of production are, 1) the whole of the capital advanced, and 2) the whole of the surplus value, divided among the different capitals *pro rata*^a their magnitude. But, firstly, the capital advanced consists of the *objectified labour* in the means of labour, etc., secondly it is replaced by an equal quantity of living labour (wages), and thirdly the whole of the surplus value comprises the totality of the surplus labour. So if yet a further element is added to this, which raises the price of production, the price of the total commodity is > than its value, and the price of the individual commodity > than its price of production, i.e. greater than its price as determined by the value of the total commodity. But this seems to be the case with commercial capital.

A distinction must be made in dealing with capital included in the process of circulation.

D'abord,^b functions are confused with merchants' capital, or are

^a In proportion to.—*Ed.*

^b In the first place.—*Ed.*

to be found in practice *plus ou moins*^a bound up with it, which *belong to the process of production itself*, although they do not proceed in the workshop of the producer.

The first of these functions is the *transport industry* (THE CARRIAGE OF COMMODITIES). The use value of the commodity is admittedly in its finished form, but this use value does nevertheless undergo an alteration. Its *location, its spatial existence*, is changed. This process belongs to the process of production itself. The commodity is not on the market, hence is not yet in circulation, before it has passed through this change of location. Everything that occurs in connection with this process belongs to the process of production.

Secondly: The use value of the commodity must first be divided into the amounts appropriate to it as use value, it must be separated out, before the commodity really exists as a commodity. 1 qr of wheat, for example, first exists as a quarter when a quarter has been weighed out from the total amount of wheat, etc. This measuring, weighing, *real* reduction of the commodity to the units of measurement which are appropriate to it as a use value—and which at first only exist notionally—forms a part of the preparation of the commodity, a part of its *process of production*. It is a process which the commodity must pass through before it is present wholesale or retail as a commodity, and it is an operation which use value [XV-958] must itself pass through before it is ready as *use value of the commodity*. Since capitalist production produces on a large scale, whereas individual consumption takes place on a small scale, this operation constitutes a very significant part of the RETAIL trade. The packer, WAREHOUSEMAN, weigher, etc., in the workshop belong to the productive workers just as much as do the spinner, dyer, etc.; the capital expended on those functions is just as much productive capital as that directly laid out for spinning, etc. In the same way, this employment of capital, even when it takes place and is repeated in capital's sphere of circulation, belongs entirely to the *process of production* of the commodity.

Thirdly: What is the situation with the fixed and circulating capital which is necessary for the conservation, storage, preservation of the commodities whilst they are on the market, hence have already left the actual production process and entered the sphere of circulation?

The answer to this is most obvious when we look first at commodities which are only placed on the market once a year,

^a More or less.—Ed.

because they can only be reproduced once a year, as e.g. corn, cotton, etc. If the COTTON IMPORTERS in Liverpool had no WAREHOUSES, DOCKS, etc., the manufacturer in Manchester, etc., would himself have to store the quantity of cotton he needed during the year, expending on the one hand capital for WAREHOUSES, buildings (fixed capital), and on the other hand variable capital, to buy the wage labour⁴⁸ to perform the OPERATIONS necessary for the preservation of the cotton. Exactly the same situation holds for the miller and his corn, the baker and his flour, etc. All these things are *conditions of production*, and the operations and expenses, etc., required for conservation and storage themselves belong among the conditions of production. The only difference is that a part of the capital required for the manufacture of COTTON or bread, which has these particular functions allotted to it, is to be found and operates in the hands of COTTON IMPORTERS, CORN DEALERS, etc., instead of COTTON MANUFACTURERS, MILLERS and BAKERS. But the capitals engaged in these functions are directly productive capitals, they are engaged in the process of production although they are to be found in the sphere of circulation. They are parts of productive capital which are to be found OUT OF DOORS (i.e. outside the immediate workshop). This is true for all capitals invested in WAREHOUSING, in so far as the commodities WHICH ARE KEPT AND PRESERVED form the elements of a further process of production; their WAREHOUSING and PRESERVING would be the responsibility of the immediate producer if it had not been MADE OVER, through the division of labour, TO OUT OF DOORS CAPITALISTS.

We come now to the second sort of commodity, those which enter directly into individual consumption. It is clear from the outset that, in so far as they form the workers' means of consumption—IN FACT variable capital which has shed its monetary form—the preservation and WAREHOUSING of these commodities *belongs among the direct conditions of the process of production*. They form part of variable capital in exactly the same way as the first sort forms part of constant. Therefore the same thing is true here as well. But looking NOW at the WAREHOUSING of commodities which do not form part either of constant or of variable capital, can we say of them that the capital and labour required for this enter the *direct process of production* of the commodities? Certainly not. Nevertheless they do enter by a roundabout route. They enter into the *direct cost of consumption*. WAREHOUSING of the first sort enters into the cost of *industrial consumption*, hence of direct production; that of the second sort enters into the cost of *individual consumption*, hence the *cost of consumption*. If all such

commodities, instead of being bought *au fur et à mesure*,^a had to be drawn, e.g. AT ONCE, to the amount of their production over a year e.g., [XV-959] the private consumers would have to expend capital for buildings to store them and for wage labour to preserve those commodities in a usable condition. Consumption costs *en général*—e.g. the fact that I must have my furniture cleaned, my house scrubbed, my meat cooked, my shoes polished—do not enter the commodity's process of production and therefore do not enter its price of production. They only occur after the commodity has ceased to be a commodity and become a mere use value. But in so far as the costs of consumption are anticipated the consumer receives the commodity in a form ready for consumption, in a form in which the price of production requires no additional private payment. For example, if yarn is manufactured and linen woven at home, the weaving belongs to the cost of consumption of the yarn. If it is woven industrially, the weaving process belongs to the cost of production. And so it is in the case mentioned above. If I have my meat cooked at home, the cooking belongs to its cost of consumption. If I get it ready cooked from the cook-SHOP, it belongs to its cost of production, it enters into its production process, but it also emerges from the production process in a more advanced form, and it enters into the process of consumption in a more finished form.

To that extent, then, the *WAREHOUSING* of the second sort of commodity, which does not enter as an element into either constant or variable capital, is also included in the *direct process of production*. And the capital employed therein is directly *productive capital*. Productive capital can in general have 2 meanings: 1) capital entering directly into the production process; 2) capital which enters into the process of reproduction (which includes circulation).

In connection with this 3rd category, capital INVESTED IN *WAREHOUSING* (which includes storage and preservation), it must be noted: these actions are only more productive in so far as they are required by the *AVERAGE* conditions of production. If instead the markets are overstocked, etc., goods cannot be sold, there follows a *STOPPAGE OF COMMODITIES IN THE CIRCULATING RESERVOIRS*; if this results from an *interruption* in the process of circulation, it belongs to the *faux frais de production*^b for the industrial producer. It increases the *cost price* for him by contracting the difference between price of

^a Piecemeal as required.—*Ed.*

^b Overhead costs of production.—*Ed.*

production and cost price. The FINAL market price is not increased thereby, but, rather, mostly stands in an inverse ratio to the *faux frais*, just as do transport costs, when they arise from blockages of this kind in the process of circulation, e.g. when a commodity which is sent from Manchester to China finds the markets overstocked there, travels from there to Australia, suffers the same fate here, and is finally disposed of in South America.

Apart from that, what all these INVESTMENTS OF CAPITAL IN TRANSPORTING, DIVIDING ACCORDING TO MEASURE AND WEIGHT, AND WAREHOUSING OF COMMODITIES have in common is that they are employed in processes which *directly alter and affect the use value of commodities*, give it another form, whether through change of place or through a real reduction of the use value into parts corresponding to its natural quantities, or through the preservation of that use value. It is precisely the direct relation of these processes to the use value of the commodity as use value which makes them into directly *productive processes* and the capital employed in them into *PRODUCTIVE CAPITAL, EMPLOYED IN PECULIAR SPHERES OF IMMEDIATE PRODUCTION, ACCORDING TO THE GENERAL DIVISION OF LABOUR.*

It was necessary to strip off these FEATURES OF THE CIRCULATING CAPITAL—in other words to separate them from the CIRCULATING CAPITAL. The processes of production, which continue within the sphere of circulation, extend beyond the direct process of production. This is all the more necessary in that the capital which functions merely in circulation, merchant's capital especially, in part combines these functions too with its own, hence does not step forth in its *pure* form. But *after* these features have been stripped off we have the pure form of circulating capital.

[XV-960] Before we now pass on to this particular kind of capital, it must further be noted:

Firstly: TRANSPORTING, RETAILING (DIVIDING) (MEASURING) AND WAREHOUSING CAPITAL, which have the appearance of belonging to the circulation process, are in FACT not distinguished from other productive capital except in that they form particular spheres, just as AGRICULTURAL, MINING, MANUFACTURING CAPITAL (alongside their subdivisions) are distinguished only as *particular spheres*; except in that they create different use values. This therefore does not give rise to any new distinctions in the form of *capital in general*,⁴⁴ separate from consideration of the peculiarities of its process of production which arise from the nature of the use value created by it.

Secondly: As in all other spheres of capital, profit here is derived partly from the wage labour directly exploited in these spheres, and partly, when the organic composition of the capital is not

average, e.g. when it contains less variable, more fixed capital, from the share, *pro rata* the magnitude of the capital, of the surplus value created in other spheres of production.

We come now to the particular shapes of capital which are confined within the process of circulation and have absolutely nothing to do with the use value of the commodity and THE DIVERS DEGREES OF ITS FINISHING. They are not only distinguished as particular spheres of application of capital; but they also form a kind of capital which is distinct from productive capital as such.

Since they are only concerned with the functions of the circulation process as such, their peculiar functions must be explained from the form of metamorphosis of the commodity, hence from the movements of form which are peculiar to circulation as such.

Capital is in circulation only *qua commodity* or *qua money*; commodity or money capital. The movement of the commodity (and therefore of commodity capital) is $C—M—C$, selling in order to buy, and, in so far as this process is constantly repeated, selling in order to buy and buying in order to sell. It is this latter movement which makes the metamorphosis of commodities into the metamorphosis of commodity *capital*. For it emerges here that what is in question is not only a CHANGE in the form of commodity and money, but the preservation and increase of value in this process. This is therefore the function of *merchants' capital*. It presents the total movement of the metamorphosis of commodities as a movement of commodity capital, and apart from this change of form and its movement merchants' capital as merchants' capital has no function.

The second is money, in so far as it possesses functions apart from those of being merely means of circulation (the sole form in which it functions in *merchants' capital* (commodity capital) as such, namely as the purely evanescent form of the commodity). As I showed in the first part,^a this reduces itself, these peculiar and apparently independent movements of money which emerge from the metamorphosis of the commodity reduce themselves, to 1) *hoard formation*; 2) the function of money as *means of payment*; 3) the functions of *money as world money*, in which it has a double movement, running backwards and forwards between the national

^a K. Marx, *A Contribution to the Critique of Political Economy*. Part One (present edition, Vol. 29, pp. 359-84).—Ed.

spheres of circulation on the one hand, and movement from its sources of production over the world market and the division of this influx between the national spheres of circulation [on the other].

From the standpoint of the exchange of commodities, as we have seen,^a *hoard formation*—viewed merely as a form of money—is the petrification or autonomisation of the commodity in its first metamorphosis. But here as presence of capital, the *money* which is precipitated as hoard is capital (or at least the aliquot part), productive capital which has completed its process of production and been converted back from money into commodity and from commodity into *more* money. The different determinations of money as hoard now appear as determinations of *money capital*. The *first* form of the hoard, or function of the [XV-961] hoard, was to serve as *reserve fund of coin*. Now, in this quality, in which it has to function as means of circulation held READY, i.e. as means of purchase, it is the part of *circulating capital* which the industrial capitalist (or commercial, which in respect of money capital is *the same thing*) must always keep in store as *money capital*, in order to defray current expenses—to pay wages, to COVER HIS OWN PERSONAL EXPENSES (WHAT HE SPENDS AS REVENUE) and to buy other ingredients of production which need to be paid for in cash.

The second function of money as hoard was to form a reserve fund for *payments*, the fund from which money flows as means of payment. We shall soon come to this point when we arrive at means of payment.

The third function of money as hoard was to be a reserve fund of world money, a fund of means of purchase or payment in foreign markets, and apart from this in particular to represent the form in which new supplies of money for the world market are drawn from the sources of production of money, etc., in exchange for commodities.

Whether the hoard is to serve as reserve fund for *means of payment* in the home market, or as *means of payment and means of purchase* in the foreign market, this form of functioning as *means of payment* or *world money* alters absolutely nothing, IN REGARD TO THE CAPITAL, in the fact that it is the part of *circulating capital* which the industrialist always needs in the form of *money*, just as in the case of the reserve fund of coin.

Finally: The hoard, in so far as it did not function as reserve fund of coin, means of payment and world money, was *hoard as*

^a Ibid., pp. 359-70.—Ed.

such, the commodity petrified in its *first metamorphosis*, made independent, and conserved. But for capital the hoard is *capital lying idle*—a part of it lying idle in the form of money, which it is unable to valorise directly in its own business. For the capitalist, who does not share the DELUSIONS of the hoarder, and to whom money has value not as absolute form of the commodity but only as absolute form of capital—self-valorising and functioning value—this form of capital lying idle is *unproductive capital*, loanable capital, which ought at least to be converted into *interest-bearing capital* if he himself is not to utilise it as profit-bringing capital. For the capitalist, therefore, it is money which is to be found on the market as *money capital*. It may be newly accumulated profit, i.e. profit converted into capital. But a part of this capital which lies idle may also flow from rent or other sources of income of the unproductive workers (and even of the productive ones), who want to sell as *capital*, i.e. loan out, a part of their revenue which is available in money.

As far as the *hoard* as such is concerned, whether it serves in any particular function or not, it makes only one operation necessary, that of *preservation*. The costs of preservation can be reduced to buildings, *coffre fort*,^a hence SOME fixed capital; the counting of the hoard; and if it is large, perhaps the wage labour of a number of unproductive workers for the “protection” of the hoard, not against moth and rust, but against thieves.⁴⁵

If it is the exclusive task of particular capitals to perform the operations which emerge from the circulation of capital, these can only be operations which emerge from the functions of circulation as such. Functions *separated off* from the total process of capitalist production, peculiar to the process of circulation, and distinguishing it.

Hence *commodity capital*, *merchants' capital*, *commodity dealers*, as the operation of a particular capital, exclusively concerned with this, have as such nothing else to do but to buy and sell commodities, an operation which costs labour time, but in this case lays claim to the whole labour time, both the capitalist's and that of his wage labourers, clerks, etc. The movement which represents the constant metamorphosis of the commodity appears here as his exclusive *operation*, as proceeding through his *mediating activity* or RATHER the specific activity of capital through which it functions.

[XV-962] Similarly, the function of a specific capital as *money*

^a Safe.—Ed.

capital, in short the *trade in money*, can only obtain content from the specific functions of money—and therefore of capital as money, in its mode of existence as money—as opposed to the functions performed by money as a moment of merchants' capital (where it always acts as means of purchase).

These functions are therefore firstly: *hoard formation* as such, which consists merely in the *preservation* of money precipitated from circulation (capital precipitated in the form of money and profit or REVENUE in general). We have already seen,^a in examining money, that whereas the money hoard is fragmented in pre-bourgeois stages of production, within capitalist production it becomes centralised in large repositories. This is the first function of the money dealer or the trade in money.

The industrial capitalist (like the commercial capitalist) *must* constantly have READY a *definite part* of his circulating capital in the form of money capital, i.e. as hoard (in its form), as a reserve fund for coin and means of payment, whether at home or abroad. And this part stands in a definite proportion to the scale on which he produces, e.g. to the wages he has to pay every week, etc. And the magnitude of the cash operations currently in progress, e.g. with the merchant. But although *this part* is *determinate* (changing of course at different moments of reproduction), it is *dissolved* again and again, i.e. as means of purchase and means of payment (here as payment of the balance) its form as hoard is dissolved, the hoard is emptied, and in turn constantly refilled by the sale of commodities or payment for sold commodities. Its parts therefore change constantly; on the one hand it dissolves as means of purchase and means of payment, on the other hand it is constantly reconstituted by the constant conversion of the commodity back into money. *C'est un continuel va-et-vient*^b; by no means the static hoard of the hoarder. Thus the second function of the trade in money consists in constantly receiving the money taken in by the industrialist and the merchant, collecting it as a hoard, and constantly returning it as means of purchase or payment. This operation makes accountancy necessary, constant payment and calculation. This movement of the hoard (money capital)—its constant formation and dissolution—and the maintenance of an equilibrium between the two, is mediated by the activity of the money dealer, who does nothing else. In so far as money in

^a K. Marx, *A Contribution to the Critique of Political Economy*. Part One (present edition, Vol. 29, p. 370).—Ed.

^b It is a continual coming and going.—Ed.

particular functions as means of payment—a function in which, as we explained previously,^a reciprocal claims have to be calculated, and only the balance has to be paid in money—the money dealer has to perform this function of money as means of payment, to settle the claims, at one time to pay money as a balance, at another time to accept money as a balance. This balancing and mediating operation of money as means of payment is particularly developed in capitalist production, where the whole of production is based on exchange value, on circulation, and therefore accounts must constantly be settled among the producers (and the merchants).

In so far as payment or buying on the foreign market makes special operations necessary, necessitates, creates special forms of transmitting the balance or of money as means of purchase (rate of exchange, etc.) these again form a particular function of the money trade.

In the same way, the RETURN of money from the sources of production in exchange for commodities can achieve independence as a separate operation and function (BULLION dealing, etc.). This is in turn a particular function of the money trade.

Finally, money which lies idle is lent out, i.e. thrown onto the market as money capital; it is borrowed by others, and this appears in turn—in different forms (LOAN, DISCOUNT, etc.)—as a particular function of the money trade, which is thus at once for loanable money capital the same thing as the merchant is for commodities, the intermediary through which supply of and demand for money capital are balanced out and centralised.

Lastly, we may add yet a further point: Money as world money sheds its national [XV-963] character as the money of a particular country, and is reduced to its gold and silver content, while gold and silver, as the two commodities which circulate as world money, have simultaneously to be reduced to the ratio of their values, which constantly changes. This, too, happens through the mediation of the money dealer, who makes it his particular business to perform this adjustment of national money to world money. (*Rate of exchange*; in this case the current state of the balance of payments is a further factor, but this is a detail which does not belong here.⁴⁶) On the other hand, this operation too ultimately comes down to the simple exchange for each other of the kinds of money used in different countries, just as within a single country

^a K. Marx, *A Contribution to the Critique of Political Economy*. Part One (present edition, Vol. 29, pp. 377-78).—Ed.

the kinds of money belonging to the various particular spheres of circulation are exchanged. (Simple money changers.) All these functions together form the business of the *money trade*, which splits in turn into different branches, just as the commodity trade does.

Just as the operations of the *commodity dealer* (*merchant*) are absolutely nothing but the independent form of the movements, functions, the *commodity* and therefore capital in its shape of *commodity capital* must pass through in the whole of its process of circulation or the movements of its metamorphosis as a whole; in the same way the operations of the *money dealer* (operations of *specific* money capital) are absolutely nothing but the movements which flow from the functions of money as such as opposed to itself as means of circulation (in the way that it functions in trading capital), hence they also fall within the sphere of capital in its shape as money, as *money capital*.

It therefore appears in fact from a more exact analysis—//the sale of money as capital too, the throwing of money into circulation as capital, only initiates the process of production, which proceeds from money; that this representation of capital as initiating the whole process in the form of money appears here as a particular function, that the person who lends the money throws it into production or circulation as capital only indirectly, through the industrial capitalist or merchant, this intermediate operation, the changing hands of the money before it opens the process, does not change the essence of the matter at all//—that *trading capital*, i.e. commodity capital as a *specific* capital, and on the other hand *money capital*, as capital which IS INVESTED AND SHUT UP in a specific business, the *money trade*—that these are nothing but *independent* modes of existence of these forms of money capital and commodity capital, which *productive* capital assumes in passing through the whole of the reproduction process, the forms which it assumes in *its own* sphere of circulation, in the interval between leaving the actual process of production and returning to it.

Nothing can be more incorrect than to view *COMMERCIAL CAPITAL* and *MONEYED CAPITAL* (here in the sense of the money trade) as particular departments of *PRODUCTIVE CAPITAL*, somewhat in the same way as MINING, FISHING, FARMING, MANUFACTURING, ETC., CAPITAL. It is rather that *every* *PRODUCTIVE CAPITAL* IS *COMMERCIAL CAPITAL*, in so far as it passes through the whole movement of its process of production, $C-M-C$ or $M-C-M$, and is looked at in this form in isolation. It is in fact its form as *CIRCULATING CAPITAL*, this being viewed as a unity of the opposed phases of the metamorphosis.

Similarly, every *productive* capital is *MONEYED CAPITAL* in one phase, whether this takes the form of $M—M'$, or in so far as the functions which it performs in its form of money, hence its monetary functions, are viewed in isolation. Moreover, productive capital does not cease to perform the functions of *COMMERCIAL CAPITAL* and to appear in one phase as *COMMERCIAL CAPITAL* because of the interposition of *COMMERCIAL CAPITAL* as a particular *kind of capital*, capital INVESTED IN A PECULIAR SPHERE AND MANAGED BY A PECULIAR SET OF CAPITALISTS; or because of the interposition of *MONEYED CAPITAL* as a particular kind of capital, the capital of the money dealers; just as little does it cease to be *MONEYED CAPITAL* and to perform the functions of *MONEYED CAPITAL*.

[XV-964] A *reduplication* therefore takes place (at least in appearance). *COMMERCIAL CAPITAL* (commodity capital) and *MONEYED CAPITAL*^a are on the one hand *general formal determinations* of productive capital, and the particular movements it passes through as *COMMERCIAL CAPITAL* (commodity trade) and *MONEYED capital* (money trade) are particular functions which productive capital performs in its process of reproduction in both those forms. On the other hand, *particular capitals* (therefore also *PECULIAR SETS OF CAPITALISTS*) are exclusively engaged, whether in the form of *COMMERCIAL CAPITAL* or in the form of *MONEYED CAPITAL*. As particular forms of productive capital in general, they also become the spheres of particular capitals; *particular spheres* of the valorisation of capital.

It is well known that, *STRICTLY SPEAKING*, a banker does not need to possess any *capital of his own* besides the capital of his customers; and it is a fact not less well known that e.g. commercial AGENTS only administer the capital of their customers (the industrialists) as MANAGERS, and do not need to have any particular capital in addition to this. *GENERALLY* speaking, the *private* capital of *commerçants* and BANKERS is only the basis on which an immense superstructure is erected, and it bears no relation at all (the larger it is, the less the relation) to the capital of other people, which they turn over, and with which they conduct their business.

Assume that a merchant possesses £1,000 of capital and turns it over 40 times in the year; in the course of the year he will lay out a money capital of £40,000, and purchase commodity capital to the amount of £40,000, so that altogether a capital of £80,000 passes through his hands. This *turnover of merchants' capital* (in so far as it relates to the £1,000 which form the specific capital of the merchant) is *very different from the turnover of productive capital*. In

^a Marx adds the German equivalent in brackets.—Ed.

fact it represents nothing but the law of the circulation of money, that the quantity of prices realised by the money is represented by the rapidity of its circulation, by the *number* of circuits it performs within a given period. What is true of money in general—money as means of circulation, as means of purchase and means of payment, and this is how it functions in MERCANTILE capital—is true here as a function of *capital*. Admittedly, it makes a profit with each turnover, and this is what makes the sum of money WITH WHICH HE STARTS into capital //For the individual merchant, who can seize hold of a greater or lesser amount of the total business and make a SURPLUS PROFIT because his counterpart makes a smaller than AVERAGE PROFIT, it is correct to say: If the rate of profit and the prices of commodities are given, the total amount of his profit depends on the number of turnovers in the year or the amount of business he does. If the rate of profit and the number of turnovers are given, it depends on the prices of the commodities. If prices and number of turnovers are given, it depends on the rate of profit//, but this profit too is determined in another manner than in the case of productive capital. The turnover of productive capital is by no means an expression of the number of circuits performed by money as means of circulation. It is rather the opposite: the number of circuits of money is here an expression of the frequency of renewal of the process of reproduction, of how often money is converted into capital. Here it turns over a given number of times because it functions as capital a given number of times. In commercial capital it functions a given number of times as capital because it turns over a given number of times. The number of turnovers is therefore important with productive capital because they express the number of periods within which the *creation* of surplus value, hence of profit, is repeated. Here the turnover enters the *rate of profit* as a determining factor, because it expresses the circulation time within which capital exploits a definite quantity of labour, appropriates unpaid labour. The turnover itself has nothing to do with the creation of profit. It expresses rather 1) the periods of its realisation; and 2) the degree to which labour time is limited by circulation time. With COMMERCIAL CAPITAL there are two points to make. *Firstly*: Profit is only made through turnover, which represents nothing but the circulation of money; the number of *circuits performed by the same* sum of money; i.e. *the repetition of the acts of buying and selling*. Even the simple $C-M-C'$ in the circulation process of productive capital has another meaning. C is the result of the process of production, the commodity which

results from the process of production; C' , in contrast, is the commodities which enter as elements of the commodity into its process of production, which represent its conditions of production. But, as against this, looking at $C-M-C'$ in commercial capital, C is distinguished from C' only as *price*, not as commodity, [XV-965] and even if C' is another use value, the relation of this to C is no different from if it were the same use value.

Secondly, however, although the *profit* is made here by the turnover itself, not first realised within the turnover, as was the case with productive capital, the number of turnovers is not a factor in determining the rate of profit here, but rather the opposite. The (AVERAGE) *rate of profit* determines the profit on each individual turnover. If the general rate of profit is e.g. 10%, that is also the rate of profit of merchants' capital. For a merchants' capital of e.g. £1,000 to realise a profit of 10% over the year, it may only take, if it turns over ten times, a profit of 1% in each turnover on a quantity of commodities of £100, hence adding 10 to 1,000. Thus, for example, only £ $\frac{1}{100}$ on a commodity priced at £1 = $\frac{20}{100}S. = \frac{2}{10}S. = \frac{1}{5}S. = 2\frac{2}{5}d.$ If it turned over 20 times, it would need to make only $\frac{1}{2}\%$ on each turnover, for $20 \times \frac{1}{2} = 10$. $\frac{1}{2}$ per 100 is $\frac{10}{2}$ or 5 on 1,000. Thus on a commodity priced at £1, for example, it is only £ $\frac{1}{200} = \frac{20}{200}S. = \frac{2}{20}S. = \frac{1}{10}S. = 1\frac{1}{5}d.$ The average number of turnovers in the different spheres of the trade in commodities is presupposed as given here. Thus in merchants' capital everything appears entirely on the surface.

Let us now take, e.g., the rotation of a capital in the manufacture of CALICO. The product, 10,000 yards of calico = (e.g.) £1,000. The manufacturer sells these 10,000 yards to a MERCHANT, a CLOTHDEALER, who pays him £1,000. (We shall ignore credit as not yet developed.) The 10,000 yards of calico are now in the hands of the MERCHANT, and they represent there *commodity capital*, merchants' capital. In the hands of the MANUFACTURER they represented CAPITAL + PROFIT. Let this MERCHANT be MERCHANT I. The manufacturer now uses his £1,000 to buy yarn for £700, coal, etc., for £100, and with a further £100 he buys labour.⁴³ The remaining £100 he spends as revenue. If we analyse the latter transaction further, we find that, BY and BY, *au fur et à mesure*,^a as the workers receive the £100, they buy commodities from *épicier*, just as the manufacturer buys means of consumption from the *épicier* with his £100. MERCHANT II, the *yarn dealer*, now has £700 instead of the yarn, his commodity capital. The same applies to the coal dealer, MERCHANT III,

^a Gradually.—Ed.

who has £100 instead of his coal, and finally to the *épiciier*, MERCHANT IV, who has £200 for his commodities. It is clear at the outset that the CALICO continues to be available on the market as a *commodity*, even though it has passed from the hands of the MANUFACTURER into those of the MERCHANT. It is the capital of the MANUFACTURER, which has not yet passed through its first metamorphosis, has not yet been reconverted from commodity into money. For the MANUFACTURER this conversion has taken place. He has £1,000 instead of his CALICO. But for the CALICO itself the conversion has not taken place. It has not yet been converted into money, it has not yet passed over either into industrial or into individual consumption as a use value. MERCHANT I now represents on the market the same commodity capital as the MANUFACTURER originally represented. For the latter, the process of metamorphosis has been cut short by merchant I, but only to be taken up again, perforce, in the hands of the merchant. If the MANUFACTURER had had to wait until his CALICO really ceased to be a commodity, until it was converted into money, had passed through its first metamorphosis, had been sold to the actual buyer—the industrial or individual CONSUMER—his process of reproduction would have been interrupted. Or, in order not to interrupt it, he would have had to restrict his operations, expend a smaller part of his capital for yarn, etc., wage labour, etc., in short, for the elements of the production process, and retain a greater part of it in money as a reserve fund, so that, whilst a part of it was on the market as a commodity, another part could be converted afresh into productive capital, and then, whilst the second part entered the market as a commodity, the first part could return to him. This division is also necessary with *trade*. But, without the latter, the part of circulating capital held *en reserve* in the form of money would always have to be greater in proportion to the part involved in the process of production, and the scale of reproduction would therefore have to be restricted. Instead of that, the MANUFACTURER can now keep a larger part of his capital in the actual production process, a smaller part as money reserve. But instead of that a *part* of the capital of society—initially in the form of merchants' capital—is always to be found within the process of circulation; it never enters directly into the process of reproduction. It is always and exclusively employed *in the purchase of commodities*. There therefore appears to have taken place no more than A CHANGE in the persons who have in their hands this portion of capital.

[XV-966] If the merchant were to employ the £1,000 productively himself, instead of using it to buy COTTON, there would be an

increase in the size of the productive capital. But of course in that case the MANUFACTURER would have to keep a more significant part back as money reserve, and the same would be true of MERCHANT I, now turned into a MANUFACTURER. In the one case the productive part of the MANUFACTURER'S capital would be increased; but in return for this the whole of the merchants' capital would be withdrawn from production. In the other case both of them would have to increase their money reserve, but then a large part of the merchants' capital would also be devoted to production. Thus it looks like six of one and half a dozen of the other; what is gained on one side is lost on the other. Nevertheless, it is not so (unless merchants' capital exceeds its necessary proportions). And indeed it is not so because the reproduction of merchants' capital and the reproduction of productive capital are two different processes, although the first is only a moment of the reproduction process of the total capital. In the best case, i.e. if he works to order and receives his money as soon as the commodity is finished, the COTTON MANUFACTURER can still only turn over his capital e.g. 4 times in the year, because he cannot produce and reproduce more than 10,000 yards in 3 months. The repetition of his reproduction process is not only determined by the actual act of circulation— $C—M—C$ —the circulation his commodity must pass through from the moment at which it emerges from the process as a finished commodity, in order to enter it once again in the form of the elements of the production of the commodity. It is determined further by the duration of the production process itself. If his capital were [£]900, and he always had to have $\frac{1}{3}$ in the money reserve, there would never be more than £600 present in the production process, and he would only be able to produce 6,000 yards in one rotation, hence if his capital turned over 4 times he would produce 24,000 yards, whereas in the other case⁴⁷ he produces 40,000. When and how much he converts back into capital is by no means dependent on the character of his money as money; it is rather that this reconversion of money into productive capital, and the repetition of this reconversion, depends on the specific nature of his productive capital, on the use value of the commodity it produces, and the particular kind of labour which produces this use value and the conditions under which it is produced.

If I now consider the £1,000 of MERCHANT I in relation to this single MANUFACTURER, the *reproduction* of his capital is in fact entirely dependent on the reproduction of this productive capital. He buys the 10,000 yards today, and sells them it doesn't matter when, say

in a week. He cannot convert the money used in this way back into yards until the MANUFACTURER'S second turnover time arrives, at the end of the first 6 months, when the latter again places 10,000 yards on the market, and so on. But merchants' capital, after the 10,000 yards of COTTON MANUFACTURER I have been sold, can again buy 10,000 yards there from COTTON MANUFACTURERS II, III, IV. If we assume the merchant needs a month to make the sale, he could buy 12,000 yards every month, hence in the course of a year $12 \times 12,000 = 144,000$ yards; and thus with his capital of £1,000 he could buy and sell the commodities of 36 MANUFACTURERS, each of them producing 40,000 yards in the year and having a total capital of £32,400 (each of them £900) fixed in their TRADES.⁴⁸ Admittedly, we are assuming here that the merchant sells more quickly than the MANUFACTURER could. If this were not the case, merchants' capital would represent absolutely nothing but the capital of the MANUFACTURER lying idle. And it would be the same thing as if the latter always had £1,000 in the process of production and £1,000 as reserve or as means of purchase available in the process of circulation. But this more rapid sale, i.e. the more rapid finding of buyers, results from the *principle of the division of labour*, since the merchant has nothing else to do but find buyers and sellers. The *first moment* is therefore that the merchant not only enables the MANUFACTURER to convert his commodity, his calico, into money at an earlier stage, but also enables this *calico* itself to pass through its first metamorphosis more rapidly, to be sold more rapidly.

With this presupposition, the *turnovers of merchants' capital* by no means represent the turnovers or the repetition of the reproduction process—conversion of the commodity into money—of MANUFACTURER I, of a single capital in a particular sphere, but rather the turnovers of 36, perhaps, or ANY OTHER AMOUNT, of capitals functioning in this sphere.

[XV-967] Or if the merchant is a GENERAL MERCHANT, he will be able, after the sale of the 10,000 yards of calico for £1,000, etc., to buy silk, etc., with the result that the turnover of his capital can represent not only the turnovers of many capitals in a single sphere of production, but the turnovers of a number of capitals in various spheres of production.

His money capital thus performs the same function towards the productive capitals to be found on the market in the shape of commodity capitals as money performs towards the commodities whose prices it realises in sequence through the number of its circuits in a given period. Its turnover is absolutely nothing but the turnover of money as means of purchase, i.e. means of

circulation, since in fact it merely represents $C—M—C—M$, etc. After the merchant has converted the commodity (of the MANUFACTURER) into money and therefore his own money into a commodity, he converts this money into a commodity again, etc. These turnovers of his *money capital* as means of purchase, as an intermediary in the circulation of commodities, depend on the total reproduction process, or at least on a substantial part of it (for the individual merchant), but they do not depend on the reproduction process of the individual capital. In so far as he, because of the process as a whole, always finds commodities on the market—and this is the prerequisite for him—his *turnover* consists in the *mere* repetition of purchases, a repetition mediated by the repetition of sales. His turnover merely represents the repetition of the circuit of money. The difference between his turnover and the simple circuit of money is this: *the same piece of money* repeats purchases. E.g. A buys from B with £10, B buys from C with the same £10, C from D and so on. Here the buyer is always a different person, although the £10 always remain the same. The money changes hands. But the MERCHANT who buys calico from the MANUFACTURER with £1,000 sells the same calico again to a third person, and the same amount of money returns to his hands. Whether it consists of the same coins is a purely accidental matter. It is at the same time $M—C—M$, the form of capital. But how often the merchant can renew the same operation depends on how often the same amount of money, his capital as money capital, returns to his hands. If we start from the merchant as commodity owner—and he has become a commodity owner by the purchase of the 10,000 yards—he sells the commodity, and he buys a new commodity with the money into which it has been converted. $C—M—C$. *The same money* changes places twice: it comes into the hands of the merchant as seller and it leaves his hands as buyer. This is the movement of the metamorphosis of the commodity in general, a movement which the merchant represents in so far as he first sells (the commodity) and buys with the price of that commodity; first converts the commodity into money, then the money into a commodity. Here the money is mere means of circulation, although it represents capital for him. Nevertheless, this is not the peculiar movement of merchants' capital, although that movement does form a moment of its own movement; in so far as the movement includes a twofold movement of the same piece of money. But merchants' capital, as separated from productive capital, in so far as this itself circulates, always steps forth first as buyer, as money which is to be converted into a

commodity. It never makes its first appearance as a commodity, for the commodity appears in the hands of its first owner as product, and it never appears as such in the hands of the actual merchant. The real movement of merchants' capital is this:

$$1) \quad 2)3) \quad 4)5) \quad 6)7) \quad 8)9) \quad , \text{ etc.} \\ M - C - M - C - M$$

Money is exchanged for a commodity, the same commodity is exchanged for money, the same money is exchanged for a commodity, the same commodity is exchanged for money, etc. The difference between this and the metamorphosis of the commodity, in which money only functions as means of circulation, is this: There it is only the same piece of money which changes hands twice and is to be found in the same hand in a double determination (first as realised price of the commodity, second as means of purchase), while the two extremes, the two different commodities, only change their place once and then fall out of circulation. But here it is *the same, the identical commodity* which changes hands twice. It is sold twice, first by the producer to the merchant, and then by the merchant to the consumer, industrial or individual. There the twofold change of place of *the same pieces of money* is the mediation of the real exchange of commodities, the real exchange of matter. Here, in contrast, the twofold change of place of *the same commodity* is not the means whereby the same amount of money (increased) returns to the hands of the same person. It is merely through this twofold change of place of the same commodity—it is the means of pulling back the money—that the money constantly returns here, so that its movement appears as a movement of capital, although it constantly functions in the process as means of circulation. [XV-968] The sale of the commodity—the same phase of its metamorphosis—is here passed through twice.

This is true if we consider the first rotation $M - C - M$. It is otherwise in the reproduction, the continuity, the repetition of this process, and the movement of merchants' capital is this constant repetition.

$$M - \overset{1)2)}{C} - \overset{1)2)}{M} - \overset{1)2)}{C} - \overset{1)2)}{M}, \text{ etc.}$$

In the first rotation the same commodity only changes its position twice, and *the same* sum of money comes back. (This return of the same sum of money—hence the same sum of value (*capital*, because every sum of value appears in its return as self-preserving and self-valorising and [as] value relating itself

to itself)—is very different from the twofold functional displacement of the same piece of money. The money performs the latter function in its determination as money and indeed as means of circulation. The return may, it is true, also be purely formal. For example, when the capitalist pays wages in money, and the worker buys the commodity from the capitalist with the same money. This means only that the same persons confront each other as seller and buyer, the same money can therefore serve both of them as means of purchase.) But the sum of money which has thus returned—it is capital with reference to the money laid out, with which the process began; but it is also the realised price of the commodity which has been sold, hence the first metamorphosis of this commodity—*the same identical pieces of money* now in turn buy commodities, which are in turn sold, etc. Here, then, there is in addition to the twofold displacement of the commodity a twofold displacement of the same money, or its displacement as means of circulation. The *RETURN of the money as capital*, accomplished by the twofold displacement of the commodity or its sale twice (or more times) in succession. But the repetition of this process, and therefore the purchase of the commodity, is mediated by the *twofold displacement* of the money which has returned, or its function as means of circulation. The rapidity of *turnover* of merchants' capital is therefore dependent on 2 moments: 1) On the rapidity with which its money capital performs the circuit as means of circulation, or, and this is the same thing, repeats its purchases. Here the purchase is always repeated with the money which has returned. Its rapidity is therefore the same as the rapidity with which the money changes its place twice, passes from the buyer of the commodity to the merchant, and from the merchant to the seller of another commodity. Rapidity in the turnover of merchants' capital, and rapidity in the circuit of money are therefore identical here. This repetition naturally depends upon a constant flow of new commodities onto the market, hence a constant flow of reproduction. If the self-renewing merchants' capital is large, the reproduction of the commodity must be not only constant and rapid but also on a mass scale. [The rapidity of turnover of merchants' capital however also depends] 2) on the rapidity with which the same commodity changes hands twice, hence on the rapidity of circulation of *the same* commodity. It must pass quickly from the hands of the producer into those of the merchant. But this is already implied in moment 1). What is added here, essentially, is this, that it must pass quickly from the hands of the merchant into those of the

final buyer. He must sell quickly. He now sells either to the industrial consumer //we are leaving out of consideration the division of labour amongst the merchants themselves, by which WHOLESALE DEALER sells to RETAILER, etc.// or to the individual consumer. If to the former, this rapidity of re-sale will depend directly on the rapidity of reproduction. If to the individual consumer, consumption will form in reality a moment of the process of reproduction. It is $C—M—C'$ in the first sense, that in which the commodity is converted into means of consumption through the mediation of money. The more production as a whole rests on circulation, each producer therefore possessing his product only in the shape of a commodity or of money, his consumption therefore resting on sale (*qua ad* commodity) and purchase (*qua ad* money), the more is the rapidity of consumption, of the commodity's withdrawal from circulation, conditioned by the manner of the production process itself.

The rapidity of turnover of merchants' capital therefore depends on 2 moments: the rapidity with which the same money changes its position, performs its circuit, hence the rapidity of money as means of circulation (is expressed in this). Then the rapidity with which the double displacement of *the same commodity* takes place, the peculiar circulation which is appropriate to it as *commodity capital* (not as mere commodity). Both moments depend on the rapidity of the total reproduction process. The turnover of merchants' capital is not, however, identical with the turnover or the number of reproductions of a *productive capital of equal magnitude*. It represents rather the sum total of the turnovers of a number of such capitals, whether in the same sphere or in different spheres of production.

[XV-969] The more quickly merchants' capital turns over, the smaller it is in relation to the amount of productive capital. The more slowly it turns over, the greater is the part of the total money capital which figures as merchants' capital. Hence in modes of production, or at stages of production, at which circulation is undeveloped, because in general the exchange-value character and further the capitalist character of production is undeveloped, the total amount of merchants' capital (although small absolutely) is relatively large in proportion to the total amount of commodities thrown into circulation. The greater part of the actual money capital is therefore in the hands of the merchants, whose wealth thus forms *monetary wealth* as far as the others are concerned. (The actual *money trade* must be added to this. But we shall deal with this later.)

It further follows from the calculations:

In so far as *merchants' capital* appears as *commodity capital*, it is absolutely nothing but productive capital itself, which happens to be in the sphere of circulation *sub specie*^a commodity capital. It is true that it now appears in the hands of another commodity owner. But the fact that it is in reality just a phase of productive capital emerges immediately when the commodity capital in the hands of the merchant is unsaleable, when his money capital is therefore not returned to him, when he therefore cannot buy the commodity afresh. Then the same standstill in reproduction occurs as if the capital—in the form of commodity capital, in the first stage of its circulation process—were to be found unsaleable in the hands of the producer.

It is not necessarily the case that merchants' capital performs just the turnover considered above. The merchant may perform both movements *simultaneously*. Then his capital is divided into two parts. One consists of commodity capital, the other of money capital. From one he buys, thereby converting his capital into commodities. To the other he sells, thereby converting another part of his capital into money. On the one hand his capital flows back to him as money capital, while on the other hand his money capital is simultaneously converted into commodity capital or flows back to him as commodity capital. The larger the part which exists in one form, the smaller the part which exists in the other. But this division must balance out. E.g. £300 merchants' capital. He initially keeps £100 in reserve and buys commodities with £200. As long as this £200 exists in the commodity form he cannot buy with it. Now he buys with £100. At this point, however, £200 has been converted from commodities into money and £100 from money into commodities. But what is important here is that the merchant simultaneously buys with one part of his capital and sells with the other part. Assume he buys at 3 weeks' payment and he sells similarly at 3 weeks' payment. At the end of 3 weeks he owes £200 and is due to receive £100. He has thus a balance of £100 to pay, while he simultaneously possesses £200 in commodities. Instead of £300 he would then require only £100 to conduct the transaction. But if he has sold the commodities over the 3 weeks, he can pay the balance with the money he has made, and therefore does not need to lay out any money at all.

^a Under the aspect of.—*Ed.*

Therefore: 200 <i>bought</i> x yards payable after 3 weeks — £200 <hr/> £200 to pay	— 100 x qrs sold payable after 3 weeks <hr/> [£]100 to take in
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Thus he pays for the 200 x yards with the £100 made+£100 he will make, but he needs for the whole transaction only £100. I.e. he needs only £100 to buy 200 yards for £100^a and sell 100 qrs. at £100.

This employ- ment of mo- ney as means of payment in- volves the cir- cuit of money as means of circulation:	Bought x yards payable after 3 weeks with £200. Sold be- fore the end of the 3 weeks. <hr/> Owes £200, pos- sesses £200	— £100 to take in
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Thus he pays for the 100 x yards with the price he gained from their sale. I.e. the purchase of the 200 x yards costs him no monetary outlay. He has bought without money, sold for money. Hence instead of £100 to add he has £100 in his possession.

With the addition of money as means of payment, and the credit system founded on this, there is a further reduction in the quantity of money capital which forms *mercantile capital*, in proportion to the magnitude of the transactions this mercantile capital performs. If I buy £1,000 worth of commodities at 3 months' payment, and I sell the commodities before the end of 3 months, I do not need to advance a single farthing for *this* transaction. [XV-970] In this case it is also as clear as day that the *money capital*, which appears here as *mercantile capital*, is absolutely nothing other than productive capital itself in its form of *money capital*, its RETURN to itself in the form of money. (That the MANUFACTURER who sells the £1,000 of commodities for 3 months can discount the bill on the MERCHANT changes nothing in the situation, and has nothing to do with merchants' capital as such.) If the market prices of the commodities were to fall in the meantime, e.g. by $\frac{1}{10}$, the merchant would only receive £900 back IN RETURN, and would have to add £100 in order to pay. This £100 would therefore be merely a reserve to compensate for a possible difference in price. But the same thing is true for the MANUFACTURER.

^a Thus in the original. Presumably, it should be "£200".—Ed.

If he had himself sold at falling market prices, £900 would have come back instead of £1,000, and he could not have started the operation again on the same scale without a reserve capital of £100.

Let us now consider another phase of the above process.

The MANUFACTURER received £1,000 from the merchant to whom he sold his CALICO. With the £1,000 he buys yarn from the yarn dealer; MERCHANT II. His (the MANUFACTURER'S) capital has thereby completed its circulation process and is once again in the sphere of production. The £1,000 in the hands of the yarn dealer represent on the one hand the RETURN of his money capital, the reconversion of his money into money. But with reference to the yarn itself, hence productive capital, the £1,000 represent in fact its first metamorphosis, its conversion into money (although this has already happened for the yarn MANUFACTURER specifically through his sale to MERCHANT II). The phases of production of the capitals in the various spheres are intertwined with each other, in that what emerges from one phase as product (finished commodity) enters the other as condition of production, and indeed they may interlock with each other reciprocally in the way that iron enters the production of coal and coal the production of iron. The spheres of circulation are intertwined with each other in exactly the same way. Thus here the reconversion of the money capital of the CALICO MANUFACTURER into productive capital is the reconversion of the yarn into money, the RETURN of the money capital of the YARN MANUFACTURER. This represents at the same time the RETURN of the money capital of the YARN dealer. The money with which the CALICO MANUFACTURER pays the yarn dealer is not the money of MERCHANT I, for the latter has obtained commodities to the amount of £1,000 for this. It is his own capital in the form of money. These £1,000 now appear in the hands of the yarn dealer as MERCANTILE CAPITAL, but to what extent are they this, as distinct from this money as the money form the CALICO has shed, and the money form the YARN has assumed? If, for example, the YARN dealer bought on credit, and sold before he had to pay, the £1,000 would contain not a farthing of MERCANTILE capital as distinct from the money form, which productive capital itself assumes in its process of circulation. MERCANTILE capital, in so far as it is not a mere form of productive capital, which appears as a particular kind of capital because productive capital is to be found on the market in the hands of MERCHANTS in its shape as commodity capital and its shape as money capital, is therefore nothing but the part of money capital which belongs to the MERCHANT himself. This part represents—on a much

lessened scale (if this were not so, mercantile capital would be GOOD FOR NOTHING), on a highly reduced scale—nothing but the part of productive capital which must always be available in the hands of the MANUFACTURER as a reserve for means of purchase, as money; IN FACT it represents nothing but a part of the part of productive capital which must always circulate as money capital. (It also circulates when held in reserve as means of circulation, as means of purchase. But it would really circulate. E.g. the MANUFACTURER has [£]1,000 in commodities instead of £1,000. He cannot begin his process of reproduction with these commodities. He would need in addition £1,000 in money in order to buy means of production, etc.) This part is now to be found *much reduced in size* in the hands of a particular SET of capitalists, and it is always in circulation, always functioning in the circulation process. (To say that the merchant extends the market, that there is consequent division of labour, etc., amounts to saying that he finds buyers more quickly. For even finding more [XV-971] buyers only means finding buyers for more commodities.) It is very much reduced because it serves the turnover not of one capital but of many capitals. Apart from the part of productive capital which must constantly exist as money for current expenditure, another part must constantly circulate as means of purchase on the market, without ever itself being converted into productive capital, for the whole of the capitalist class, for the process of reproduction of the total capital—for the continuity of this process. This part forms *mercantile capital*. It is the smaller, relatively speaking, the more rapid the total process of reproduction, hence the circuit of money, and the more developed money is as means of payment, hence the *credit system*.

We saw when we considered the total process of reproduction⁴⁹ that in part capital is exchanged with capital, in part capital with income and capital, and, finally, in part capital with income. With MERCANTILE capital this is represented in the following way, that to the extent that it exchanges with industrial consumers (disregarding here movements from the hands of one buyer into those of another, from the WHOLESALER'S hands into the RETAILER'S, etc.) it is a mere TRANSFER of capital; to the extent that it exchanges with individual consumers it is exchange with income.

Mercantile capital is nothing but capital which functions within the sphere of circulation. The circulation process is a phase of the total process of reproduction. But no value is produced in the circulation process, hence no surplus value is produced either. There occur only changes of form *in a magnitude of value which*

remains the same. In fact what occurs is nothing but the metamorphosis of the commodity, which has nothing to do with value creation or value alteration as such. If surplus value is realised in the sale of the commodity, this is because the surplus value already exists in it; hence in the second act, the exchange back of the money capital in return for the commodity, no surplus value is realised (this can only be achieved here through the exchange of money for labour).⁵⁰ On the contrary. In so far as this metamorphosis costs circulation time—a time during which capital does not produce—hence does not produce surplus value either—it is a limitation on the creation of value, and the surplus value will be expressed as a rate of profit in an exactly inverse ratio to the duration of circulation time. *Mercantile capital* therefore creates neither value nor surplus value. That is to say, not directly. In so far as it contributes to the curtailment of circulation time, and in general mediates the metamorphosis without which capital cannot begin its process of production anew, it performs a function indispensable to the capitalist mode of production, and it may indirectly *help to increase the surplus value created by productive capital*, or at least establish it as a higher rate of profit, or both at once. In so far as it helps to extend the market and mediates the division of labour between the capitals—hence also enables the individual capital to work on a larger scale—its function promotes the productivity of productive capital and the process of accumulation, the reconversion of profit into productive capital. In so far as it curtails circulation time, it raises the ratio of surplus value to the capital advanced, hence the rate of profit. Finally, in so far as it inserts a smaller part of capital (money capital) into the sphere of circulation of the commodities, into the process of circulation of capital (to the extent that this circulation process excludes the exchange of capital and labour capacity), it increases the part of capital directly invested in production. But as we have said: in so far as it has an impact on the magnitude of value as such, and the ratio of surplus value to the value advanced, it does this only indirectly, through its impact on the productive capital. Within the sphere of circulation—the only sphere in which it functions—it does not itself create value or surplus value, apart from that which flows from the sphere of direct production into the sphere of circulation. The *profit* which *mercantile capital* brings in is therefore merely a part of the surplus value, which is created by the total productive capital, and of which an aliquot part is transferred to mercantile capital. What mercantile capital is exchanged for—whether it is capital, or

money representing income, profit (interest), rent, wages—is a fixed amount of value, which remains what it was through this exchange. Mercantile capital not only does not itself produce its profit, which is, rather, [XV-972] only a TRANSFER from the surplus value made, squeezed out, by productive capital; it is also preserved as *capital* only through the constant renewal of the process of production. But the latter point is already implied by the fact that *MERCANTILE CAPITAL* is in reality nothing but *productive capital* in its sphere of circulation; and it only appears alongside productive capital as *distinguishable* and *distinct* *MERCANTILE* capital because the part of *PRODUCTIVE* capital which would always have to be present in the hands of the *INDUSTRIAL* capitalist as circulating money capital is now to be found, on a much reduced scale, in the hands of a *particular SET OF CAPITALISTS*, whose function lies outside the actual process of production.

Indeed, *mercantile capital* does not function in the actual process of production, but in the process of reproduction of the commodity, of which the process of circulation forms a section of its own. Just as the industrial capitalist is an agent of capitalist production, or productive capital personified, so the *MERCHANT* is an *AGENT* of capitalist circulation, *IN FACT* a personification of circulating capital. But every capital which is engaged in the process of production or reproduction, which performs any necessary function of capital at all, draws, *pro rata* its size, an equal portion of the surplus value produced by the total capital within a definite period, hence e.g. annually. This is therefore true of *mercantile capital* as well, although it has nothing to do with the direct production of that surplus value, hence also nothing to do with the direct exploitation of the worker. (In so far as the *RETAILER*, etc., exploits the worker, he exploits him as a seller exploits the buyer. This cheating, this fraud, which we are not examining here at all, is not a form characteristic of capitalist production as such.) Just as a capital of 1,000 brings the same *AVERAGE PROFIT* as another capital of 1,000, even though it only employs perhaps $\frac{1}{3}$ of the workers, and returns perhaps only once whereas the other capital returns 4 times a year, hence has a longer circulation time, and employs less variable capital, so also with *MERCANTILE CAPITAL*. What is involved here is only the size of the capital outlay, and the functioning of that capital *IN WHATEVER WAY DURING A CERTAIN PERIOD, SAY [an] ANNUAL PERIOD*. Since the actual productivity of capital as capital consists in its producing profit; and since mercantile capital produces the same *AVERAGE PROFIT* as industrial capital (interest+commercial profit=interest+industrial profit), *mercantile*

capital does not *appear as a particular kind of capital* alongside productive capital, but as a particular kind of productive capital, as one of the *particular* spheres into which it is divided and within which it functions. We therefore find the following put forward side by side as kinds of productive capital: APPROPRIATIVE INDUSTRY, AGRICULTURAL INDUSTRY, MANUFACTURING INDUSTRY, CARRYING INDUSTRY, MERCANTILE INDUSTRY. As if it were only distinguished materially from the other spheres of productive capital, whether through the particular kind of use value it produces (as with the MINING and AGRICULTURAL INDUSTRY), or through the particular way in which the use value is further shaped (as with the MANUFACTURING INDUSTRY and the CARRYING INDUSTRY). But mercantile capital is not a particular sphere of productive capital; it is a sphere of capital separated off from the spheres of productive capital. It has nothing to do with use value as such, being only concerned with the exchange of the use values, just as it has nothing to do with exchange value, but is only concerned with changes in its form. Mercantile capital should rather be placed in the same sphere as MONETARY CAPITAL. Trade in commodities and trade in money as two particular spheres or functions of parts of the total capital which belong to the process of circulation. The great political economists, like Smith, Ricardo, etc., are embarrassed by MERCANTILE CAPITAL as a separate kind of capital, since they rightly examine the fundamental form of capital, productive capital, and IN FACT only examine circulating capital in so far as it is itself a phase of the reproduction process of capital. Propositions about profit, etc., derived directly from the examination of productive capital, cannot be applied directly to mercantile capital. They therefore in fact leave the latter aside entirely, mentioning it only *en passant* as a kind of productive capital. Where they deal specifically with it, as Ricardo e.g. in connection with *foreign trade*, they endeavour to demonstrate [XV-973] that it creates no value, *hinc*^a NO SURPLUS VALUE. But what is valid for foreign trade is also valid for internal trade. The mere [act] of exchanging commodities, buying and selling, presupposes the commodities as use values which have a certain price, and creates neither the one nor the other.⁵¹

On the other hand, since *mercantile capital* is the first free mode of existence of capital in history, and appears as such vis-à-vis guild and feudal, petty-bourgeois and small peasant production,

^a Hence.—Ed.

Date Recd.
Charles Smith

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the [advocates of the] Monetary and Mercantile System regarded it as the fundamental form of capital, and they derived from it their notions of SURPLUS VALUE and PROFIT. PROFIT UPON EXPROPRIATION.¹⁷ In reality the merchant draws his profit from circulation and makes it in the act of circulation. But he withdraws what is already there; he merely appropriates a part of the surplus value which is already contained in the commodity, and thereby shares it with his BROTHER CAPITALISTS. Because it arises from circulation for him, it appears to arise from circulation in and for itself.

If MERCANTILE CAPITAL brings in A HIGHER AVERAGE PERCENTAGE OF PROFIT than industrial capital, a part of the industrial capital is converted into mercantile. If it brings in A LOWER AVERAGE PERCENTAGE OF PROFIT, the reverse process takes place. A part of MERCANTILE CAPITAL is converted into INDUSTRIAL CAPITAL. There is no capital which can change its determination, the sphere of its functions, with greater ease.

This is now the question: How does MERCANTILE CAPITAL appropriate the rate of surplus value or profit which is owing to it? It appears on the surface that it adds the AVERAGE RATE OF PROFIT to the price of the commodity. We have seen⁵² that the price of production of the individual commodity or for the whole capital of every *particular* sphere of production is different from the value of the commodity, may be equal, larger, or smaller. But the sum of the production prices of the commodities=the sum of their values. So if the AVERAGE price at which every industrial capitalist sells to the MERCHANT=the production price of his commodity, the sum of the commodity prices paid by mercantile capital=the sum of the values. And taking mercantile capital as a whole, the value of the commodities would form the *cost price* or *BUYING PRICE*. And since the merchant's profit=the difference between *BUYING PRICE* and *SELLING PRICE*, he would sell all commodities *above* their value. For every individual commodity the *PRODUCING PRICE* would be his *COST PRICE*, and he would sell it above its *PRODUCING PRICE*. For all commodities together this would be identical with his selling them *above their value*. His profit—taking the whole—would therefore come from buying the commodities at their value and selling them above their value. Through this operation, a part of the surplus value (or of profit), or a part of the commodity within which the surplus value is represented, would stick to his fingers. If, for example, I buy a yard at 2s. and sell it at 2s. $2\frac{2}{5}d.$, that is the same as if I were to sell only $\frac{10}{11}$ of a yard for 2s. and appropriate for myself either $\frac{1}{11}$ of a yard or its price, $=\frac{2}{10}s.$ I achieve this, however, only because the buyer pays as much for one yard as $1 + \frac{1}{5}$ ($1 + \frac{2}{10}$) of a yard cost. This is A *CIRCUITOUS WAY OF PARTAKING IN*

THE SURPLUS VALUE. *Or, alternatively,* the production price at which industrial capital sells is not=to the real production price of the commodity, but=its production price—the part of the profit which falls to the MERCHANT. In this case, the production price of the commodity=its cost price+the industrial profit (interest INCLUDED)+THE MERCANTILE PROFIT. Just as INDUSTRIAL CAPITAL only realises in circulation profit which is already contained in the commodities as surplus value //although for the particular capital the quota of profit it realises is different from the quota of surplus value which this specific capital produces// so here mercantile capital would only realise a profit because the whole surplus value is *not yet* realised in the price of the commodity realised by INDUSTRIAL CAPITAL. Its SELLING PRICE stands above the BUYING PRICE, not [because it] stands above the value of the totality of commodities, but because in its BUYING price the *value* is realised,—[namely in] surplus value—the part which is due to the merchant.⁵³

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[XVI-973] THIRD CHAPTER
CAPITAL AND PROFIT

1) [SURPLUS VALUE AND PROFIT]

Considered in its totality (wholeness) (or considered completely) (or in *its completeness*) the movement of capital is a unity of the process of production and the process of circulation.

The *surplus value* produced within a given period of circulation (let us take e.g. a year as the measure; see above, Chapter II⁵⁴), when measured against the *total capital* which has been advanced, is called—*profit*. (Under profit is included not only interest—known to be a mere portion of the total profit—but also the *rent of land*, which is nothing but *a part* of the capital employed in agriculture. The particular way capital is specified by this particular form of investment belongs to the consideration of landed property.⁵⁵ Here we shall merely indicate that profit is not to be understood exclusively as what is called industrial or commercial profit.)

Considered with respect to its material, profit is absolutely nothing but surplus value itself. Considered with respect to its absolute magnitude, it therefore does not differ from the surplus value produced by capital over a particular turnover time. It is surplus value itself, but *calculated* differently. By its nature, surplus value is related to that part of the advanced capital through exchange with which it arises, and it is therefore calculated in relation to that part. Circulation time, in so far as it differs from production time, only comes into consideration here as a barrier to the creation of surplus value. But as *profit*, surplus value is related to, and therefore measured by, not a part of the capital advanced, but the whole amount of the capital advanced, without regard to the entirely different positions these different

components occupy in the creation of surplus value and the production of the value of the commodity in general.

So: Assume there is a capital equal to 600 thalers. The constant part of the capital consists of $\frac{5}{6}$ of it, namely raw material and machinery; the variable part, laid out in wages, consists of the remaining $\frac{1}{6}$. If the surplus value produced in a year amounts to 60 thalers—hence the value of the whole product in a year is 660 thalers—this surplus value of 60 thalers is called *profit*, as long as it is not considered with regard to the 100 thalers which are exchanged for 160 in the capitalist production process, not with regard to the sixth of the capital from which it arises, but with regard to the $\frac{5}{6}$ of which the capital advanced consists, i.e. with regard to the total capital advanced of 600 thalers. Although the 60 thalers continue to have *the same* magnitude of value, 60 on 100 makes 60 per cent while 60 on 600 only makes 10%. Surplus value therefore receives in profit—which always expresses a relation,* a proportion—a new *expression, numerically different* from its original shape. The same magnitude naturally alters its numerical expression, once it is calculated, instead of in its organic relation to part of a whole, in a relation to the whole of the whole.

[XVI-974] The difference is not only *numerical* but also *conceptual, essential*. It is not only a matter of a different valuation, measurement or calculation. There is more to it. This difference in calculation, measurement, valuation is a necessity for capital, it expresses a new characteristic relation of capital, the creation of a new form, which is just as essential as the difference between the form of exchange value and that of money, perhaps.

As we have seen, the relation between surplus value and the variable part of capital is an organic one. In fact it expresses the secret of the formation and growth, of the existence of capital as capital. This organic relation is extinguished in the relation between profit and capital. Surplus value obtains a form in which the secret of its origin is no longer hinted at with the slightest trace. Since all parts of capital equally appear as the basis of the newly created value, the capital-relation becomes a complete mystification. In surplus value as such, the relation of capital to the labour which capital appropriates is constantly expressed. In the relation of capital to profit, capital is related not to labour but to itself. It is on the one hand a merely quantitative relation of an amount of value or an amount of money to itself. If I say for example that a capital of 100 thalers brings in a profit of

* An appendix should be added to this. See Malthus, etc.⁵⁶

10 thalers a year, I am merely comparing thalers with thalers. On the first occasion the PRINCIPAL, the CAPITAL, the main amount, appears as given, on the other occasion these 100 thalers become the main amount, the PRINCIPAL, the CAPITAL, precisely because they bring in an extra amount, and the main amount appears as the underlying cause, of which this extra amount is the effect. This is its natural fruit. (See *Aristotle on usury*,⁵⁷ and also the one passage in Sismondi⁵⁸ where he says that wealth like labour bears fruit annually. When he adds to this "like labour and *through labour*" he is already going too far.)

The difference between capital and its particular forms is therefore extinguished in this form, and this is therefore also true of capital's functions in which it appears even before capitalist production itself. Capital thereby becomes a thing, which existed just as much in antiquity as it exists today.

"The capitalist expects an equal *profit* upon all the parts of the capital" (Malthus).^a

On the one hand this contains the correct point that profit is a form of surplus value, if the latter is related equally to all parts of the capital and therefore measured equally against the total amount of capital. But there is also the point that the capitalist knows nothing of the essence of capital, and surplus value exists in his consciousness only in the form of profit, a converted form of surplus value, which is completely abstracted from the relations under which it originates and by which it is conditioned. During the direct process of production, the nature of surplus value does, it is true, continuously enter the capitalist's consciousness, as indeed we have seen in considering surplus value, the greed for alien labour time, etc.⁵⁹ But this is only a transitory moment. In fact the capitalist himself regards capital as a self-acting automaton, which has the quality of increasing itself and bringing in a gain, not as a relation, but in its material existence. The social relations under which value takes on this quality, and the things in which it exists as its body (use value), appear as eternal natural relations, or rather, it is grasped at most that certain (artificial) conditions hinder this natural development and cannot allow it to unfold completely.

The notion of capital as a self-acting automaton of this kind lies at the basis of e.g. Price's calculation of interest and compound interest, which completely turned the head even of William Pitt.⁶⁰

^a Th. R. Malthus, *Principles of Political Economy...*, 2nd ed., London, 1836, p. 268.—Ed.

(See Luther on the growth of interest.⁶¹) Hence also the kind of idiotic proclamations one finds on the part of the political economists. E.g. there must be profit, otherwise the capitalist would put his capital out at interest. He would have no reason to throw it into production instead of putting it out at interest [XVI-975] (thus capital would allegedly bring in interest even if no capital were thrown into production). Thus Turgot already says: If it brought in no profit, everyone would buy land with his capital. (See Turgot.⁶² Thus here a particular mode of employment of capital is regarded as being of itself profitable.)

Surplus value, however, necessarily assumes the form of *profit* in the bourgeois mind—and this is not just a way of looking at things. The relation of surplus value as a *relation of profit* dominates bourgeois production, determines the distribution of the capitals in the different branches of production, is so to speak the triangulation point for free competition (the competition of capitals amongst each other, i.e. the real movement of capitals in which alone the laws of capital are realised. These laws are in fact nothing but the general relations of this movement, its result on the one hand, its tendency on the other.)

The relations under which a quantity of value, money, commodities, the particular use values in which value re-enters production, becomes capital, i.e. the owner of this quantity of value becomes a capitalist, are, under capitalist production, within bourgeois society, so enmeshed with the existence of capitalists that for example Wakefield had to go to the Colonies to discover that these relations are not self-evident, and that without them value does not become capital and the owner of value does not become a capitalist. So self-evident, and so altogether incomprehensible, that this discovery of Wakefield's could in fact mark a kind of epoch in modern political economy.⁶³

The actual production process of capital is constantly bound up with its circulation process. Both are moments of the production process itself, as the production process for its part in turn appears as a moment of the circulation process. The two constantly overlap, interpenetrate, and thereby constantly falsify each other's characteristic distinguishing marks. But in the process of circulation surplus value on the one hand assumes new determinations, on the other hand capital passes through transformations, and finally it so to speak steps out of its organic life into foreign conditions of life, into relations in which not capital and labour but on the one hand capital and capital confront each other, and on the other hand the individuals as well again

confront each other in the relations of simple circulation, as commodity owners, buyers and sellers—circulation time and labour time thus cut across each other as this path is followed, and thus appear to determine surplus value equally. Now the original form in which capital and wage labour confront each other disappears as it were, and relations enter the picture which are apparently independent of this, surplus value itself no longer appears as a product of the appropriation of labour time, but as the excess of the selling price of commodities over their value, and as well, above all, as money. The result is the complete extinction of the memory of the original nature of surplus value, or alternatively this original nature never enters clearly into consciousness at all, but appears at most as an equally valid moment alongside the moments which arise out of circulation independently of capital's original nature, hence as a moment of the movement which belongs to capital independently of its relation to labour. Indeed, these phenomena of circulation are themselves directly adduced by other political economists (such as Ramsay, Malthus, Senior, Torrens, etc.⁶⁴) as proofs that capital in its material shape—regardless of the social relation of production which makes it capital—is an independent source of surplus value alongside labour and independently of labour. But it lay in the nature of this relation, as we already saw in considering the process of production of capital,^a that the socially productive forces of labour appear as productive forces transposed into capital, that the autonomisation and personification of past labour and of the value which exists in practice in the shape of the capitalist, the rule of past labour over living labour, which constitutes the essence of capital, the transformation as against this of the worker into mere objective labour capacity, a commodity, the fruitfulness of capital, in so far as it exists objectively, does not appear as a consequence of the social relation of production, the latter appearing rather inversely as a consequence of the material relation between those objects and labour as particular moments [XVI-976] of the process of production. In the capital-relation—to the extent that it is still considered independently of its circulation process—what is essentially characteristic is the mystification, the upside-down world, the inversion of the subjective and the objective, as it already appears in money. Corresponding to the inverted relation, there necessarily arises, already in the actual production process itself, an inverted conception, a transposed

^a See present edition, Vol. 30, pp. 112-13, 159-61, 187-88, 260-63, 271-72.—*Ed.*

consciousness, which is completed by the transformations and modifications of the actual process of circulation. However, the capitalist as capitalist is nothing but this movement of capital itself. What he is in reality, he is also in consciousness. Since the positive, dominant side of the relation is expressed in him, he only feels at home precisely in these contradictions; they do not disturb him, whereas the wage labourer, who is trapped in the same inverted notion, only from the other extreme, is driven in practice, as the oppressed side, to resistance against the whole relation, hence also against the notions, concepts and modes of thinking corresponding to it.

It must be added that in the real process of circulation not only do those transformations we have considered take place (and impel even the better political economists to adopt the capitalists' conceptions, if in a somewhat more doctrinaire form) but they coincide with real competition, buying and selling above and below value, hence profit does not appear to the capitalists as surplus value, as it is in fact for every one of them, not as dependent on the degree of exploitation of labour, but as the result of one person's taking advantage of another, a notion which not only the older, but even the more recent political economists have sanctioned. (E.g. *Torrens*.⁶⁵ See also *Senior* on money, etc., and wages.⁶⁶)

In fact the only thing which interests capital in practice, and regulates the real movement of capital, competition, is *profit*, and not *surplus value*, i.e. the ratio of the surplus value to the total amount of capital advanced, and not the ratio of the surplus value to the capital laid out in the purchase of labour capacity. This leads us (and is the actual transition) to the consideration of *costs of production* and their relation to the *process of the sale* of the product.

There are still a few remarks to make before we pass on to this.

Firstly: From the standpoint of the society in which capitalist production prevails, capital appears as a *SELF*FACTOR—value as possessing in itself the quality of self-increase in consequence of *qualitates occultae*^a of some kind; how much this is the case appears strikingly in interest-bearing money capital, money capital loaned out at interest. An amount of value is sold here as *in itself* capital; i.e. capital itself appears as a commodity. A certain quantity of values, or a bill on values, is sold as a self-preserving and self-increasing amount. The situation is not altered by the fact that this amount is not money itself but the commodity into which it

^a Hidden qualities.—*Ed.*

can be converted. For as self-preserving and self-increasing value commodities are viewed and sold merely *qua* exchange value, i.e. *qua* money. This quality of being capital is sold as an immanent quality of the amount of value. It therefore returns to its owner with a profit.

Secondly: It needs no discussion here that if a commodity is sold above or below its value, there takes place merely a change in the distribution of surplus value between different capitalists, between the buyer and the seller. This difference in distribution, or alteration in the proportions in which different people share in the surplus value, does not change anything, either in its magnitude or in its nature.

Thirdly: The relation of competition, in so far as we have considered it here as an *illustration* (not as belonging to the development itself⁶⁷), entails that the surplus value the individual capitalist makes is not really the decisive factor. [XVI-977] For an average profit is formed; i.e. a general measure, and laws, according to which the capitalists calculate among themselves the *total value* of their class. (See *Jones* as well on this.^a) The real price of the commodity—disregarding fluctuations in the market price—is thereby considerably modified, and it differs from the value of the commodity. No individual capitalist can therefore say, nor does any one of them know, to what extent the surplus value he has produced himself enters, or does not enter, into the profit he makes, to what extent a part of the surplus value produced by the class of capitalists enters into the price of his commodity. It is best to bring this point in when considering the costs of production, just as it is best to bring in there the inverted manner in which the laws of capital are represented in competition. The perception, as it arises out of competition, the relation that dominates the capitalist (for it is in fact the laws of capital themselves which in competition appear to him as external compulsion applied by his capital to other capitals and to his capital by other capitals), alienates him completely from the perception of the inner essence of the relations within which he moves, and of which he is merely the interested agent or functionary.

Fourthly: The confusion or lack of distinction between surplus value and profit is the source of the greatest BLUNDERS IN POLITICAL ECONOMY, even where it is merely a matter of giving a correct presentation. The significant political economists, such as e.g.

^a See this volume, pp. 366-70.—*Ed.*

Ricardo, naturally do not confuse the two completely, although they never consciously grasp the difference. But for that reason the real law appears with them, on the one hand, as an abstraction from the real movement, which therefore also contradicts it everywhere in detail. On the other hand, they are bound to want to use the nature of value or surplus value to explain phenomena which only arise from surplus value in the form of profit. Hence incorrect laws. Ricardo abstracts from competition where he develops the general nature of capital. On the other hand, he already brings in fixed capital, etc., as determining moments right at the beginning, in the determination of value, and thereby abolishes his so-called law or reduces it to a mere shadow, as Malthus correctly shows.⁶⁸ On the other hand, with his followers, like Mill and McCulloch,⁶⁹ we see the insane attempt e.g. to convert circulation time into labour time, and finally to describe as *labour* not only the functions of beasts, but of inanimate things, all their natural motions. Say too in this connection.⁷⁰ However this criticism belongs to the concluding section of this chapter.⁷¹

2) [PROFIT ALWAYS EXPRESSES SURPLUS VALUE TOO SMALL]

It follows from the characteristic distinction of form between surplus value and profit that profit always *expresses a smaller proportion than that of real surplus value*, hence the rate of profit always represents the ratio in which capital appropriates alien labour as much smaller than it really is. This (tautological) law, once understood, does away with all incorrect statistics, and it has bigger merits. It is essential for the comprehension of phenomena which would otherwise remain incomprehensible and limp along beside the theory as indigestible fragments of reality.

It goes without saying that the magnitude *a* expresses a smaller ratio if it is measured against $b + c + a$ than if it is measured against $c + a$, or that a magnitude expresses a larger or smaller part of a third magnitude according to whether that latter magnitude is itself larger or smaller. The total capital is therefore always larger than the part of it which is exchanged for wages.

[XVI-978] 3) [THE RATIO IS ALTERED NUMERICALLY AND IN FORM]

Profit is therefore a different relation firstly in its form; and secondly it is numerically different. It is a converted form of

surplus value, in which there is a change firstly in the latter's numerical relation, secondly in its conceptual determination.

4) [THE SAME SURPLUS VALUE MAY BE EXPRESSED
IN VERY DIFFERENT RATES OF PROFIT;
THE SAME RATE OF PROFIT MAY EXPRESS
VERY DIFFERENT SURPLUS VALUES]

Thus, if the surplus value is converted into profit, i.e., considered numerically, if the surplus value is calculated in proportion to the total amount of capital advanced, the following propositions are a further consequence of this different presentation:

An *equal* profit may express different rates of surplus value. Take for example a profit of 10%. If the capital is 600, with constant capital 500 and variable 100, 60 thalers of surplus value amount to 60%, at the same time 10%, on a capital of 600. If the capital of 600 consists of 400 thalers of constant capital and 200 thalers of variable, 60 on 200 thalers amounts to a surplus value of 30%. The profit continues to be 10%. Finally, if the capital of 600 consists of 550 constant and 50 thalers of variable capital, 60 on 50 would amount to 120% surplus value (50:60=100:120) but profit would continue to be 10%.

5) [RELATION OF SURPLUS VALUE AND PROFIT=RELATION
OF VARIABLE CAPITAL TO TOTAL CAPITAL]⁶

Since profit is nothing but the ratio of the surplus value to the total amount of capital advanced, the rate of profit, or its proportional magnitude, evidently depends on two circumstances, firstly the *total amount* of capital advanced, and secondly the ratio of the variable part of the capital advanced to its constant part. This is when the surplus value is presupposed as given. Otherwise, it depends on 1) the ratio of the surplus value to the variable part of the capital; secondly the ratio of the variable part to the total quantity of capital, or also, and this is the same thing, its ratio to the constant part of the capital. E.g. 50 is $\frac{1}{2}$ of 100, but it is, at the same time, $\frac{1}{2 \times 6} = \frac{1}{12}$ of 600. If 50=S (surplus value), 100=V, the variable capital, then $\frac{50}{100}$ is the rate of surplus value, which= $\frac{1}{2}$ or 50%= $\frac{S}{V}$. If the total capital is 600=C(500)+V, then

$\frac{50}{600} = \frac{1}{12} = 8\frac{1}{3}\%$ is the profit, which $= \frac{S}{V+C}$. $\frac{S}{V} \cdot \frac{S}{V+C} = (V+C):V$.
 or also $\frac{S}{v+c}$ (the rate of profit) : $\frac{S}{V}$ (is related to the rate of surplus value) = V (as the variable capital) : $V+C$ (is related to the total capital). Thus $\frac{S}{v+c} : \frac{S}{V} = V:(V+C)$.

Profit is related to surplus value as variable [should read: total] capital is related to total [should read: variable] capital (we do not need the categories of fixed and circulating capital here, because variable capital is circulating capital, but a part of constant capital is also circulating capital, so this antithesis does not belong here) and this evidently depends on the proportion in which constant and variable capital form components of the total capital [C], since $V=C-c$ and $c=C-v$. If C were =0, variable capital would have reached its maximum; i.e. the whole amount of the capital advanced would be variable capital, i.e. capital laid out directly in wages. In this case profit would be $= \frac{s}{c+v} = \frac{s}{v}$, i.e. [XVI-979] it would be equal to the surplus value. This would be the expression of its maximum. It declines in the same measure as c grows, and therefore as the total amount of capital advanced, $c+v$, or C , diverges from the variable capital v . If one considers the expression $\frac{s}{v+c}$, one sees that its magnitude evidently stands in a direct ratio to the absolute magnitude of s , which is however conditioned by the ratio $\frac{s}{v}$; it stands in an inverse ratio to the magnitude of $v+c$, i.e. the total amount of capital advanced. With Cherbuliez (see Notebook⁷²) the determination of profit would be correct, if he did not confuse product and value of the product, use value and exchange value of the commodity.

6) COSTS OF PRODUCTION⁷³

a) We have seen⁷⁴ that the general form of capital is $M-C-M'$. In other words, money, an amount of value, is thrown into circulation in order to extract from it a larger amount. The process which produces this larger amount of value is capitalist production; the process which realises it is the circulation process of capital.

The capitalist does not produce the commodity for its own sake, not for the sake of its use value or for consumption. The product capital is in reality concerned with is not the material product but the gain, the *excess of the product's value over the value of the capital advanced*, which enters into the production of the commodity. If he converts £1,000 into machinery, cotton and wages, this is not for the sake of the twist he produces but because the machinery, cotton and wages now represent £1,200, after their conversion into twist, instead of £1,000 as originally. The hoarder as such changes a commodity of a definite value, e.g. £1,000 of twist, from the form of a commodity into that of money, in order to withdraw the latter from circulation and to possess the exchange value of his commodity in the independent form of money, the form in which it is independent of the commodity itself. The capitalist does not share the hoarder's superstitions. The forms in which exchange value appears, commodity or money, are indifferent to him, they are impermanent forms, because all real wealth is for him in fact merely exchange value in its different embodiments. He first converts money into a commodity—a commodity of a higher exchange value than the money advanced, because within the capitalist process of production more labour time is materialised in the commodity than was originally contained in its factors of production, and indeed it is realised through the unpaid appropriation of alien labour time—and in the circulation process he converts this commodity back into money, but now into a larger amount of money than the amount from which the process took its departure. A part of this excess over its original magnitude serves him as income, which he consumes, and a part is converted back into capital in order to begin the same cycle afresh. Whether he converts it into variable or constant, fixed or circulating capital, the capitalist must, on the one hand, uniformly withdraw every part of the capital from his private consumption and consume it industrially, and, on the other hand, expose it to the chances and risks of circulation, once it has assumed the form of the product. The capitalist uniformly advances the total capital—without regard to the qualitative differences within it in the production of surplus value—in order not only to reproduce the capital advanced but to produce an excess of value over and above the capital. He can only exploit labour, i.e. convert the value of the variable capital he advances into a higher value, through the exchange with living labour, by advancing at the same time the conditions for the realisation, the conditions of production of this labour—raw material and machinery—converting a sum of value

he possesses into this form of the conditions of production, just as he is only a capitalist at all, can only undertake the process of exploitation of labour at all, because he, as proprietor of the conditions of production, confronts the worker, as the mere possessor of labour capacity. It is quite indifferent to him whether it is considered that he advances constant capital to make a profit on the variable capital, or advances variable capital [XVI-980] to make a profit out of the constant capital; whether he lays out money in wages to give a higher value to the machinery and raw material, or advances money in machinery and raw material to be able to exploit labour. Although the profit he makes, the surplus value of the commodity he realises in the process of circulation, consists only of the excess of unpaid labour appropriated by him over the labour he has paid—his commodity only has a surplus value because a portion of unpaid labour time is now contained in it, and he sells this although he has not paid for it—the size of his profit by no means depends on the surplus value alone, but rather on the ratio of the surplus value to the total amount of capital advanced. If the capital advanced was 1,000, and if the value of the commodity into which it is converted is 1,200, the profit is only 200 compared with 1,000; $200:1,000=20\%$. The part of the capital that was laid out in machinery and material of labour is just as much advanced by the capitalist as is the part laid out in wages, and although the latter part alone creates surplus value, it only creates it on condition that the other parts, i.e. the conditions of production for the labour, are advanced, and all these elements enter uniformly into the product. Since the capitalist can only exploit labour by advancing constant capital, since he can only valorise constant by advancing variable capital, all these things are lumped together in his notion of the matter, and all the more so because his real profit is determined by the ratio of surplus value not to variable capital but to the total capital, hence is not determined at all by surplus value, but rather by the profit, which, as we have just seen, may remain the same and yet express different rates of surplus value.

We now return, therefore, to the point of departure from which we proceeded in considering the general form of capital. Profit represents the excess of exchange value, produced in the process of production and realised in the process of circulation, over the amount of money or exchange value originally converted into capital by the capitalist. Firstly, the real rate at which the capitalist profits, hence capital grows and accumulates, depends on this relation. Secondly, therefore, the competition between capitals is

also dependent on this. Thirdly, this leads to the disappearance of any recollection of the real origin of this profit and the qualitative distinction between the various elements, or the entry of these elements into the capitalist process of production.

Profit therefore=the excess of value of the product or rather the amount of money realised in circulation for the product (hence in the capitalist process, this excess during a particular turnover time) *above* the value of the capital which entered the formation of the product. The whole of the capital accordingly appears as *means of production* for this profit, and since these means of production are values which are here given over in part to the industrial process of production, in part to circulation, in order to create this excess of value or profit, the whole amount of the capital advanced appears as *costs of production of the commodity*, in fact costs of production of the gain or profit which is made by means of the commodity.

Cost of production means everything, all the components of the product the capitalist has *paid for*. If he sells the commodity at £1,200, and surplus value on this amounts to 200, he has *paid* £1,000, he has bought it, and converted it from the form of money, of exchange value, in which he originally possessed it, into the form of the commodity; i.e., from the standpoint of exchange value, into a lower form. If he were not to sell the commodity, which he has not produced for its use value, the £1,000 advanced would be lost. They are in any case *costs*, and must be replaced by the sale, so that the capital can be available again and again in its original state, so that it may simply be preserved. [XVI-981] The £1,000, or rather the advance of the £1,000, for they are intended to be replaced, are the *price*—hence the *costs*—which the capitalist pays in order to buy the £1,200.

It therefore follows that the *production costs of the commodity* from the standpoint of the individual capitalist, and its *real production costs*, are two different things.

The production costs contained in the commodity itself are equal to the labour time it costs to produce it. Or its production costs are equal to its value. The labour materialised in it includes the labour used to produce the raw material which has entered into it, as well as the labour used to produce the fixed capital employed in producing it, and, finally, the labour, the necessary and surplus labour, paid and unpaid labour, employed to produce it.

From the standpoint of the capitalist, the costs of production consist only of the money he has advanced—or only of the part of

the production costs of the commodity which he has paid. The capitalist has not paid for the surplus labour contained in the commodity. Indeed, it is precisely the fact of not paying for this which constitutes his profit. This surplus labour costs the capitalist nothing, although it naturally costs the worker labour just as much as does his paid labour, and enters into the commodity as an element constitutive of value just as much as the paid labour.

It follows, therefore, that surplus value, hence also *profit*, in so far as it is only another form of surplus value, does not enter into the production costs of the capitalist who sells the commodity, even though it does enter into the production costs of the commodity. His profit arises precisely from the fact that *he has something to sell which he has not paid for*. For him the *profit* consists in the *excess of the value* (the price) *of the commodity over its production costs*, which means in other words nothing but the excess of the total amount of labour time contained in the commodity over the labour time paid for by the capitalist which is contained therein.

This solves the *controversy* over whether profit enters into the costs of production or not. (See in Say, Jones, and particularly Torrens, etc.; these matters will be examined in more detail later on.⁷⁵)

b) In a deeper sense, it is a question (see the absurd Say, Storch, etc.⁷⁶) of whether profit enters into the costs of production, i.e. is indispensable to capitalist production. It boils down to the fact that surplus value, hence also profit, is not merely a form of income but a relation of production for capital (for accumulation, etc.); the absurdity of the abstract distinction between a relation of production and a relation of distribution is in general demonstrated here. The question can only be brought up at all through an absolute failure to comprehend the nature of capital, hence also of capitalist production. In the shape of interest, profit already enters as an element into the costs of production.

c) It follows from the law that the *production costs of capital* are smaller than the *value* of the commodities produced by it (and profit is constituted precisely by the *excess of the value* of the commodity *over the value* of the production costs contained in it, or the excess of the labour contained in it over the paid labour contained in it), that commodities can be sold *below* their value at a *profit*. As long as some excess over the production costs is realised, a profit is always realised. The commodity will be sold at a profit as long as it is sold *above* the value of its production costs,

although this does not mean that the buyer has to pay the whole of the difference between the value of the production costs and the value of the commodity. Assume that a pound of twist has a value of 1s., of which $\frac{4}{5}$ are costs of production. $\frac{1}{5}$ is unpaid labour, hence the element that constitutes the surplus value. If the 1 lb. of twist is sold at only 1s., it is sold at its *value*, and the profit realised in it amounts to $\frac{1}{5}s. = \frac{12}{5}p. = 2\frac{2}{5}d.$ If the 1 lb. were to be

sold at $\frac{4}{5}s.$, or $\frac{4 \times 12}{5} d. = \frac{48}{5}d. = 9\frac{3}{5}d.$, it would be sold at

$\frac{1}{5}$ *below* its value, and no profit at all would be realised. But if it is sold above $9\frac{3}{5}d.$, say perhaps at 10d., [XVI-982] it is sold at a profit of $\frac{2}{5}d.$, although this is still 2d. or $\frac{20}{10}d.$ *below* its value. The profit is there as soon as it is sold *above* its production costs; even if it is sold *below* its value. If it is sold at its value, the whole of the surplus value is realised for the capitalist, i.e. the whole excess of the unpaid labour contained in the commodity over the paid labour contained therein. Therefore delimited here is the whole of the room available for the rise and fall of profit. This room is determined by the surplus value, i.e. by [the correlation of] the value of the commodity and the value of its production costs, by difference between the value of the commodity and the value of its production costs, between the total amount of labour contained in it and the paid labour contained in it.

If the capitalist sells the commodity at a profit, but below its value, a part of the surplus value is appropriated by the buyer instead of the seller. This different division of the surplus value among different persons would naturally change nothing in its nature, just as it is a matter of complete indifference to the worker (unless he happens himself to be the buyer of the commodity) whether his unpaid surplus labour is appropriated by the capitalist who exploits him directly or by the class of capitalists, etc.

This law, that the capitalist can sell the commodity *at a profit*, although *below* its value, is very important for the explanation of certain phenomena of competition.

In particular, one of the main phenomena, which we shall come back to later in more detail, would be entirely inexplicable without this: namely, a *general rate of profit*, or the way in which the capitals work out amongst themselves the total surplus value produced by capital. A general rate of profit of this kind is only made possible by the fact that some commodities are sold above, others below, their value, or that the surplus value realised by the individual capital depends not on the surplus value it itself produces but on

the average surplus value produced by the whole of the capitalist class.

d)⁷⁷ Therefore, if the *surplus value* is given, absolute or relative—i.e., on the one hand, there is a given limit to the normal working day, beyond which labour time cannot be extended, on the other hand the productive power of labour is given, so that the minimum of necessary labour time cannot be curtailed any further—profit can only be increased in so far as it is possible to reduce the *value* of the constant capital required for the production of the commodity. When constant capital enters into the production of a commodity, is required for its production, it is not its price (its exchange value) but its use value which alone comes into consideration. The amount of labour that flax e.g. can absorb in spinning does not depend on the *value* of the flax, but on its *quantity*, given the stage of production, i.e. given a definite stage of technological development; just as the assistance a machine affords to e.g. 100 workers does not depend on its *value*, *price*, but on its use value, its character as a machine. At one stage of technological development a bad machine may be expensive, while at a higher stage of technological development an excellent machine may be cheap. The English cotton industry was first able to develop once cotton was converted from an expensive into a cheap material by the invention of the COTTON GIN (1793) //because 1 old black woman could separate 50 lbs of cotton fibres from cotton seed in 1 day immediately after the invention of this chopping machine, whereas previously the day's labour of 1 black man was required to perform this process for a single pound of cotton//.

The *value* of the constant capital required at a particular technological stage can only be reduced, hence the *profit*, $\frac{s}{c+v}$ can only be increased, while the surplus value remains the same, in two circumstances. Either if there is a direct fall in the *value* of the fixed and circulating capital employed, i.e. both become the product of less labour time, hence there is an increase in the productive power of the branches of labour of which they are the direct products. In this case there is an increase in the profit in a branch of labour because of a growth in the productivity of labour (hence to a certain degree a growth in surplus labour) in the other branches of labour which supply it with the conditions of production. [XVI-983] In this case too, therefore, the profit thereby obtained (or the increase of profit, or, and this is the same thing, the diminution of the difference between profit and surplus

value), or the greater productivity of capital (for profit is the actual product of capital) is a result of the growth in the productivity of labour and the appropriation of that growth by capital. Only this does not take place directly, i.e. it takes place indirectly. Thus the growth of the profit a capitalist obtains through the cheapening of cotton and the spinning machine, though not a result of the rise in the productivity of spinning, is indeed a result of the rise in the productivity of machine manufacture and flax cultivation (or cotton cultivation, etc.).

The advantage of this is twofold, it raises the productivity of capital in two ways. In order to materialise a given quantity of labour, hence to appropriate a given quantity of surplus labour, a smaller outlay is needed in purchasing the conditions of labour, the constant part of capital, the value of which only reappears in the product but is not increased in it. There is therefore a fall in the production costs now required to appropriate a given quantity of surplus labour. This is expressed by a rise in the ratio of the variable part of capital to the constant part, hence to the total capital. There is therefore an increase in profit, for $\frac{s}{c+v}$ clearly grows in line with a fall in the value of C , the numerical magnitude of C , since it would reach its maximum when $C=0$.

Secondly: Let us assume that a constant capital of a given magnitude was previously required e.g. to employ a given number of spinners and to appropriate a given quantity of their surplus labour. At the given stage of production the employment of these 100 men requires machinery^a of a certain quality and a definite size, and similarly a definite quantity of raw material, cotton, wool, silk, etc. But the value of this constant capital has nothing to do with the spinning process into which it enters. If it fell by a half, the surplus value produced in the spinning process would firstly remain the same as before, but the profit would have increased. If the constant capital was originally $\frac{5}{6}$ of the total capital, the variable capital $\frac{1}{6}$ —hence e.g. out of £600, £500 constant, £100 variable—and the surplus value 30%, the rate of profit would come to 5% on £600 (100×6 makes 600; $6 \times 5 = 30$). (Rate of profit 5%: surplus value 30% = 600 ($c+v$):100(v)) ($5 \times 600 = 3,000$, and 30×100 similarly = 3,000). The rate of profit was 5%. If now the production costs of the constant capital were to fall by half—i.e. if there were a doubling of productive power in the branches which

^a In the manuscript, Marx wrote the words "fixed capital" over the word "machinery".—*Ed.*

provided this constant capital—therefore from 500 to 250, the total amount of capital employed would have fallen from 600 to 350. The surplus value, at 30, and the variable capital, at 100, would remain the same... So now it is 30 on 350. The rate of

profit, instead of $\frac{30}{500+100}$, is $\frac{30}{250+100}$; so instead of 5% the

profit is $8\frac{4}{7}\%$. ($350:30=100:8\frac{4}{7}$.) The profit would therefore have increased because in the first case the ratio of the variable capital to the total capital= $100:600=1:6$. In the second case it is $100:350=1:\frac{7}{2}$. In the first case the variable capital= $\frac{1}{6}$ of the total capital, in the second it= $\frac{1}{\frac{7}{2}}=\frac{2}{7}$. But the ratio is $\frac{1}{6}:\frac{2}{7}=\frac{7}{42}:\frac{12}{42}$.

The ratio of the variable capital to the total capital has therefore risen from $\frac{7}{42}$ to $\frac{12}{42}$, i.e. by $\frac{5}{42}$. The rate of profit has increased by the same ratio as that by which the ratio of the variable capital to the total capital has increased, [XVI-984] because $\frac{7}{42}:\frac{12}{42}$ or $7:12=5:8\frac{4}{7}$. ($5 \times 12=60$, and $7 \times (8\frac{4}{7})=56 + \frac{7 \times 4}{7} = 56+4=60$.)

This would therefore be the first gain, or, speaking generally, a capital of 350 would now bring in as much profit as a capital of 600 did previously, because the surplus value would remain the same, but the employment of the same amount of capital laid out in wages would now only require for its realisation a constant capital of 250 instead of the 500 required previously. The *production costs* required for the production of the surplus value and accordingly of the profit would have been reduced.

Secondly, however, £250 out of the total capital of £600 required previously for the production of the same amount of commodities and the same surplus value would be set free. This money could either be invested in another branch of business for the appropriation of alien labour, or employed in the same branch of business. Presupposing the same stage of production and therefore the same ratio between the different parts of the capital, twice the number of workers could be employed, hence twice the surplus labour could be appropriated, without any increase at all in constant capital. An increase of only £100 would be needed for wages; hence a total capital of £700, to make a gain (a surplus value) of £60 ($60:200$, the same as $30:100$, surplus value as before is 30%). Previously £1,200 would have been needed (according to the previous rate). Or if the 250 were added as new capital to the old (where this is technically possible) and divided into c and v in the same proportion, $71\frac{3}{7}$ would be the share of

labour and $178\frac{4}{7}$ the share of constant capital. According to the previous ratio, surplus value would then be $21\frac{3}{7}$ (or 30%) ($100:30=73\frac{3}{7}:21\frac{3}{7}$). The total profit on the capital of £600 (although the rate of surplus value remains the same, surplus value itself has increased, because the ratio of variable capital to total capital has increased) now= $30+21\frac{3}{7}=51\frac{3}{7}$.

The rate of profit would have increased from 5% to $8\frac{4}{7}\%$ as compared with the original situation, while the amount of profit would have increased, because surplus value has increased, from 30 to $51\frac{3}{7}$. Every reduction in the value of the constant capital, leaving aside the fact that it increases the rate of profit, because it reduces the ratio of total capital to variable, now permits the exploitation of the same amount of labour with a smaller outlay of capital overall, therefore leaving the surplus value unaltered, and sets free a part of the capital, which can be converted now into variable capital, the self-increasing part of capital, instead of being converted into constant capital, as it was previously. Any increase in the value of constant capital (if the stage of production, hence the technological conditions of production, remain the same) only increases the production costs required for the production of the same surplus value, and therefore reduces the rate of profit. Any reduction in the value of constant capital, as long as the stage of production remains the same, increases the part of capital which can be converted into variable capital, capital which is not only self-preserving but self-increasing, and therefore increases not only the rate of profit, but its amount, because it increases the amount of surplus value.

[XVI-985] *Another example.*

If, therefore, there is a given capital, of e.g. £9,000 sterling, and if the same flax, machinery, etc., which cost £6,000 previously, and was worked on by 100 workers during the year, at £30 apiece, can now be bought at £3,000, the profit (surplus value calculated on the total capital) which accrued to the capitalist for the £6,000 would be as large as the profit for which 9,000 was previously necessary. He would need $\frac{1}{3}$ less capital in order to *absorb* and *appropriate* the same surplus labour. £3,000 would therefore be set free for him. If the ratio remained the same, he could now, out of the £3,000 which had been set free, employ 1,500 for machinery and flax, 1,500 for wages, and absorb the surplus labour of 50 more workers than previously with the same capital of £9,000. In the first case, the rate of profit would have risen if he only employed £6,000, because the ratio of the variable to the total capital would have increased. In the second case, the

AMOUNT of profit would have risen as well as the rate, if he continued to employ the £9,000 in production, because 1) 4,500 out of the 9,000 would have been exchanged for living labour, as against 3,000 previously, and because 2) the surplus labour of 50 more men would have been appropriated, the quantity of surplus labour would have increased not only *relatively* but *absolutely*. In both cases, the productivity of labour, in so far as it affects the constant capital, only increases the profit (the rate of profit) because it increases surplus labour *relatively*, in proportion to the capital laid out, or *absolutely* (the latter when a part of the capital which previously, on a given, on the same, scale of production, had to be converted into constant capital, now becomes free, or can be converted into variable capital).

The *increase in the rate of profit*—through a reduction in the ratio between variable capital and constant capital [*or in the ratio of variable capital to*]⁷⁸ the total amount of capital advanced, or, and this is the same thing, through a *reduction in the value* of the constant capital, as a result of the increased productive power of the labour which produces it—originates in both cases solely from the fact that surplus value is increased *relatively* or *absolutely* in proportion to its production costs, i.e. to the total amount of capital required to produce it, or that the difference between profit and surplus value is lessened. This increase in the rate of profit therefore rests on the development of productive power, not in the branch of labour belonging to a particular capital, but in the branches of labour of which the product is the constant capital required in that branch of labour.

// In reality the part of capital which exists as fixed capital—or also all the commodity capital which was produced under the old conditions of production—is *relatively devalued* by this increase in productive power or the relative devaluation of this capital; just as the rate of profit is lessened, hence also profit is lessened proportionately to capital, whereas the *value of that capital* itself rises, if there is a reduction in productive power, an increase, it may be, in the cost of iron, wood, cotton, etc., and other elements which [form] fixed capital and circulating capital, to the extent that they enter into constant capital, given that surplus value remains the same. This effect is to be considered in dealing with competition.⁶⁷ This circumstance never comes into consideration with *new capital investment*, whether in the same business or in the newly established one; just as little with the raw material which has to be bought afresh.//

// Furthermore, the rate of profit can be increased by *curtailment*

of circulation time, hence by all inventions which ease COMMUNICATIONS and speed up the means of transport, and similarly by speeding up the formal transformation processes of the commodity, thus through the development of credit and the like. But this actually needs to be considered under the heading of the circulation process.⁵⁴ //

A second kind of increase in the rate of profit arises from another source, not from *economy in the labour* which produces constant capital, but from *economy in the employment of constant capital*. Constant capital is on the one hand *saved* by the concentration of workers, by cooperation, by labour on a large scale. The same factory buildings, heating, lighting, etc., cost less, relatively speaking, when employed on a large than when employed on a small scale of production. Here it is the common application of the same use value which lessens the costs of production. Similarly, the cost of a part [XVI-986] of the machinery, etc., e.g. a steam-boiler, does not rise in proportion to its horsepower. (See example.⁷⁹) Although its absolute value rises, its *relative* value falls, in proportion to the scale of production and the magnitude of the variable capital which is set in motion, or the quantity of labour power which is exploited. The economy a capital applies in its own production, e.g. spinning, rests directly on *economy of labour*, i.e. the exchange of as little objectified labour as possible for as much living labour as possible, the production of the maximum amount of surplus labour, which is only made possible by increasing the productive power of labour. The *economy* just mentioned, in contrast, rests on accomplishing this *greatest possible appropriation of alien unpaid labour* in the most economical way possible, i.e., on the given scale, with the smallest possible *production costs*. This economy, too, rests either on exploiting the productivity of social labour outside this particular branch of production, i.e. the productivity of the labour employed in the production of constant capital; or, in the case considered above, on economy in the employment of constant capital, which either directly makes possible saving through cooperation, etc., the social form of labour within capitalist production, and the scale of this production, or makes possible the production of machinery, etc., on a scale at which its exchange value does not grow uniformly with its use value. In both cases, the raised productivity is the increase in the productivity of labour which arises from the social form of labour, this time not [through changes] in the labour itself but in the conditions under which and with which it produces. It is also relevant here that in large-scale production the

waste products more easily become the materials for new industry than does the scattered waste of small-scale industry; this likewise means a reduction in production costs.

Capital therefore has a tendency in the direct employment of *living labour* to reduce it to *necessary labour*, and always to curtail the labour necessary for the manufacture of a product by exploiting the social productive power of labour, hence to economise on living labour—to employ as little labour as possible for the manufacture of a commodity. In the same way, it has a tendency to employ this labour which has been economised and reduced to necessary labour under the *most economical conditions*, i.e. to reduce the exchange value of the constant capital to the minimum possible level—hence altogether to reduce *production costs to their minimum*. If we see, therefore, that the value of the commodity is determined not by the labour time contained in it as such, but by the *necessary* labour time contained in it, capital realises this determination first, and at the same time continuously curtails the labour socially *necessary* to the production of a commodity. The price of the commodity is thereby reduced to its minimum, since all the elements of the labour required to produce it are reduced to a minimum.

e) In order to calculate profit (like surplus value) we take not only the surplus value a particular capital produces in a given period of time (turnover time) but also a quantity of capital, e.g. 100, as a yardstick, so that the ratio is expressed in per cent.

f) It is clear that the rate of accumulation, i.e. of the real growth of capital, is determined by the profit and not by the surplus value, since, as we have seen, the same profit and the same rate of profit may express very different rates of surplus value. It is profit that expresses surplus value in proportion to the total amount of capital advanced, hence the real growth (or the ratio of real growth) of the total capital. The real gain the capitalist makes is therefore not expressed by the surplus value but by the profit. Surplus value is related only to the part of the capital from which it directly arises. Profit is related to the whole of the capital which has been advanced in order to produce that surplus value; this capital therefore contains not only the part directly exchanged for living labour, but also the part representing the sum of the value of the conditions of production under which alone the other part of the capital can be exchanged for living labour and the latter exploited.

[XVI-987] Surplus value only expresses the excess of the part of

living labour exchanged and appropriated in the production process over the equivalent given away in exchange for it in wages, in the form of objectified labour. Profit, however, expresses the excess of the *value of the product over the value of the whole of the costs of production*; hence it expresses in fact the increment of value which the total capital receives at the end of the processes of production and circulation, over and above the value it possessed before this process of production, when it entered into it.

Profit is therefore also the sole form which interests capital directly, and in it the memory of its origin is completely extinguished. The conversion of surplus value into profit therefore completes the mystification which makes capital appear as a *SELF-FACTOR* and a person vis-à-vis labour, thus turning the objective moment of the production process into a subject.

g) How, then, is profit related to the size of the capital, *presupposing the same surplus value*? This is the same question as: How is the amount of profit related to the rate of profit?

But secondly, how does a *general rate of profit* originate, a rate of profit dependent on the *size* of the capital alone, and independent of the surplus value which is created by a particular capital in a particular branch of business, or of the productivity (i.e. the ratio of appropriation of alien labour) prevailing in a particular branch of business?

These two questions, which are connected with production costs, must be answered before we proceed to the solution of the most important question in this section—the decline of the rate of profit in the course of capitalist production.

// Before this, one further remark regarding 6 c).^{a 80} Since commodities can be sold at a profit *beneath* their value—namely, provided that they are sold *above* the capitalist's costs, the part of the production costs paid for by the capitalist himself, the part advanced from his own purse—and since the difference between the value of the commodity and costs of production allows the capitalist considerable room for manoeuvre and makes it possible to set very different price levels for the commodity below its value without liquidating profit altogether—it is clear that competition could force down the rate of profit everywhere, not only in one branch, but in many, indeed in all branches of production, through a gradual compression of prices below their value. If society consisted purely of industrial capitalists, this would balance out, since each of them would obtain his conditions of labour

^a See this volume, pp. 82-84.—Ed.

cheaper not only as a private consumer but as an industrial consumer, the rate of profit therefore rising again generally as a result both of the devaluation of the total capital advanced and of the diminution in the production costs of labour capacity, hence the rise of surplus value relatively to variable capital. But society includes classes with fixed incomes, THE MONEYED CLASS, etc., creditors and so on, hence there are fixed deductions from surplus value or profit which do not fall with the reduction in the rate of profit or the fall of the prices of commodities beneath their value. These classes would make a double gain. The rate which would fall to their share would have a higher exchange value, because it remained unchanged, while the prices of commodities would on the average have fallen beneath their value. They would come to a greater proportion of the deduction, and would be able to buy more with this. Something of the kind took place in England between 1815 and 1830 (see *Blake*⁸¹). Under these circumstances, the situation of the actual industrial capitalists might be very precarious. The moneyed classes would in fact pocket the considerable part of the surplus value lost by industrial capital itself. However, such a state of affairs could only be temporary, since it would call forth bankruptcies among the industrialists (as among the English farmers between 1815 and 1830) and hold up the accumulation of capital. A reaction would necessarily occur. Therefore, although competition may reduce the *rate of profit* not only in a particular branch of industry, as long as it is higher than the average rate, but also, [XVI-988] as Adam Smith says,⁸² in all branches, the latter effect can only be temporary. The capital accumulated in the hands of the FIX[ed] INCOME and MONEYED CLASSES would either have to be employed in the purchase of commodities for consumption, and in this case the price of the commodity would again move closer to its value, hence the rate of profit would again rise; or it would itself be loaned out again as capital. In the latter case there would be on the one hand a yet further increase in competition, hence the rate of profit, which had already fallen a long way, would sink still further owing to a further reduction of the prices of the commodities beneath their values, thereby bringing about a crisis, an explosion and a reaction; but on the other hand, the new placements of funds, whether as interest or as rent, would be made at a lower rate, in line with the fall in prices, thereby bringing forth a situation approximating to that in which *all* capitalists sold the commodities beneath their value, hence, through equalisation, *at* their value. The rate of profit would thereby rise to its normal level again.

From this standpoint, therefore, it appears that Adam Smith's view is correct in one aspect, overlooked by his opponents, that it explains certain temporary phenomena of modern industry, but does not explain the general phenomenon which is involved in the normal decline of the rate of profit; all it does is to explain merely temporary *general fluctuations*, which are later again balanced out.

Further: This view does not in fact imply that the *rate of profit* in general sinks, but rather the rate of profit which appears directly as *industrial profit*. It implies that there merely takes place a different distribution, since in fact a considerable part of the surplus value is POCKETED by the MONEYED INTEREST and the FIXED INCOME MEN, instead of the industrial capitalists themselves. There is, it suggests, merely a different *distribution* of profit in general; profit itself has not changed its rate, since it now appears as higher income in the hands of other classes. In the long term, indeed, this would lead to crises and reaction. So Adam Smith does not explain the actual phenomenon. But the value of the FIXED INCOMES would rise, on the one hand because they would collect a higher rate of overall profit—although the rate would remain the same nominally—and secondly because they would in fact buy for their share not only more products, but also a greater amount of objectified labour, even if this labour was not *paid for* by them. //

It is clear that if the surplus value is given, and the *rate of profit* in which it is expressed is given // this may, as we have seen, vary greatly while the surplus value remains the same //, the amount of profit, the absolute magnitude of profit, depends entirely on the *magnitude of the total capital employed*. If the profit on 100 thalers is 10, it is 10,000 on 100,000, namely $10 \times 1,000$, since the ratio of capital 100 to capital 100,000 = $10 : (10 \times 1,000)$. The amount of profit grows in this case in exactly the same measure as the value or the magnitude of the capital advanced; just as when the capital is given, the amount of profit depends on the rate of profit.

1) We see, however, that *the same* surplus value may be expressed in very different rates of profit, according to the ratio of the variable capital to the total capital.

2) But secondly, the surplus value itself is in the nature of things *not the same* for different capitals. *It differs*. In the first place, the ratio of the actual *circulation time* to *production time* varies, and therefore the turnover time of different capitals is different, and the surplus value really created stands in a ratio which is the inverse of that between circulation time and production time. Secondly, the normal working day differs with different capitals, and therefore surplus labour time is different,

although this is initially only to be conceived as compensation for the proportions in which the different modes of labour stand towards simple average labour. Thirdly, the ratio of circulating to fixed capital, the ratio in which *fixed capital* turns over, etc., are different. Productivity differs in different branches of industry, and the proportion in which they participate in the productivity of other branches of industry is also different. For example, an industry which employs very few hands does not participate in the cheapening of agricultural products, or, in general, in the cheapening of means of subsistence, in the same measure as an industry which employs many hands, one setting in motion much living labour; just as an industry which employs little machinery does not participate in the same measure in the cheapening of machinery as one which employs a great deal of machinery.

[XVI-989] One can only speak of an *average rate of profit* when the rates of profit in the different branches of production of capital are different, not when they are the same.

A closer investigation of this point belongs to the chapter on competition.⁶⁷ Nevertheless, the decisive general considerations must be adduced here.

Firstly, it lies in the nature of a common or general rate of profit that it represents the *average profit*; the average of very diverse rates of profit.

The average rate of profit presupposes further that if a particular capital in a particular investment brings in a profit which rises or falls about a certain point, its profit rises or falls above or below the normal rate of profit, which is therefore determined precisely by the level designated from this point of measurement. At this level the rate of profit counts as the normal one, which capital as such is by and large entitled to. But even now we are not yet at the decisive point.

A rate of profit—to the extent that it is not compensated for by the particular nature of the capital investment, in an analogous manner to the way concurrent circumstances, such as the particular nature of the labour, etc., modify somewhat the differences in length of the normal days of different branches of labour—above or below the average counts as an exceptional condition for capital in the particular branch of investment where it takes place, and it will be forced down or raised up by competition to the general level, through the entry of outside capitals into the privileged branch, or in the opposite case the exit of local capitals—capitals which are settled in that branch—out of the latter. The level of the rate of profit thereby falls in the first

case, and rises in the second. The surplus profit, or the short-fall of profit, an individual capitalist encounters in a particular branch (district) of capital investment, does not belong to this discussion at all. What is involved here is rather the profit of capital in all the particular branches of production, or in every particular sphere of capital investment conditioned by the social division of labour—for every capital placed in average or normal conditions. This qualification is necessary, in order to proceed, through analysis, to what lies at the basis of the *average rate of profit*.

If we adopt some particular quantity of capital, e.g. 100, as a yardstick—i.e. a yardstick for comparing the magnitude of different capitals—the meaning of the *average rate of profit* is that on £100 a profit of e.g. £10, of $\frac{1}{10}$ of the capital advanced, or of 10%, is made, entirely disregarding the particular nature or determination of the sphere of production in which this £100 is invested as capital. It therefore by no means follows that a sum of value of £100 can be invested as capital in every sphere of production. It only follows that in each of these spheres 10% is made on 100, whatever the magnitude of the capital required for engaging in a particular branch of production. A *general rate of profit* therefore means in fact nothing but that the total amount of profit is absolutely determined by the magnitude of the capital advanced. The capital may be large or small, the average rate of its profit is 10%, and indeed in the same circulation time, turnover time, hence 1 year for example, as the measure of circulation time. If circulation time is posited as indifferent for all capitals (or identical, which is the same thing); furthermore the rate of profit too; the amount of profit will depend entirely on the magnitude of the capital. Or, the amount of profit= a times x , in which a is a fixed magnitude, x is the variable which expresses the magnitude of the capital. Or, given the magnitude of the capital, the amount of profit is given, namely determined, by the general rate of profit. [XVI-990] That the general rate of profit=10%, e.g., means nothing at all except that $\frac{1}{10}$ of the capitals, in whatever branch they are employed, returns as profit or that the profit stands in the same ratio to the magnitude of the capital—has the same ratio to the magnitude of the capital advanced, its amount therefore depends directly on the magnitude—stands in direct ratio to the magnitude of the capital; hence is similarly independent of the *real turnover time of the capital* (since the rate of profit is the same for any given circulation time), is independent of its *specific circulation time*—i.e. of the ratio of its circulation time to its production time; is similarly independent of the organic relation

of the different components of capital in each particular branch of production, hence independent of the *real surplus value*—i.e. the real quantity of surplus labour—which every individual capital absorbs or produces in every particular branch of production.

The conversion of surplus value into profit alters not only the numerical relation—or rather the *expression of the numerical relation*—but the form as such. Surplus value appeared as a relation in which objectified labour was exchanged for living labour, or in which objectified labour appropriated living labour without exchange. The organic relation of the different parts of the capital advanced to each other, and therefore also the relation of the surplus value to a *specific* component of the capital emerges, is expressed in this. The relation ceases as soon as surplus value is expressed as profit. All parts of the capital advanced appear as uniform magnitudes of value, only differing quantitatively—amounts of exchange value, sums of value which in relation to their quantity—or rather added together—uniformly have the quality of producing not only themselves but an excess over their original magnitude: profit. The capital is the main sum, the profit is the subsidiary sum produced by this main sum in a definite circulation time. The main sum, the capital, is related as ground (cause) to the subsidiary sum as the grounded (consequence, effect). This appears as the existing law of capitalist production. How and whence and why is so little expressed in this relation of capital and profit that the spokesmen of capitalist production, the political economists, give the most varied and contradictory interpretations of this phenomenon.

Nevertheless, even after this conversion of surplus value into profit, surplus value remains equal to profit as an absolute magnitude. Whether 100 is calculated as a profit of 10% on 1,000, or as a surplus value of 20% on the variable part contained within that 1,000, say 500, the 100 continues [to appear] *as the same magnitude of value*, only differently calculated //and in the difference of the calculation there exists the difference of form, the extinction of the relation of this *excess over the capital advanced to the organic relation of the different components of capital*//. In itself the distinction remains purely formal. The difference of surplus value in particular capital investments would therefore continue to be displayed here as a *difference of profit*.

The situation is entirely different, however, with the *general rate of profit*, the most general law of which is expressed in the fact that the rate of profit is equal for all capitals, or, and this is the same

thing, that the amounts of profit are related to each other directly and exactly as the magnitudes of the capitals.

The *general rate of profit*, and therefore profit in its real, empirical shape, already implies the conversion of surplus value into profit and therefore the conversion of the rate of surplus value into the rate of profit. But *then the differences in surplus value* (in its rate) (and therefore also relatively in the total amounts of surplus value), as they emerge in the particular spheres of capital investment, partly owing to differences in the ratio of variable to constant capital, partly owing to the ratio of circulating and fixed capital (let us say owing to all the relations which emerge from the ratio of production time to circulation [XVI-991] time)—these *different rates of surplus value*, or the *diversity of surplus value*, continue to exist, although in the altered form of differences in profit or *different rates of profit*. These serve as the substance, the prerequisite, of the *general rate of profit*, and therefore of *profit in its organic form*. They are equalised, reduced to their average magnitude, which is then the real (normal) rate of profit in all particular spheres—particular spheres of production of capital—produced by the division of social labour. On the basis of the first transformation, therefore, a second takes place, which no longer affects the form alone, but also the substance itself, in that it alters the *absolute magnitude* of profit—hence of surplus value, which appears in the form of profit. This *absolute magnitude* was untouched by the first transformation.

Whatever the production costs (in the capitalist's eyes) in any particular sphere of production—hence of any particular commodity—the capitalist adds e.g. 10% (the general rate of profit) to the sum advanced, calculates thus that 10% will be added to the amount of commodities produced in a year. This 10% then enters into the price of the commodity, and if the commodity is sold at this price the normal profit, or the average profit, is realised. If, e.g., the capitalist were to reckon 2% over this average profit in the first half of the year, and 2% under in the second half, the total amount of commodities during a year, or the average profit he makes during a year, would represent the normal profit or average profit of a capital of a given magnitude, since the increases and reductions in profit during the daily transactions would have balanced out to that amount.

But in its essence profit consists of surplus value—not of a *formally* higher valuation of the product, as perhaps the money price rises nominally if the value of the material of money, gold perhaps, falls, without a simultaneous fall in the value of

commodities. Surplus value is a genuine creation of new value. It represents more objectified labour—hence a higher real exchange value—than the labour originally objectified in the capital, i.e. it goes beyond its original exchange value. And this surplus quantity of labour is realised in a surplus quantity of product or use value. Just as it would be wrong to regard a greater quantity of use values or products as a greater quantity of objectified labour on account of their greater quantity—with an increase in the productivity of labour they may represent the converse, a smaller quantity of labour—so it is correct that at a given level of the productivity of labour, at a given stage of production, surplus labour or surplus value expresses itself at the same time as surplus product, more use value. If we consider the total capital, the total surplus value represents the total excess quantity of labour which is realised in the total SURPLUS PRODUCE, over and above the product which replaces the constant part of capital and is required for the reproduction of the whole of the working class—a SURPLUS PRODUCE which is in part converted back into capital, and in part forms the income of all the classes living, under various headings, from their command over alien labour, from their respective shares in this SURPLUS PRODUCE.

If the addition of profit to price were merely formal, it would be *nominal*, in the same way as if the value of the total product were only distinguished from the total value of the capital advanced by being valued, let us say, in money whose value had fallen, or, equally, whose numerical expression had been magnified by being valued in silver instead of in gold. [XVI-992] Neither new value nor SURPLUS PRODUCE would be implied thereby. All capitalists would sell the same value at a higher money price, the same as if they were all to sell it at a lower money price or all to sell it at a money price corresponding to the value. It would then also be a matter of indifference whether a profit of 10% or 1,000% were added to the price of the costs of production, for the BIG FIGURES which express a merely nominal increase of the price are just as irrelevant as if this nominal increase were to take place on a smaller scale. The percentages of this nominal increase would be a matter of complete indifference. The wage, i.e. the part of capital which is set aside for the reproduction of labour capacity, as well as the part of capital which replaces the constant capital advanced, would appear in the same ratio in BIGGER FIGURES, in a higher monetary expression.

Just as the surplus value of the individual capital in each particular sphere of production is the measure of the absolute

magnitude of the profit—in so far as this is merely a converted form of surplus value—so is the *total surplus value* produced by the total capital, hence the whole of the class of capitalists, the absolute *measure of the total profit of the total capital*, whereby profit should be understood to include all forms of surplus value, such as rent, interest, etc. (that this total profit implies an ENCROACHMENT on wages is beside the point, as was shown earlier^a). It is therefore the absolute magnitude of value (and therefore the absolute SURPLUS PRODUCE, amount of commodities) which the capitalist class can divide up among its members under various headings. The empirical, or average, profit can therefore be nothing other than the distribution of that total profit (and the total surplus value represented by it or the representation of the total surplus labour) among the individual capitals in each particular sphere of production, in equal proportions, or, what is the same thing, according to the different proportions in which they stand to the magnitude of the capitals, and not according to the proportion in which the capitals directly stand to the production of that total profit. It therefore only represents the result of the particular mode of calculation in which the different capitals divide among themselves aliquot parts of the total profit. What is available for them to divide among themselves is only determined by the absolute quantity of the total profit or the total surplus value. The rule of distribution is equal profit for capitals of equal magnitude or inequality of profit in proportion to the unequal magnitude of the capitals. What was merely formal in the first transformation, the calculation of surplus value on the individual overall capital as a *uniform, distinct amount of value* without regard to the organic relation of its components, becomes here a material difference, since the share of total profit or total surplus value is uniformly determined, measured, at so many per 100, hence according to the magnitude of the capitals, without regard to the proportion in which each individual capital in each particular sphere of production participates in the creation of that total profit or total surplus value. Just as in the first transformation the surplus value is formally determined as the excess of the value of the product over the value of the capital advanced, so here the share of each capital advanced in the excess of the value of the total product of the total capital over its total value is determined materially in proportion to the value of the capital advanced. The AGENCY

^a See this volume, pp. 69-76.—Ed.

through which this calculation is performed is the *competition of capitals* with each other. From the moment at which the surplus value is converted as profit, i.e. excess over the capital advanced, the second practical consequence follows, that a particular excess in proportion to the capital advanced forms the profit or the surplus value falling to its share, which stands in proportion to its magnitude—the magnitude of the production costs—and these come down to the value of the capital advanced. Profit thus equalised, levelled, expresses for capitals in one sphere of production a higher surplus value than they really produce directly, [XVI-993] for others a lower one, and for both the average of these higher and lower amounts. The absolute measure of this rate of profit naturally depends on the absolute proportion of the surplus value to the totality of the capital advanced.

In fact the matter can be expressed in this way:

Profit—as first transformation of surplus value—and the rate of profit in this first transformation—expresses surplus value in proportion to the individual overall capital of which it is the product—treating all parts of this overall capital as uniform, and relating to the whole of it as a homogeneous sum of value, without regard to the organic relation in which the different components of this capital stand towards the creation of its surplus value.

Empirical or average profit expresses the same transformation, the same process, in that it relates the total amount of surplus value, hence the surplus value realised by the whole capitalist class, to the total capital, or the capital employed by the whole capitalist class, in exactly this way—it relates the total surplus value as profit to that total capital of society, without regard to the organic relation in which the individual components of that total capital have participated directly in the production of that total surplus value, on behalf, that is, of the individual independent capitals or the individual capitalists in the particular sphere of production. Just as, for example, with the individual capital of £900, if it yields a surplus value of £90, this profit is related equally to all components of the £900, and every component of the latter is valorised at 10%, thus, it may be, the 350 fixed capital, the 350 capital for raw material, and the 200 capital for wages, each provides 10%, each therefore produces a profit in proportion to its magnitude—“the capitalist generally expects an equal profit upon all the parts of the capital which he advances” (*Malthus*)⁵⁶—so the total capital C socially, or the total amount of all the capitals of all the individual capitalists, is related to S , the surplus value, as the rate of profit r , for example, and every part of this total

capital participates in the proportion r to P or S , hence in proportion to the magnitude of its value, irrespective of its direct functional relation in the production of S .

The second transformation is a necessary result of the first, which emerges from the nature of capital itself, whereby the surplus value is converted into an excess of value over production costs, i.e. the value of the capital advanced. In the first case, the absolute magnitude of the surplus value = that of the profit; but the rate of profit is less than the rate of surplus value. In the second case the absolute magnitude of the total surplus value = the magnitude of the total profit; but the average rate of profit is less than the average rate of surplus value (i.e. the ratio of surplus value to the total value of the variable capital contained in the total capital).

The transformation is formal in the first case, in the second material at the same time, since now the profit that falls to the share of the individual capital is in practice a different magnitude from the surplus value created by it, it is larger or smaller. In the first case, the surplus value is calculated only according to the magnitude of the capital which produces this particular surplus value, without regard to the capital's organic components. In the second case, the share of the individual independent capital in the total surplus value is calculated in accordance with this capital's magnitude alone, without regard to its functional relation to the production of that total surplus value.

In the second case, therefore, an essential difference enters the picture, both between profit and surplus value and between the price and the value of the commodity. Hence the difference between the real prices—even the normal prices of the commodities—and their values. The more detailed [XVI-994] investigation of this point belongs to the chapter on *competition*,⁶⁷ in which it will also need be demonstrated how it is that despite this difference between the normal prices of commodities and their values, alterations in the value of the commodity modify its price.

But it will be understood from the outset how through the confusion of empirical profit with surplus value—which profit presents in a very transformed form (just as through the confusion of the difference itself which corresponds to this between the normal prices and the values of commodities)—and this confusion is a common feature of all previous political economy, to a greater or lesser degree (only with the distinction that the more deep-going political economists such as Ricardo,

Smith, etc., directly reduce profit to surplus value, i.e. want to display the abstract laws of surplus value directly through empirical profit, because otherwise any attempt to gain knowledge of the laws [of political economy] would have to be abandoned—whereas the economic *plebs* do the opposite, and directly set up and proclaim as laws of surplus value the phenomena of empirical profit; in reality proclaiming the semblance of lawlessness to be the law itself) [...] ^a

The competition of capitals is nothing more than the realisation of the immanent laws of capital, i.e. of capitalist production, in that each capital confronts the other as the executor of these laws, the individual capitals bringing their inner nature to bear by the external compulsion which they exert on each other, according to their inner nature. But in competition the immanent laws of capital, of capitalist production, appear as the result of the mechanical impact of the capitals on each other; hence inverted and upside down. What is effect appears as cause, the converted form appears as the original one, etc. Vulgar political economy therefore explains everything it does not understand from competition, i.e. to state the phenomenon in its most superficial form counts for it as knowing the laws of the phenomenon.⁸³

If a capital which turns over 6 times in a year only takes a profit *2 times smaller* than a capital which turns over 3 times, one which employs much labour does not take any more profit than one which employs much fixed capital, one which suffers long interruptions in the production process itself no less than one which proceeds without interruption, etc., this means nothing but that the capitalists calculate the profit they make on the capital's size, not on its direct causal connection with the process.

If each capitalist adds 10% to his production costs, this means nothing but that one capitalist adds a given amount more, the other adds a given amount less, than he really produces over and above those production costs.

It is in one respect the same as when the individual capitalists sell their commodities above or below their value because they are cheating or being cheated. The one realises more surplus value than he produced, the other less. But the two divide among themselves, even if for accidental motives, and unequally, the total surplus value their two capitals have produced. The same thing takes place with average profit or empirical profit, only following a general law which is entirely independent of the personal frauds

^a The sentence is unfinished in the manuscript.—*Ed.*

committed by capitalists against each other, but rather asserts itself against and through these activities.

Adam Smith's assertion that the capitalists would have no reason to employ a large instead of a small capital, unless profit bore some proportion to the magnitude of the capitals, is naive but incorrect.⁸⁴ Leaving aside its shallowness—a larger capital with a smaller profit may after all—within [XVI-999]⁸⁵ certain limits—realise a greater amount of profit than a smaller capital with a greater rate of profit. The motive for the employment of larger capitals would therefore remain. What is alone important in Smith's case is that he feels the difficulty of explaining this at all, whereas with the *oeconomista vulgaris* it is self-evident, just as everything is self-evident with that fellow.

The situation arises simply from this, that with the conversion of surplus value into profit the value of the capital advanced is converted into the production costs of the individual capitalists, the magnitude of these production costs is therefore converted into the magnitude of the capital advanced, which means that they calculate the same magnitude of the product—the actual product of capital is profit—in proportion to these production costs, so that the division of the total surplus value as it is present in empirical profit can take place. The relation of supply in particular branches of production gives rise of itself to this levelling and this average calculation.

The last point which has still to be considered under this heading is the entirely fossilised form capital has taken on these days, and the completion of the mystification peculiar to the capitalist mode of production.

We must return to this point.

Hence the phrase (of Torrens) that with the advance of civilisation it is not labour but capital that determines the value of commodities. Similarly, that capital is productive, irrespective of the labour employed by it. (Ramsay, Malthus, Torrens, etc.)⁸⁶

h) In relation to the *costs of production* there is a further phenomenon to be discussed: why with the development of capitalist production, and therefore of the volume and measure of development of fixed capital, the mania to prolong the normal working day sets in to such a degree that the intervention of governments becomes necessary everywhere precisely at that point. But this can come later.

7) [GENERAL LAW OF THE FALL IN THE RATE OF PROFIT
WITH THE PROGRESS OF CAPITALIST PRODUCTION]

We have seen (6 g))^a that real profit—i.e. the current average profit and its rate—is different for the individual capital from profit, and therefore from the rate of profit, in so far as the latter consists of the surplus value really produced by the individual capital and the rate of profit therefore=the ratio of the surplus value to the total amount of the capital advanced. But it was also shown that considering the sum total of the capitals which are employed in the various particular spheres of production, the total amount of the social capital, or, and this is the same thing, the *total capital of the capitalist class*, the average rate of profit is nothing other than the total surplus value related to and calculated on this total capital; that it is related to the total capital exactly in the way in which profit—and therefore the rate of profit—is related to the individual capital, in so far as profit is considered only as surplus value which has been converted formally. Here, therefore, we once again stand on firm ground, where, without entering into the competition of the many capitals, we can derive the general law directly from the general nature of capital as so far developed. This law, and it is the most important law of political economy, is that the *rate of profit has a tendency to fall with the progress of capitalist production.*

[XVI-1000] Since the general rate of profit is nothing but the ratio of the total amount of surplus value to the total amount of capital employed by the capitalist class, we are not concerned here with the different branches into which surplus value is divided, such as industrial profit, interest, rent. Since all these different forms of surplus value are only components of the total surplus value, one part may increase because the other declines. We are concerned here, however, with a fall in the rate of the total surplus value. Even the rent of land—as Adam Smith has already correctly noted—falls with the development of capitalist production, instead of rising, not in proportion to the particular area of land of which it *appears* to be the product, but in proportion to the *capital* invested in agriculture, therefore precisely in the form in which it steps forth directly as a component of surplus value.⁸⁷ This law is confirmed by the whole of modern agronomy. (See Dombasle,⁸⁸ Jones,⁸⁹ etc.)

So where does this tendency for the general rate of profit to fall come from? Before this question is answered, one may point out

^a See this volume, p. 91.—*Ed.*

that it has caused a great deal of anxiety to bourgeois political economy. The whole of the Ricardian and Malthusian school is a cry of woe over the day of judgement this process would inevitably bring about, since capitalist production is the production of profit, hence loses its stimulus, the soul which animates it, with the fall in this profit. Other economists have brought forward grounds of consolation, which are not less characteristic. But apart from theory there is also the practice, the crises from *superabundance of capital or, what comes to the same, the mad adventures capital enters upon in consequence of the lowering of [the] rate of profit. Hence crises—see Fullarton⁹⁰—acknowledged as a necessary violent means for the cure of the plethora of capital, and the restoration of a sound rate of profit.*

// Fluctuations in the rate of profit, independent of organic CHANGES in the components of capital, or of the absolute magnitude of capital, are possible if the *value* of the capital advanced, whether it is engaged in the form of fixed capital, or exists as raw material, finished commodities, etc., rises or falls in consequence of an increase or reduction, independent of the already existing capital, in the labour time needed for its *reproduction*, since the value of every commodity—hence also of the commodities of which the capital consists—is conditioned not only by the necessary labour time contained in it itself, but by the necessary—socially necessary—labour time which is required for its *reproduction*, and this reproduction may occur under circumstances which hinder or facilitate it, and are different from the conditions of the original production. If under the changed circumstances twice as much labour time, or, inversely, half as much, is generally required to reproduce the same capital, as was needed to produce it, that capital, presupposing that the value of money remains permanently unchanged, would now be worth 200 thalers, if it was previously worth 100, or, if it was previously worth 100, it might now only be worth 50. If this increase or decline in value were to affect uniformly all sections of capital, profit too, like the capital, would now be expressed in twice as many or in half as many thalers. The rate would remain unchanged. 5 is related to 50 as 10 to 100 or 20:200. Let us assume however that the nominal value of fixed capital and raw material alone rises, and that they form $\frac{4}{5}$ of 100, hence 80, the variable capital forming $\frac{1}{5}$, hence 20. In this case the surplus value, hence the profit, would continue to be expressed in [XVI-1001] the same sum of money. Thus the rate of profit would have risen or fallen. In the first case surplus value=10 thalers, which makes 10% on 100. But the 80 are now

worth 160, hence the total capital=180. 10 on $180 = \frac{1}{18} = \frac{100}{18} = 5\frac{5}{9}\%$, instead of the previous 10%. In the second case 40 instead of 80, the total capital=60, on which $10 = \frac{1}{6} = \frac{100}{6}$. $100:6 = 16 = 16\frac{2}{3}\%$. But these fluctuations can never be general, unless they affect the commodities which enter into the worker's consumption, hence unless they affect variable capital, hence the whole of capital. In this case, however, the rate of profit remains unchanged, even though the amount of profit has changed nominally. //

The general rate of profit can never rise or fall through a rise or fall in the total value of the capital advanced. If the value of the capital advanced, expressed in money, rises, the nominal monetary expression of the surplus value rises too. The rate remains unchanged. Ditto in the case of a fall.

The general rate of profit can only fall:

1) if the absolute magnitude of surplus value falls. The latter has, inversely, a tendency to rise in the course of capitalist production, for its growth is identical with the development of the productive power of labour, which is developed by capitalist production;

2) because the ratio of variable capital to constant capital falls. As we have seen, the rate of profit is always smaller than the rate of surplus value which is expressed in it.^a But the larger the ratio of constant to variable capital, the smaller it is. Or, the same rate of surplus value is expressed in a rate of profit which is the smaller, the larger the ratio of the total amount of capital advanced to the variable part of the latter, or the greater a part the constant capital forms of the total capital. Surplus value expressed as profit is $\frac{S}{C+v}$, and the larger C is, the smaller this magnitude, and the more it diverges from $\frac{S}{v}$, the rate of surplus value. For $\frac{S}{C+v}$ would reach its maximum when $C=0$, hence $\frac{S}{C+v} = \frac{S}{v}$.

But the law of development of capitalist production (see Cherbuliez,^b etc.) consists precisely in the continuous decline of variable capital, i.e. the part of capital laid out in wages, in return for living labour—the variable component of capital—in relation to the constant component of capital, i.e. to the part of capital

^a See this volume, pp. 69-77.—*Ed.*

^b *Ibid.*, pp. 304-20.—*Ed.*

which consists in fixed capital and in the CIRCULATING CAPITAL laid out for raw material and *matières instrumentales*.^a The whole development of relative surplus value, i.e. of the productive power of labour, i.e. of capital, consists, as we have seen,⁹¹ in the curtailment of necessary labour time, hence also the reduction of the total amount of the capital exchanged for labour, through the increase in the production of surplus labour by means of division of labour, machinery, etc., cooperation, and the expansion in the amount of value and the mass of constant capital expended which this involves, accompanied by a reduction in the capital expended for labour.

So when the ratio of variable capital to the total amount of capital alters, the rate of profit falls, i.e. the ratio of surplus value to the variable part of capital^b is the smaller, [XVI-1002] the smaller the ratio of variable capital to constant capital.

If, for example, in the production of India the ratio of the capital laid out as wages to the constant capital=5:1, and in England it is 1:5, it is clear that the rate of profit in India must appear much larger, even if the surplus value actually realised is much smaller. Let us take 500. If the variable capital= $500/5=100$, the surplus value 40, the rate of surplus value will be 40%, the rate of profit only 10%. In contrast, if the variable part is 400 and the rate of surplus value is only 20%, this would make 80 on 400, and on 500 a rate of profit of 80:500, or 8:50. 8:50=16:100. Therefore 16%. ($100:16=500:80$ or $50:8=250:40$ or $25:4=125:20$. $25 \times 20=500$. $4 \times 125=500$.) So although labour would be twice as strongly exploited in Europe as in India, the rate of profit in India would be related to the rate of profit in Europe as 16:10, as $8:5, = 1:5/8$. Hence as 1:0,625. And indeed this is because $4/5$ of the total capital is exchanged for living labour in India, and only $1/5$ in Europe. If real wealth appears slight in those countries where the rate of profit is high, it is because the productive power of labour is slight, a fact which is expressed precisely in the high rate of profit. 20% is $1/5$ on labour time, hence India could only feed $1/5$ of the population not directly involved in the product; whereas 40% is $2/5$, hence in England twice the proportion of the population could live without working.⁹²

The tendency towards a fall in the general rate of profit therefore=the development of the productive power of capital, i.e.

^a Instrumental materials.—*Ed.*

^b Thus in the manuscript. The passage should read: "... i.e. the ratio of surplus value to the total capital".—*Ed.*

the rise in the ratio in which objectified labour is exchanged for living labour.⁹³

The development of productive power has a double manifestation: [Firstly,] in the magnitude of the productive forces already produced, in the amount of value and the physical extent of the conditions of production under which new production takes place, i.e. the absolute magnitude of the productive capital already accumulated. Secondly, in the relative smallness of the capital laid out for wages, in comparison with the total capital, i.e. the relatively small amount of living labour which is required for the reproduction and exploitation of a large capital—for mass production.

This implies, at the same time, the concentration of capital in large amounts at a small number of places. The same capital is large if it employs 1,000 workers united into a single labour force, small if it is divided into 500 businesses employing two workers apiece.

If the ratio of the variable part of capital to the constant part, or to the total capital, is large, as in the above example, this shows that all the means towards the development of the productivity of labour have not been employed, that, in a word, the *social forces* of labour have not been developed, that therefore with a large quantity of labour little is produced, [XVI-1003] whereas in the opposite case a (relatively) large amount is produced with a small amount of labour.

The development of fixed capital (which produces of itself a development of the circulating capital laid out in raw material and *matières instrumentales* (see Sismondi⁹⁴) is a particular symptom of the development of capitalist production.⁹⁵ It implies a direct reduction, relatively speaking, of the variable part of capital, i.e. a lessening in the quantity of living labour. The two are identical. This is most striking in agriculture, where the reduction is not only relative but absolute.

// Adam Smith's idea that the general rate of profit is forced down by competition⁹⁶—on the presupposition that capitalists and workers alone confront each other—or that the division of surplus value among different classes is not further considered—comes down to saying that profit does not fall because wages rise; but wages do indeed rise because profit falls, hence it is—from the point of view of the result, an increase in wages corresponding to the fall of profit—the same mode of explanation as Ricardo's completely opposite one, in which profit falls because wages become more expensive, etc.,⁹⁷ or as Carey's, because there is an

increase not only in costs of production (exchange value) but in the use value of the wage.⁹⁸ That profit TEMPORARILY falls as a result of competition between capitals—i.e. their competition in the demand for labour—is admitted by all political economists (see *Ricardo*⁹⁹). Adam Smith's explanation, *if he did not speak of industrial profits only, would raise this to a general law very contradictory to the laws of wage[s] developed by himself.*//

The development of productive power has a double manifestation: in the increase of surplus labour, i.e. the curtailment of the necessary labour time; and in the reduction of the component of capital which is exchanged with living labour, relatively to the total amount of capital, i.e. the total value of the capital which enters into production. (See *Surplus Value, Capital*, etc.¹⁰⁰) Or, expressed differently: It is manifested in the greater exploitation of the living labour employed (this follows from the greater quantity of use values which it produces in a given time, *hinc*^a the curtailment of the time required for the reproduction of the wage, *hinc* the prolongation of the labour time appropriated by the capitalist without equivalent) and in the reduction in the relative amount of living labour time which is employed in general—i.e. in its amount relatively to the capital that sets it in motion. Both movements not only go [hand in hand] but condition each other. They are only different forms and phenomena in which the same law is expressed. But they work in opposite directions, in so far as the rate of profit comes into consideration. Profit is surplus value related to the total capital, and the rate of profit is the ratio of this surplus value, calculated according to a particular measure of the capital, e.g. as a percentage. However, surplus value—as an overall quantity—is determined firstly by its rate, but secondly by the amount of labour employed simultaneously at this rate, or, and this is the same thing, the magnitude of the variable part of the capital. On the one hand there is a rise in the rate of surplus value, on the other hand there is a (relative) fall in the numerical factor by which this RATE is multiplied. In so far as the development of productive power lessens the necessary (paid) part of the labour employed, it raises the surplus value, because it raises its rate, or it raises it when expressed as a percentage. However, in so far as it lessens the total amount of labour employed by a given capital, it reduces the numerical factor by which the rate of surplus value is multiplied, hence it reduces its amount.

^a Hence.—*Ed.*

Surplus value is determined both by the rate, which expresses the ratio of surplus labour to necessary labour, and by the amount^a of working days employed. However, with the development of the productive forces, the latter—or the variable part of the capital—is reduced in relation to the capital laid out.

If $C=500$, $c=100$, $v=400$, and $S=60$, $\frac{S}{v}=\frac{60}{400}=15\%$, so that the rate of profit= $\frac{60}{500}=12\%$. [XVI-1004] Furthermore, if $C=500$, $c=400$, $v=100$, and $S=30$, $\frac{S}{v}=\frac{30}{100}=30\%$, so that the rate of profit= $\frac{30}{500}=6\%$. The rate of surplus value is doubled, the rate of profit is halved. The rate of surplus value exactly expresses the rate at which labour is exploited, while the rate of profit expresses the relative amount of living labour employed by capital at a given rate of exploitation, or the proportion of the capital laid out in wages, the variable capital, to the total amount of capital advanced.

If $C=500$, $c=400$, and $v=100$, for the rate of profit to be 12% or profit to be 60, surplus value would have to be 60, $\frac{S}{v}=\frac{60}{100}=60\%$.

For the rate of profit to remain the same, the rate of surplus value (or the rate of exploitation of labour) would have to grow in the same ratio as the magnitude of the capital laid out in labour grows, in the same way as the magnitude of the variable capital falls relatively, or the magnitude of the constant capital grows relatively. It is already strikingly apparent from one single circumstance that this is only possible within certain limits, and that it is rather the reverse, the tendency towards a fall in profit—or a *relative* decline in the amount of surplus value hand in hand with the growth in the rate of surplus value—which must predominate, as is also confirmed by experience. The part of the value which capital newly reproduces and produces is—to the living labour time directly absorbed by it in its product. One part of this labour time replaces the labour time objectified in wages, the other part is the unpaid excess amount, surplus labour time. But both of them together form the whole amount of the value produced, and only a part of the labour employed forms the surplus value. If the normal day=12 hours, 2 workers who perform simple labour can never add more than 24 hours (and workers who perform higher labour can never add more than 24 hours×the factor which expresses the ratio of their working day to the simple working day), of which a definite part replaces

^a In the manuscript the word “number” is written over the word “amount”.—*Ed.*

their wages. The surplus value they produce cannot, whatever the circumstances, be more than an aliquot part of 24 hours. If, instead of 24 workers, only 2 are employed to a given quantity of capital (in proportion to a given measure of capital), or 2 workers are necessary in the new mode of production where 24 were necessary in the old one, in proportion to a given amount of capital, then if the surplus labour in the old mode of production = $\frac{1}{12}$ of the total working day, or = 1 hour, no increase in productive power—however much it raised the rate of surplus labour time—could have the effect that the 2 workers provided the same amount of surplus value as the 24 in the old mode of production. If one considers the development of productive power and the relatively not so pronounced fall in the rate of profit, the exploitation of labour must have increased very much, and what is remarkable is not the fall in the rate of profit but that it has not fallen to a greater degree. This can be explained partly by circumstances to be considered in dealing with competition between capitals,⁶⁷ partly by the general circumstance that so far the immense increase of productive power in some branches has been paralysed or restricted by its much slower development in other branches, with the result that the general ratio of variable to constant capital—considered from the point of view of the total capital of society—has not fallen in the proportion which strikes us so forcibly in certain outstanding spheres of production.

In general, therefore: The decline in the average rate of profit expresses an increase in the productive power of labour or of capital, and, following from that, on the one hand a heightened exploitation of the living labour employed, and [on the other hand] a *relatively reduced amount of living labour* employed at the heightened rate of exploitation, calculated on a particular amount of capital.

It does not now follow automatically from this law that the *accumulation* of capital declines or that the *absolute amount of profit* falls (hence also the *absolute, not relative, amount* of surplus value, which is expressed in the profit).

[XVI-1005] Let us stay with the above example.^a If the constant capital is only $\frac{1}{5}$ of the total capital advanced, this expressed a low level of development of productive power, a limited scale of production, small, fragmented capitals. A capital of 500 of this kind, with surplus value at 15% (the variable capital at 400) gives a *total amount* of profit of 60. If we reverse the ratio, this expresses

^a See this volume, p. 110.—*Ed.*

a large scale, the development of productive power, cooperation, division of labour, and large-scale employment of fixed capital. Let us therefore assume that a capital of this kind is of 20 times greater extent; $500 \times 20 = 10,000$, thus 6% profit on 10,000 (or surplus value of 30%, if the variable capital = 2,000) 600. A capital of 10,000 therefore accumulates more quickly with 6% than a capital of 500 with 12%. The one realises a labour time of 400, the other one of 2,000, hence an absolute amount of labour time 5 times greater, although relatively to its magnitude, or to a given amount of capital, e.g. 100, it employs four times less [labour time]. (See Ricardo's example.^{a 101})

Here, as in the whole of our analysis, we entirely disregard use value. With the greater productivity of capital it goes without saying that the same value employed at the more productive scale represents a much greater amount of use value than it does at the less productive scale, and therefore also provides the material for a much more rapid rate of growth of the population and consequently of labour powers. (See Jones.^b)

This fall in the rate of profit leads to an increase in the *minimum amount of capital*—or a rise in the level of concentration of the means of production in the hands of the capitalists—required in general to employ labour productively, both to exploit it, and to employ no more than the *labour time socially* required for the manufacture of a product. And there is a simultaneous growth in accumulation, i.e. concentration, since large capital accumulates more rapidly at a small rate of profit than does small capital at a large rate of profit. Once it has reached a certain level, this rising concentration in turn brings about a new fall in the rate of profit. The mass of the lesser, fragmented capitals are therefore ready to take risks. *Hinc* crisis. The so-called plethora of capital refers only to the plethora of capital for which the fall in the rate of profit is not counterbalanced by its size. (See Fullarton.⁹⁰)

Profit, however, is the driving AGENCY in capitalist production, and only those things are produced which can be produced at a profit, and they are produced to the extent to which they can be produced at a profit. Hence the anxiety of the English political economists about the reduction in the rate of profit.

Ricardo already noted that the increase in the amount of profit accompanying a decline in the rate of profit is not absolute, but

^a D. Ricardo, *On the Principles of Political Economy, and Taxation*, 3rd ed., London, 1821, pp. 124-26.—*Ed.*

^b See this volume, pp. 335-37, 371.—*Ed.*

that there may be a decline in the amount of profit itself, despite the growth of capital. Strangely enough, he *did not grasp this in general*, but merely gave an example.¹⁰¹ Nevertheless, the matter is very simple.

500 at 20% gives 100 profit.

50,000 at 10% gives 5,000 profit; but 5,000 at 2% would only give 100 profit, no more than 500 gives at 20%, and at 1% it would only give 50 profit, hence only half as much as 500 at 20%.

In general: As long as the rate of profit falls more slowly than capital grows, there is a rise in the amount of profit and therefore the rate of accumulation, although relative profit declines. If the profit were to fall to the same degree as the capital grew, the amount of profit would, despite the growth in capital, remain the same as it was with a higher rate of profit on a smaller capital. This would therefore also be true of the rate of accumulation. Finally, if the rate of profit fell in a greater proportion than the growth in capital, the amount of profit and therewith the rate of accumulation would fall along with the rate of profit, and it would stand lower than in the case of a smaller capital with a higher rate of profit at a correspondingly less developed stage of production.

[XVI-1006] // We do not consider use value at all, except in so far as it determines the production costs of labour capacity or the nature of capital, as with fixed capital, because we are considering capital in general, not the real movement of capitals or competition.⁶⁷ But it may be remarked here in passing that this production on a large scale, with a higher rate of surplus value and a reduced rate of profit, presupposes an immense production, and therefore consumption, of use values, hence always leads to periodic overproduction, which is periodically solved by expanded markets. Not because of a lack of demand, but a lack of paying demand. For the same process presupposes a proletariat on an ever-increasing scale, therefore significantly and progressively restricts any demand which goes beyond the necessary means of subsistence, while it at the same time requires a constant extension of the sphere of demand. Malthus was correct to say that the *demand of the worker can never suffice for the capitalist*.^{a 102} His profit consists precisely in the excess of the worker's supply over his demand. Every capitalist grasps this as far as his own workers are concerned, only not for the other workers, who buy his commodities. Foreign trade, luxury production, the state's extravagance (the growth of state expenditure, etc.)—the massive

^a Th. R. Malthus, *Principles of Political Economy...*, pp. 315, 405.—Ed.

expenditure on fixed capital, etc.—hinder this process. (Hence sinecures, extravagance on the part of the state and the unproductive classes, are recommended by Malthus, Chalmers, etc., as a nostrum.^a) It remains curious that the same political economists who admit the periodic overproduction of capital (a periodic plethora of capital is admitted by all modern political economists) deny the periodic overproduction of commodities. As if the simplest analysis did not demonstrate that both phenomena express *the same antinomy*, only in a different form.//

That this mere possibility disturbs Ricardo (Malthus and the RICARDIANS similarly) shows his deep understanding of the conditions of capitalist production.¹⁰⁴ The reproach that is made against him, that in examining capitalist production he is unconcerned with “human beings”, keeping in view the development of the productive forces alone—bought at the cost of whatever sacrifices—without concerning himself with distribution and therefore consumption, is precisely what is great about him. *The development of the productive forces of social labour is the historic task and justification of capital.* It is exactly by doing this that it unconsciously creates the material conditions for a higher mode of production. What makes Ricardo uneasy here is that profit—the stimulus of capitalist production and the condition of accumulation, as also the driving force for accumulation—is endangered by the law of development of production itself. And the quantitative relation is everything here.

There is in reality a deeper basis for this, which Ricardo only suspects. What is demonstrated here, in a *purely economic* manner, from the standpoint of capitalist production itself, is its barrier—its *relativity*, the fact that it is not an *absolute*, but only an historical *mode of production*, corresponding to the material conditions of production of a certain restricted development period.

To bring this important question to a decisive conclusion, the following must first be investigated:

1) Why does it happen that with the development of fixed capital, machinery, etc., the passion for overwork, prolongation of the normal working day, in short the mania for *absolute surplus labour* grows, along with precisely the mode of production in which *relative surplus labour* is created?

2) How is it that in capitalist production *profit* appears—from the point of view of the individual capital, etc.—as a *necessary*

^a See Th. R. Malthus, *Principles of Political Economy...*, pp. 326, 361, 408 et al.; Th. Chalmers, *On Political Economy...*, 2nd ed., Glasgow, 1832, pp. 344-46.¹⁰³—Ed.

condition of production, hence as forming part of the absolute production costs of capitalist production?

If we take surplus value, its rate is greater, the smaller the variable capital in proportion to it, and less, the larger the variable capital. $\frac{s}{v}$ rises or falls inversely as v rises or falls. If $v=0$, this $[s]$ would be at its maximum, for no outlay of capital for wages would be necessary, no labour would have to be paid in order to appropriate unpaid labour. Inversely: the expression $\frac{s}{c+v}$, or the rate of profit, would be at its maximum if $c=0$, that is, if the rate of profit=the rate of [XVI-1007] surplus value, i.e. if no constant capital c at all had to be laid out in order to lay out capital v in wages and thus realise it in surplus labour. The expression $\frac{s}{c+v}$ therefore rises and falls inversely as c rises or falls, hence it also rises or falls against v .

The rate of surplus value is greater, the smaller the variable capital in proportion to the surplus value. The rate of profit is greater, the greater the variable capital in proportion to the total capital, and this proportion is greater the smaller the constant capital in proportion to the total capital, hence also in the proportion to which it forms a smaller part of the total capital than the variable capital. But the variable capital for its part is smaller in proportion to the total capital, the greater the proportion of the total capital and therefore of the constant capital to the variable capital.

Assume $s=50$, $v=500$, $c=100$. Then $s'=\frac{50}{500}=\frac{5}{50}=\frac{1}{10}=10\%$. And Pp. (rate of profit) $=\frac{50}{600}=\frac{5}{60}=\frac{1}{12}=8\frac{1}{3}\%$. Hence s/v is greater, the smaller v is, $\frac{s}{c+v}$ is greater, if s is given, the greater v is and the smaller c is, but s/v increases when c increases. If now s/v becomes $3s/v$, and c grow 3 times, so that $\frac{3s}{3c+v}$, v which was originally related

to c as $v:(v+c)$
is now related as $v:(v+3c)$

$$v = \frac{c-v}{v+c} \quad \text{and} \quad v = \frac{c-v}{v+3c}$$

$$v = \frac{c}{1+c/v} \quad v = \frac{c}{1+3c/v}$$

If s became greater than v in the measure to which c grew or v becomes greater than $c+v$, hence if the rate of surplus value grew through greater employment of constant capital in the same measure as the proportion of variable capital to total capital declines, the rate of profit would remain unchanged.

Originally we had $\frac{s}{c+v} = p'$. Now we have $\frac{3s}{3s+v} = p'$.

The first question is by how much $\frac{s}{3c+v}$ [is less than] $\frac{s}{c+v}$.

$$\begin{aligned} \frac{s}{c+v} - \frac{s}{3c+v} &= \frac{s(3c+v) - s(c+v)}{(c+v)(3c+v)} \\ &= \frac{s(3c+v-c-v)}{(c+v)(3c+v)} = \frac{s(2c)}{(c+v)(3c+v)} \end{aligned}$$

[XVI-1008] Let surplus value=120. Variable capital=600. In this case s' , or rate of surplus value, = $\frac{120}{600} = 20\%$. If the constant capital=200, then $p' = \frac{120}{800} = \frac{12}{80} = \frac{3}{20} = 15\%$. If now the constant capital is increased threefold, from 200 to 600, and everything else remains unchanged, then $s' = 20\%$ as before, but p' now = $\frac{120}{1,200} = \frac{12}{120} = \frac{6}{60} = \frac{3}{30} = \frac{1}{10} = 10\%$. The rate of profit would have fallen from 15 to 10 [per cent], by $\frac{1}{3}$; the constant capital would have tripled. The variable capital was previously $\frac{600}{800} = \frac{6}{8} = \frac{3}{4}$ of the total capital, it is now $\frac{600}{1,200}$, only $\frac{1}{2}$ or $\frac{2}{4}$, it has therefore become smaller by $\frac{2}{3}$.

But if the surplus value increased threefold through the tripling of the constant capital, i.e. if it grew from 120 to $120 \times 3 = 360$, then s' would now = $\frac{360}{600} = \frac{36}{60} = \frac{6}{10} = \frac{3}{5} = 60\%$, and p' would = $\frac{360}{1,200} = \frac{36}{120} = \frac{6}{20} = \frac{3}{10} = 30\%$.

But since the variable capital is now related to the total capital as 600:1,200, whereas previously it was as 600:800, it is now $\frac{1}{2}$ of the total capital, and was previously $\frac{6}{8}$ or $\frac{3}{4}$, so it has fallen.^{a 105}

[XVI-1009] $s = 120$, $v = 600$, $c = 200$. $s' = \frac{120}{600} = 20\%$, $p' = \frac{120}{800} = 15\%$.

$s = 120$. $v = 600$. $c = 600$. $s' = \frac{120}{600} = 20\%$. $p' = \frac{120}{1,200} = 10\%$. $15:10 = 3:2 = 1:\frac{2}{3}$. Hence p' has fallen by $\frac{1}{3}$, c has risen 3 times, total capital has grown from 800 to 1,200, by $\frac{1}{2}$; finally v was originally related to c as 600:200 = $3 \times 200 = 3c$, but now = v . Hence v has fallen 3fold against c . Finally v was previously related to c as 600:800 = $6:8 = 3:4 = \frac{3}{4}c$. Now it is related as

^a The lower half of page 1008 is filled with calculations relating to the ratios given above.—Ed.

$600:1,200=6:12=2:4$; $=\frac{1}{2}$ or $\frac{2}{4}c$. Hence it has fallen against c by $\frac{1}{4}$.

For the rate of profit to remain the same at 15%, the surplus value would have to rise from 120 to 180, hence by 60 (but $60:120=1:2$), hence by a half. Furthermore, [a rise in] s' from $\frac{120}{600}$ or 20% to $\frac{180}{600}$ or 30%, from 20 to 30, is again [a rise] by 50%.

The surplus value had to increase in the same proportion as the total capital grew from 800 to 1,200, i.e. by 50%, that is it had to increase from 20 to 30%. Originally v was $\frac{3}{4}$ of the total capital, now it is $\frac{2}{4}$. But $\frac{3}{4} C \times 20$ is as much as $\frac{2}{4} C \times 30$, namely $\frac{60C}{4}$ (=15%).

// It is self-evident that the variable capital may constantly grow in the absolute sense, i.e. the absolute number of workers may grow, although it is constantly falling in proportion to total capital and fixed capital. Hence the inane dispute over whether machinery reduces the number of workers. It almost always reduces the number when introduced, not in the sphere in which it has itself been introduced, but through the suppression of workers who carry on the same industry at the previous stage of production. For example the machine spinners drive out the hand spinners, the machine weavers the hand weavers, etc. But in the branch of industry which employs the machinery the number of workers may grow constantly in the absolute sense // although here men are often driven out by WOMEN and YOUNG PERSONS // although it declines relatively. //

[XVI-995] Let us first assemble the facts.

$C = v + c$. s = surplus value. s' = rate of surplus value. p' = rate of profit. $s' = s/v$, $p' = s/c$ or $\frac{s}{v+c}$.

[...] ^a

$C = 800$. $c = 200$. $v = 600$. $s = 120$. In this case, $c = \frac{1}{4}C$ ($\frac{800}{4} = 200$) and $v = \frac{3}{4}C$ ($= \frac{3 \times x}{4} = xx$); $s' = \frac{120}{600} = 20\%$. If c increases from 200 to 600, by a factor of three, C will rise from 800 to 1,200, i.e. by 50%.

Since $c = \frac{1}{4}C$, its threefold increase causes it to grow from $\frac{1}{4}$ to $\frac{3}{4}$ (by $\frac{2}{4}$). The total capital is now $\frac{3}{4}C + \frac{3}{4}C = 1\frac{2}{4}C$. It has

^a Here and below, the dots in square brackets designate the damaged places in the manuscript. The sign x in the next few paragraphs stands for illegible symbols in the manuscript.—Ed.

therefore risen by [...]. It was originally $=\frac{3}{4}C$ ($=600$), so if it is tripled this brings it from $\frac{3}{4}$ to $\frac{9}{4}$, from 600 to 1,800, and it brings the total capital to 2,000 ([...] $C\frac{x}{4}\text{xxxx}C$ [...]) over and above the original capital $\frac{6}{4}C=1,200$ ($1,200+800=2,000$). How far therefore the total capital [...] becomes xxxx growth in c , depends on the original proportion of c to C , which presents itself entirely as a particular proportion between c and v [...] of C . So the greater the proportion of $c:v$ or of $c:C$ ($c+v$), the more does the total amount C grow through [...] the more does the rate of profit fall and the greater is the growth in the rate of surplus value required for the rate of profit to remain the same. [...] the growth of the total capital if the rate of surplus value is given.

In the case of an increase of C from 800 to 1,200, of c from 200 to 600, the constant capital is tripled and the total capital grows by [...] by 50%. In this case the rate of surplus value or s' continues to be 20% and $s=120$. But $p'=\frac{120}{1,200}=10\%$. Surplus value and rate of surplus value [...] have fallen from 15 to 10, i.e. by $\frac{1}{3}$ or $33\frac{1}{3}\%$. Why is there this difference, that the rate of profit falls by $33\frac{1}{3}\%$ [...] grows by 50%? Because the relation of the rate of profit expresses itself as the inverse of the relation of the two capitals we have compared. [...] or 1,200. This growth is from 800:1,200=2:3, hence from 2:(2+1) or by 50%. The fall in the rate of profit expresses itself inversely, as fall of [...] from $\frac{120}{800}$ to $\frac{120}{1,200}$ or $\frac{120}{800}:\frac{120}{1,200}=3:2$; hence as a fall of $\frac{1}{3}$ or $33\frac{1}{3}\%$.

The fall in the rate of profit therefore depends directly on the growth in the total capital, if the variable capital remains the same; its fall expresses itself in inverse proportion to the growth of the capital. *If this grows from 2:3, the rate of profit falls from 3:2.* Furthermore, if the variable capital remains the same, the growth of the total capital can only derive from the growth of the constant capital. However, the proportion in which a particular increase in constant capital causes the total capital to increase depends on the original ratio between c and C . This *inverse relation* explains in part why the rate of profit does not fall in the same proportion as the capital increases, even if the rate of surplus [value] remains the same. If 2 increases to 4, that is a growth of 100%. If 4 falls to 2, that is a fall of 50%.

b) If in the second case indicated above the rate of profit is to remain the same, the profit, hence the surplus value, will have to rise from 120 to 180, i.e. by 60 or $\frac{1}{2}$ of 120, rise by half its original magnitude. The surplus value would therefore have

directly to *grow in the same proportion* as the total capital, by 50%, therefore rising in a greater proportion than the fall in the rate of profit, surplus value remaining the same.

If *c* had risen to 1,200 instead of 600, the total capital would have risen to 1,800, for *C* would have risen by 1,000, hence by 125%. [...] remain the same, the total amount of surplus value=the total profit, would have had to rise to 270. But 270:120 must [imply] a growth of 150 [...] or 125% on top of 120. 120 on 120 is 100%, and 30 on 120 is $\frac{1}{4}$ or 25% ($4 \times 30 = 120$) [...]%.)

c) How in this case (b) would *s'* or surplus value have risen?

It was originally $\frac{120}{600} = 20\%$ or $\frac{1}{5}$ of the variable capital. If the capital grows to 1,200 or *c* is tripled, $\frac{180}{600}$ or 30% or [...]. In the third case, if the capital grows to 1,800, [surplus value is] $\frac{270}{600} = \frac{9}{20}$ of the variable capital, =45%. In [this case the rate of] surplus value has risen from 20 to 30%, i.e. by 50%, to the same degree as the total capital has grown in this case and the absolute surplus value or [...] has risen in this] case from 20 to 45; i.e. by 25; but $25:20 = 1\frac{1}{4}$ ($20 + \frac{1}{4} \times 20$ or 5) hence 125%. (This [...] only on the growth of the increment, not the relation of the numbers to each other as such.) The rate of surplus value would therefore have to [grow] directly [as the] total capital grew or in the same proportion as the absolute surplus value would have to grow for the rate of profit to remain unaltered with a growing [...].

Variable capital amounted to

Case I:	600	out of total	constant	
		capital	capital	
			$800 = \frac{3}{4} C$;	$200 = \frac{1}{4} C$
Case II:	600	"	$1,200 = \frac{2}{4} C$;	" $600 = \frac{2}{4} C$
Case III:	600	"	$1,800 = \frac{1}{3} C$;	" $1,200 = \frac{2}{3} C$
XXXXXX:	600	"	$3,600 = \frac{1}{6} C$;	" $3,000 = \frac{5}{6} C$.

Surplus value or profit had to increase to 540; the rate of surplus value = $\frac{540}{600}$, $\frac{9}{10}$ or 90%. 90% against 20 [...] of 70. But 70 to 20 would be 350%. The increase of capital would be $3,600 - 800 = 2,800$, similarly [350%]. In this case the rate of surplus labour = $\frac{9}{10}$ of the total working day, hence given 10 hours of labour 9 hours. [...] [XVI-996] [...], although entirely corresponding to the growth of the total capital with variable capital remaining the same, now express the rate of rise and fall inversely in the same value expression as the capital [...]. If the capital rises from 2 to 4, the rate of profit falls from 4 to 2. The other rises by 100%, [...]

[...] and the rate of surplus value, which is an identical relation if variable capital remains the same, does not grow as capital grows or variable capital [...] total capital. There is absolutely no rational reason why the rise of productive power should observe exactly the same numerical ratio. It [...] of relative surplus value grows and its growth is expressed in the ratio of the reduction in the variable capital [...], but not in the same ratio as this proportion declines. Productive power grows, hence surplus labour. Firstly, there lies here [...] the matter. One man may produce as much use value as 90. Never more than an average of 12 hours a day in value is [...], as this [...] surplus value never more than *12 hours* - x , where x expresses the labour time necessary for his own production. The surplus value, [...] *the labour time which he himself works, not by the working days he replaces*. If 90 men worked only $\frac{1}{2}$ an hour of surplus time a day, this would be [...] hours. If the one man needed only one hour of necessary labour time, he would never [produce] more than 11 hours of surplus value. [The process is double. It increases the surplus labour time of the working day, but it also reduces the numerical coefficients of those working days, [...] capital. Secondly: The development of productive power is not uniform; certain branches of industry may themselves be more unproductive [...] but this is determined by the general productivity of capital.

[...] firstly at a stage of production which remains the same, without great revolutions in productive power, in proportion to its already existing [...] only gives rise to a total capital of 2, whereas 1,000 at 10% gives 1,100. c. 1,100 prod[... Example of 800, $v=600$, $c=200$, and surplus value=160 or rate of profit equal to 20%, a capital of 100,000 would give [...] instead of $\frac{3}{4}$ only $\frac{1}{6}$ variable, ($\frac{3}{4}=\frac{18}{24}$, and $\frac{1}{6}=\frac{4}{24}$) hence employs $\frac{14}{24}$ or $\frac{7}{12}$ less variable capital relatively speaking, at [...] 50% it continues to be 5,000. His variable capital, and the living labour employed by it, would still be $16,666\frac{1}{6}$ in total amount, hence [...] it would still be nearly 28 times greater than the capital employed in the first case. But the rate of profit is determined, because the rate of surplus value is determined, by the ratio of the variable capital to the total capital. At simple interest £100,000 would grow into 200,000 in 20 years, whereas 800 at 20% would only produce an accumulation of 3,200 in 20 years (160×20). In the second 20 years 200,000 at 5% would grow to 400,000. The other capital at 20%, in contrast, would only grow to 12,800.

[The page contains several paragraphs of handwritten text, which is extremely faint and largely illegible due to the quality of the scan. Some fragments of text are visible, including what appears to be a list or table of numbers and names.]

[α] As a rule //see under *surplus value*¹⁰⁶ for the exception: *intensification of labour* and therefore in fact *increase of labour* by machinery// machinery only creates *relative surplus value* through the curtailment of necessary labour time and therefore the prolongation of surplus labour time. This result is brought about by the cheapening of the commodities which enter directly or indirectly into the worker's consumption.

Surplus value is formed by two factors. Firstly the daily surplus labour of the individual worker. This determines the *rate of surplus value*, hence also the proportion in which variable capital is increased through the exchange with living labour. Secondly, the *number* of workers simultaneously exploited by capital or the number of simultaneous working days.

If the rate of surplus value is given, the magnitude of the surplus value—the surplus value itself as an independent magnitude—depends on the number of workers employed. If this [number and the number of simultaneous] working days is given, the magnitude of the surplus value depends on its rate.

[...] now evidently has a tendency to affect the two factors of surplus value in opposite directions. It increases the rate [...] reduces the number of workers // *relatively* anyway; with respect to a definite measure of capital, e.g. per cent//, whose labour [...] is exploited at an increased rate.

[...] each one provided 1 hour of surplus labour a day. By the employment of machinery 6 workers should each provide 2 hours of surplus labour a day [...] In this case 6 workers provide 12 hours of surplus labour, just as previously 12 did. The time during which the 12 workers [work] every day, assuming [a norm]al working day of 12 hours, [can] be regarded as a total working day of 144 hours, of which [132 hours are necessary labour] time, 12 surplus labour time. In the second case the total working day consists of 72 hours, of which 60 are necessary labour time, [12 surplus labour time]. Since a total working day of 72 hours now contains as much surplus labour as the day of 144 hours, in the latter case [6 workers] appear [to be use]less, superfluous for the production of 12 hours of surplus value. They are therefore suppressed by the employment of machinery.

[...]—which lies at the basis of all growth in relative surplus value—prolongation of surplus labour time through [curtailment of necessary] labour time; however, a process which was only employed previously in regard to the working day of the individual worker is now employed [...] composed of the sum total of the working days of the workers simultaneously employed. The

retranchement now takes [...]. In the first case the sum total of hours of labour remains the same. It is merely their *division* between necessary and surplus labour, between [...], which is altered. But now there is a change not only in the *division* of labour time but also in the *sum total* of labour time employed.

[...] total working day of 144 hours e.g., which is no longer necessary, since the employment of machinery, to [produce] 12 hours of surplus labour. *Superfluous, useless* labour is removed. From the capitalist standpoint all labour is useless, i.e. *unproductive*, which is not necessary [...], which would therefore be required for the *mere* reproduction of the worker himself. In the above example 72 [...], i.e. 6 days of labour. I.e. 6 of the 12 workers are dismissed. In the first case the magnitude remains [... (....) hours contained in it) the same. The division alone has changed. In the second case the magnitude changes—the total amount [...] the division of the same. In the first case, therefore, the *value* remains the same, while *the surplus value increases*. In the second case [...] at the same time the labour time objectified in the product, while the surplus [value] increases.

[...] of simple cooperation and divi[sion of la]bour [takes] place. This is as with [...] Relatively to the product [...] the number of workers is reduced [...] workers [...] capital *C* [... con]stant [...], [XVI-997] with machinery, an absolute reduction (with regard to a particular capital) takes place. In certain branches of industry, agriculture [...] reduction is in fact always in advance, without being CHECKED as in other branches of industry BY THE CIRCUMSTANCE THAT AT THE NEW RATE [...] OLD NUMBER OF LABOURERS MAY BE SUCCESSIVELY ABSORBED, BUT EVEN AN ABSOLUTE[LY] GREATER ALTHOUGH RELATIVELY MUCH SMALLER x [...]

The way in which the rate of profit is altered even in the case considered above, where the rate of surplus value grows in the same (or [a greater proportion]) than the fall in the number of workers, hence the fall in one factor finds compensation in the growth of the other through more [...]—hence the magnitude of the surplus value remains unchanged or even grows—depends on the proportion in which [...] is [affected by] a CHANGE in the components of the total capital or on the proportion in which this CHANGE proceeds. [...] The surplus value the capital makes *can only derive from the number of workers it exploits, or from the number of workers who* [...] society—alias the class of capitalists as a whole—is affected by the setting free of the workers he has dismissed, [...]

It is now an entirely self-evident *general law* that with the

progressive increase in the employment of machinery the magnitude [...] remain, but must *fall*; i.e. that the reduction in the number of the [...] (in relation to a particular measure of capital) [...] *reduction* in the *number* cannot be continuously counterbalanced by a corresponding *increase in the rate of surplus value* [...] the working day of the individual worker is exploited.

Assume that 50 workers provide only 2 hours of surplus [labour]; in that case the surplus value created by them=100. Assume further [...] if 10 men were replaced by 1, 5 would replace the 50. [...] labour time= $5 \times 12 = 72^a$ hours. The same for the *total value of their product*. The surplus [value] created by them [is] < than 72, since only equal to 72--the necessary labour time. Hence it is < than 100 by much more. There therefore takes place [...], so large that the reduction in the absolute amount of labour which is employed, brought about through the development of productive power, [...] by an increase of equal size in the *rate of surplus value*—where surplus value therefore falls, despite the growth in the rate of surplus value. [...] A *fall* in the amount of surplus value—or the total amount of surplus labour employed—must necessarily come about with the development of machinery [...] it is [shown] here that capitalist production enters into contradiction with the development of the productive forces and is by no means their absolute [...] and final form.

// If the 50 workers could all be employed at the new rate, or even only 25 perhaps, surplus value would grow, and not only its rate, as compared with the earlier case. Hence the importance of the scale on which machinery is employed, and its tendency to employ as many workers as possible at the same time, combined with the tendency to pay for as few necessary working days as possible. // (50) (150)

β) Let us assume a capital of 600. Let 400 of this be laid out in labour, 200 in constant capital, instruments and raw material. Let the 400 represent 10 workers. If a machine were to be employed, which together with the raw material=520, and if the capital laid out in labour were only to be 80 now, 10 workers would be replaced by 2 or 5 by 1. The total amount of capital laid out would remain the same, hence *production costs* would remain the same. The 2 workers would not produce more surplus labour time for each 12 hours than the 10 produced, for wages would have remained the same. Nevertheless, the quantities of commodities produced under the changed conditions of production might on

^a Thus in the manuscript.—Ed.

certain presuppositions become cheaper, although it is presupposed that this quantity has not increased, or that no more commodities are produced with the same capital under the new process of production than were previously produced under the old one. Since the same quantity of raw material has been worked on as before, 150, the machinery has now risen from 50 to 370. // Namely 370 machinery, 150 raw material, 80 labour. $370+150+80=600$. //

Assume now that the machinery employed has a turnover time // reproduction time // of 10 years. Of the value employed, 37 ($\frac{370}{10}$) would enter into the annual output of commodities for the replacement, WEAR AND TEAR, of the machinery. The sum total of the production costs of the commodities // disregarding profit and surplus value here, as the rate remains the same // would now be $=37+150+80=267$. The production cost of the commodity under the old process $=600$, whereby we assume that the instruments which enter into the process (estimated at 50) must be renewed every year. The price of the commodities would have been cheapened in the ratio 267:600. To the extent that the commodity enters into the worker's consumption, its cheapening would bring about a reduction in the labour necessary for his reproduction and thereby an increase in the length of surplus labour time. // But initially, as in any employment of machines, capitalist II would admittedly sell cheaper than capitalist I, but not in the same proportion as his production costs had fallen. This is in fact an anticipation of the cheapening of the production costs of labour which occurs through machinery [...] [If] his workers receive the same wages as previously, they can admittedly buy more commodities (more of the commodities they themselves have produced) but not in the proportion in which they have become more productive. It would be the same thing if the capitalist paid them in his own commodity, as if he were to give them a quantity which was admittedly larger, but smaller in the proportion to which this quantity expressed exchange value. // Even if we disregard the relation itself, and consider the empirical form, in which the capitalist calculates interest, say 5%, on his total capital according to the part of it which has not been consumed. Then 5% on 300 (the part of the capital not consumed in the first year) $=15$, or 5% profit e.g., similarly 15, therefore 30. Thus the price of the commodities would come to $280+30=310$, still almost half as cheap as in the first case.¹⁰⁷

In fact only 370 thalers were laid out for fixed capital, 150 capital for raw material, and 80 for labour.¹⁰⁸

However, if in order to replace 5 workers by one the capital [...] the machinery had to increase from 50 to perhaps 2,000 instead of 370, the total capital therefore rising to 2,300, the WEAR AND TEAR contained in the commodity annually would $= \frac{2,000}{100} = 20$. Production costs would $= 250$, with interest and profit of 150. $250 + 150 + 80 = 480$. 10% on [...] So in this case [...] by inequality [...] 2,000 again = [...] machinery made dearer.

[XVI-998] [...] in two ways:

[...] turnover time peculiar to fixed capital—mode of circulation—a much smaller aliquot part of it enters into the value [...] product—than is really required for production. Only its WEAR AND TEAR, the part of it that is worn out in the course of a year, enters into [the value of the pro]duct, because only this part really circulates. Hence if the capital remains the same and there is only a CHANGE in the proportion of the capital [...] component of the capital laid out [in] labour, there is a cheapening of the product, the ultimate result of which is a cheap[ening ... in the pro]duction costs of labour, hence an increase in the rate of surplus value, i.e. of surplus labour time.

[If] capital [remains] *the same*, and there is also no increase in surplus time (or no original reduction in wages) [...] measure, as the turnover time (reproduction time) of the fixed capital declines in velocity.

[...] the aliquot part of the old capital, which is converted into fixed capital, but the capital had rather to [...] so that the total capital might grow, the proportion of this growth, required for the number of workers [...] occur, in which the commodity produced with the machine became dearer than that produced with hand labour [...]

[...] posited on the assumption that the amount of commodities produced by the smaller number of workers is not larger, [...] [than the] number produced without machinery, or on the assumption that [...] capital with machinery does not [...] than previously without it. [...]

[...] workers employed produced more than the 10 without it, they thus produce perhaps as much as 20 [...] always a definite number, but perhaps a greater number than they force out. In this case 1 replaced [...] could perhaps only be employed if both were employed. In any case, the part of capital laid out in [...] would have to be *doubled*. I.e. the magnitude of the capital could not [remain] unaltered.

[...] but if the slow turnover time of the capital cheapens the product, even if the old capital increases again, hence a greater

amount of commodities than before is not produced, then this is even more so in the other case.

This belongs to *the section on production costs*,^a just as the previous comments on *surplus value* must be treated under the heading "Surplus Value".¹⁰⁹

//The total amount of the capital advanced enters into the *labour process*, but only the part of the capital consumed during a particular period of the labour process enters into the *valorisation process* or into the *value of the product*. (See *Malthus*.^b) Hence the smaller value or the greater cheapness of the commodities which are e.g. produced with the same capital of 500, if $\frac{2}{5}$ of this are fixed capital and $\frac{1}{5}$ variable capital, than if the proportions are inverted. (Even if profit and interest are calculated on the whole of the capital, only an aliquot part of it enters into the value of the commodity, not the capital itself, as in the case in which the whole of the capital or the greatest part of it is laid out in living labour.) But the profit is calculated on the whole of the capital, including the unconsumed part of it. Although the unconsumed part of the capital does not enter into the value of the product of the individual capital considered for itself, it does enter into the average production costs of capitalist production, in the form of profit (interest), because it constitutes an element of the average profit, and an ITEM in the calculation by means of which the capitalists divide among themselves the total surplus value of the capital.//

//The rate of profit depends upon, or is nothing other than, the ratio of the surplus value (considered as an absolute magnitude) to the magnitude of the capital advanced. But the surplus value itself—i.e. its absolute magnitude—may fall even though the rate of surplus value rises, and rises considerably. The amount of surplus value or its absolute magnitude must indeed fall, despite any rise whatever in the rate of surplus value, once the [...] of *surplus value* of the labour which is displaced by machinery is greater than the *total amount of value*, or labour,³² which steps into its place. Or the *surplus time* of the displaced worker[s] is greater than the *total labour time* of the workers who replace them. Thus if 50 are replaced by 5. And the surplus labour time of the 50 was 2 hours (with a normal working day of 12 hours). Their surplus labour time or the *surplus value* created by them=100 hours. The total labour time or the *value* created [by the 5] (hence the

^a See this volume, pp. 78-103.—Ed.

^b Ibid., pp. 70, 100.—Ed.

necessary labour time+surplus)=60 hours. Assume that these 5 workers provide twice as much surplus time, or that surplus value=4 hours every day for each of them. So that for 5 there are 20 hours. The rate of surplus value has grown by 100%; the total amount of surplus value or the surplus value itself is only $4 \times 5 = 20$ hours. The surplus value is only $\frac{1}{5}$ of the 100 created by the 50, smaller by 80%. If now 15 workers were employed at the new rate the amount of surplus value would rise to 60, if 20 to 80, if 25 to 100. Half as many workers would have to be employed at the new rate in order to produce as much surplus value as at the old rate. But if 50 were employed, they would produce twice as much, namely 200. Not only the rate of surplus value, but also the surplus value itself would have doubled.// //Assume that the 5 only produced surplus value at the same rate as the 50, hence only 10 hours. Then 50 workers would have to be employed just as before in order to produce the same surplus value, although they would produce 10 times as many commodities in the same time. This in the branches of industry where the product does not enter into the consumption of the workers themselves. Here the profit derives purely from the fact that the *necessary* labour time, over a certain average period, stands higher than the labour time needed by the capitalists who have introduced the new machinery; they therefore sell the commodity *above* its value. This is, however, different from sheer fraud. They sell it *above* the value it costs them, and *below* the value it costs society before the general introduction of the machinery. They sell the labour of their [...] *higher* labour, they buy it as yet at [...] With the [...] at the new rate. But there is also an increase in c[...] more significant [...]¹¹⁰

[XVI-1009] //In the latter case he sells the individual commodity cheaper than it can be produced given the still *generally prevailing production costs*, he sells it *below* its average value, but not cheaper in the same proportion as he himself produces it below its average value. He sells the *total amount* of the commodities produced in an hour, in a day—//and with the new means of production he provides a greater total amount in the same time//—*above* their value, above the hour or the day of labour time contained in them. If he produces 20 yards with the same production costs as the others incur in producing 5, and if he sells them $\frac{1}{5}$ below the average price, he is selling them $\frac{3}{5}$ *above* their value. If the 10 yards cost $10x$ and he sells the 20 at $20 \times \frac{4}{5} = \frac{80x}{5} = 16x$, he is selling them at 6 over their value of 10. $\frac{1}{5}$ of 10 is 2, or $\frac{3}{6}$ of 10 is 5; 20 cost him 10; or 2 costs him 1 or $\frac{5}{5}$. What now is the relation to his workers? If they continue to receive the same wages as before,

they also receive commodities for their wages (i.e. in so far as the more cheaply produced commodity enters into their [XVI-1010] consumption). And let this take place for all the workers, each of whom would be able to buy more of this specific commodity with the aliquot part of their wage which is expended for it.

The capitalist would make a surplus profit of $\frac{3}{5}$ or 60%. He sells them the commodity $\frac{1}{5}$ cheaper, but he sells the labour contained in it $\frac{3}{5}$ dearer than the average labour, hence at a value standing $\frac{3}{5}$ above the average labour. $\frac{3}{5}$ of 12 hours of labour

$$= \frac{12 \times 3}{5} = \frac{36}{5} = 7\frac{1}{5}.$$

This *surplus labour*, which they have provided for him through the higher potentiation of their labour, HE
POCKETS.

Let us assume that necessary labour time=10. Thus under the old conditions they would obtain $\frac{10}{12}$ of the product 10. In the old situation 1 hour of labour produces $\frac{1}{12}$ of the product of a day, hence in 10, $\frac{10}{12}=8$ thalers, for example. In the new situation $\frac{16}{12}$ is produced in one hour of labour= $\frac{4}{3}$, $1\frac{1}{3}$. In 3 hours 4 thalers, in 6 hours 8 thalers.¹¹¹ Thus they work 6 hours of surplus labour. Previously it was only 2.//

//Adam Smith correctly adduces in favour of an average profit—i.e. a profit purely determined by the magnitude of the capital—the example of the use of silver instead of iron, or gold instead of silver, of a more costly raw material in general, under otherwise identical conditions of production.¹¹² Here the part of the capital advanced in the form of raw material may grow hundredfold, and more, ditto therefore the profit, with the same rate of average profit. Although not the slightest CHANGE takes place in the organic relations between the different components of the capital.//

//The Yankee economist Wayland is very naive.¹¹³ Because relative surplus value is only produced in branches of industry directly or indirectly involved in the production of articles destined for the workers' consumption, hence it is there in particular that capital introduces cooperation, division of labour and machinery, and because this occurs to a much lesser extent in luxury production, he concludes that the capitalists work to the advantage of the poor, not the rich, and capital there develops its productivity in the interest of the former, not the latter.//

Average surplus value—disregarding here absolute surplus value, and considering only relative surplus value, which arises from the curtailment of necessary labour time through the development of the productive powers of labour—is the total

amount of surplus value in all specific branches of production, measured against the *total capital* laid out for living labour. Since the development of productive power is very uneven in the different branches of industry (which directly or indirectly produce the means of subsistence entering into the worker's consumption), uneven not only in degree but often proceeding in opposed directions, as the productivity of labour is just as much [XVI-1011] bound up with natural conditions which may lead to a decline in productivity while the productivity of labour grows // the whole of the investigation into the extent to which natural conditions influence the productivity of labour independently of the development of social productivity and often in opposition to it, belongs into the analysis of rent //—it results from this that this average surplus value must stand very much below the level to be expected from the development of productive power in the individual branches of industry (the most prominent ones). This is in turn one of the main reasons why the rate of surplus value, although it grows, does not grow in the same proportion as the variable capital declines in its proportion to the total capital. This would only be the case (assuming that the proportion is correct in general; it is correct for the rate of surplus value, as has been shown previously,^a but not for surplus value) if those branches of industry in which the variable *C* declines the most against fixed, etc., were to make their products enter into the consumption of the worker in the same proportion. But take here, for example, the proportion between industrial and agricultural products, where the relation is precisely the opposite.¹⁴

Let us now consider a particular branch of industry. If an increase of productive power occurs in it, the increase which occurs in this particular branch absolutely does not imply a direct increase in the branch of industry which provides it with its raw material (with the exception of *agriculture*, since its product itself provides its raw material, in seeds, and this is again a peculiarity of agriculture). The raw material branch itself at first remains completely unaffected by the increase, and may also remain unaffected subsequently. // Nevertheless, a cheaper raw material does not step in to replace it, unless *the same raw material* becomes cheaper, as cotton does not replace sheep's wool. // But the productivity is demonstrated by the fact that a greater quantity of raw material is needed to absorb the same quantity of labour. Thus this part of constant capital at first grows unconditionally

^a See this volume, pp. 115-16, 128-29.— *Ed.*

with the greater productivity of labour. If 5 produce as much as 50, or more, 50 will work up 10 times more raw material. The raw material must initially increase in *the same* proportion as the productivity of labour. Or if we assume that 5 produce as much as 50, and 45 are dismissed, the 5 now need $10\times$ as much capital as did the 5 previously, or as much as 50. This part of the capital has grown 10 times, at least, measured against the capital laid out in labour. // With greater exploitation this can be restricted somewhat, if on the one hand there is a relative reduction in waste through the improved quality of the labour, and on the other hand because the waste is absolutely more massive, more concentrated, can serve better as raw material once again for new, different production, hence in fact the same raw material stretches further, AS TO ITS VALUE. This is an ITEM, but an insignificant one. // However, this is not to say by any means that fixed capital, buildings, machinery (lighting, etc.) (apart from fixed capital the *matières instrumentales* in general) increase in the same proportion, so that 10 times as much would now be required by the 5 as they required before. On the contrary. Although machinery of greater BULK becomes dearer absolutely, it becomes cheaper relatively. This is particularly true for the motive force, steam engines, etc., the production costs of which fall (relatively) with [the increase in] their horse power or other POWER. This part—hence the *total constant capital*—therefore by no means grows in proportion with the growth in productive power, although it does grow *absolutely*, to an insignificant degree. The total capital therefore does not grow [XVI-1012] proportionally in relation to the growth of productive power.

If out of the 500 there were originally perhaps 300 for workers, 150 for raw material and 50 for instruments, it follows that a doubling of productive power through the application of machinery would require the employment of at least 300 for raw material, and if 50 workers¹¹⁵ produced this product of twice the size, 50 for labour; but it does not follow that the cost of machinery, etc., for these 30^a workers would rise from 50 to 500, a tenfold increase. The cost of machinery would perhaps only rise to double the amount—to 100; so that the total capital would have fallen from 500 to 450. The ratio between the variable capital and the total capital would now be 30:450. $\frac{30}{450} = \frac{3}{45} = \frac{1}{15}$. 1:15.

^a Marx altered the number of workers from 50 to 30 and based his subsequent calculations on the latter figure.—*Ed.*

Previously the ratio was 300:500, $\frac{300}{500}=3:5$. $\frac{1}{15}=\frac{3}{45}$; and $\frac{3}{5}=\frac{27}{45}$. According to this, however, the total capital required to produce a certain surplus value would have fallen. Assume in the first case that the surplus value=2 hours out of 12, $=\frac{2}{12}$, in the second case $=\frac{4}{12}$ or $\frac{1}{3}$.¹¹⁶

In the first case $\frac{1}{6}$ of 300 (if a worker=1 thaler)=50. And this is 10% of 500.

In the second case $\frac{1}{3}$ of 30=10. 450 are required for the production of these 10. If we assume that 300 workers are employed at this new rate, they would produce 100. The total capital needed to produce the 100 would rise to $450 \times 30 = 4,500 \times 3 = 13,500$. In the previous ratio it was 1,000 to produce 100.

But assume that fixed capital falls still more, not perhaps relatively in proportion to the growth of the productive forces. If the 30 workers produce as much as the 300 did previously, they will need 500, just as before: 150 for raw material, 30 for labour (as previously 300), but perhaps only 100 for fixed capital. The total capital is now 210, of which variable capital is $\frac{3}{21}=\frac{1}{7}$, [XVI-1013] previously $=\frac{3}{5}$. (300 out of 500)

If the surplus value were now to increase 5fold, the 30 would give a surplus value of 50, where the 300 gave one of 10. Thus on 300, 30, would be on 30—15.

The total capital is 500 in the first case, 210 in the second case. 410 would now give 30, hence more than 500 previously.

The growth of productive power allows more commodities to be produced in the same labour time. Therefore, it does not raise the exchange value of the commodities produced in this way, but only their quantity; it rather lessens the exchange value of the individual commodities, while the value of the total amount of commodities produced in a given time remains *the same*.

To say that there is an increase in productivity is the same as saying that the same raw material absorbs less labour in the course of its conversion into the product, or that the same labour time requires more raw material for its absorption.

For example, a pound of yarn requires exactly the same amount of cotton, whether a large or a small amount of labour is required for the conversion of the cotton into yarn. If the productivity of the spinner rises, the quantity of cotton contained in a pound of yarn absorbs less labour. The pound of yarn therefore falls in

value, gets cheaper. If 20 times as many pounds of cotton as before are spun in an hour, e.g. 20 pounds instead of 1 pound, each pound of yarn falls by $\frac{1}{20}$ in the value component the labour of spinning adds to it; in the differential value between a pound of cotton and a pound of yarn (leaving aside the value of the fixed capital present in the spun yarn). Nevertheless, the value of the product of the same time is now greater than before, not because more new value has been created, but only because more cotton has been spun, and the value of this has on our assumption remained the same. The newly created value would be the same amount for the 20 pounds as previously for the one pound alone. For 1 pound it would in the new mode of production be smaller by $\frac{1}{20}$.

Presupposing therefore that the commodities are sold at their value, the increase of productive power (with the exceptions mentioned earlier^a) only creates surplus value in so far as the cheapening of the commodities cheapens the production costs of labour capacity, hence shortens the necessary labour time, hence lengthens surplus labour time.

The product of every particular sphere of production can therefore only create surplus value in so far as, and in the proportion in which, this *specific* product enters into the average consumption of the workers. But every such product—since a developed division of labour within society is a fundamental prerequisite for the development of commodities in general and even more for capitalist production—only forms an *aliquot* part of the worker's total consumption. The increase of productive power in every particular sphere therefore creates a surplus value *by no means in proportion to the increase of productive power* but only in the much smaller proportion in which the product of this particular sphere forms an *aliquot* part of the worker's total consumption. If a product formed $\frac{1}{10}$ of the worker's total consumption, a doubling of productive power would allow the production of $\frac{2}{10}$ in the same time as $\frac{1}{10}$ was produced previously. $\frac{1}{10}$ of the wage would fall to $\frac{1}{20}$, or by 50%, while the productive power would have risen by 100%. 50% on $\frac{1}{10}x=5\%$ on $1x$. E.g. 5% on 100 comes to 105. 50% on $\frac{100}{10}$ or 10 comes to 5, the same total amount. The growth of productive power by 100% would in this case have cheapened wages by 5%. [XVI-1014] It is therefore clear why the striking growth of productive power in individual branches of industry appears to be entirely out of proportion with

^a See this volume, pp. 130-32.—Ed.

the fall of wages or the growth of relative surplus value. Hence capital too—to the extent that this depends on surplus value, a point we shall soon investigate more closely—is far from increasing in the same proportion as the growth in the productive power of labour.

Only if productive power were to increase evenly in all branches of industry which directly or indirectly provide products for the worker's consumption could the proportional growth of surplus value correspond to the proportional increase of productive power. But this is by no means the case. Productive power increases in very different proportions in these different branches. Contrary movements often take place in these different spheres (this is due partly to the anarchy of competition and the specific nature of bourgeois production, partly to the fact that the productive power of labour is also tied to natural conditions, which often become less productive in the same proportion as productivity rises, in so far as it depends on social conditions) so that the productivity of labour rises in one sphere while it falls in another. // Think for example of the simple influence of the seasons, on which the greater part of all the raw products of industry depends, exhaustion of forests, coal seams, mines and the like. // The growth of average total productivity is therefore always and unconditionally much less than this growth appears in a few particular spheres, and indeed in one of the main branches of industry, the products of which enter into the worker's consumption, agriculture, it is as yet FAR FROM KEEPING PACE WITH THE DEVELOPMENT OF THE PRODUCTIVE POWERS IN THE MANUFACTURING INDUSTRY. On the other hand, in many branches of industry the development of productive power has no influence, either directly or indirectly, on the production of labour capacity, hence of relative surplus value. Quite apart from the fact that the development of productive power is not only expressed in an increase in the rate of surplus value but also in a (relative) reduction in the number of workers.

Hence the growth of surplus value is by no means in proportion to the growth of productive power in particular branches of production, and, secondly, it is also always smaller than the growth of the productive power of capital in *all* branches of industry (hence also those branches whose products enter neither directly nor indirectly into the production of labour capacity). Hence the accumulation of capital grows—not in the same proportion as productive power increases in a particular branch, and not even in the proportion in which productive power increases in all branches, but only in the average proportion in which it increases

in *all* the branches of industry of which the products enter directly or indirectly into the overall consumption of the workers.

The *value* of a *commodity* is determined by the total labour time, *past* and *living*, which enters into it, which is contained in it; hence not only by the labour time which is added in the final production process, from which the commodity as such emerges, but by the labour contained in the fixed capital and circulating capital, or in the conditions of production of the labour last to be added, by the labour time contained in the machinery, etc., the *matières instrumentales* and the raw material, in so far as their value reappears in the commodity, which is entirely the case with raw material and [XVI-1015] the *matières instrumentales*, whereas the value of the fixed capital only reappears partially in the product—in proportion to its WEAR AND TEAR.

If $\frac{1}{4}$ of the value in a commodity consisted of constant capital and $\frac{3}{4}$ of wages; if as a result of an increase of productive power in this particular branch the amount of living labour employed were to fall from $\frac{3}{4}$ to $\frac{1}{4}$, and if the number of workers employed in its production were to be reduced from $\frac{3}{4}$ to $\frac{1}{4}$, then, given the presupposition that the $\frac{1}{4}$ of labour was exactly as productive as the $\frac{3}{4}$ was previously (and not more so), the value of the new fixed and circulating capital, apart from the raw material contained in the $\frac{1}{4}$, could rise to $\frac{2}{4}$. Then the value of the commodity would remain unchanged, although the labour would have become more productive by $\frac{3}{4}$ to $\frac{1}{4}$, i.e. by 3 to 1, i.e. it would have tripled its productive power. Since the value of the raw material would have remained the same, the new fixed and circulating capital would not be able to rise as far as $\frac{2}{4}$ of the old value of the commodity, thus permitting the commodity to become cheaper, with a real fall in its production costs. Or the difference between the new labour time and the old would have to be larger than the difference between the value of the old constant capital and the new (deducting the raw material). It is not possible to add the same amount more of past labour as a condition of labour as has been deducted of living labour. If the $\frac{1}{4}$ of workers were to produce *more* than the $\frac{3}{4}$ did previously, so that the increase in the productivity of their labour were greater than the reduction in their numbers or their total labour time, the new constant capital could grow // disregarding surplus value here and speaking only of the value of the commodity, on which after all the surplus value depends, because the cheapening of the production costs of labour

capacity depends on the lessening of the value// by $\frac{2}{4}$, and even by more than $\frac{2}{4}$, only it would now have to grow in the same proportion as the productive power of the new labour.

Secondly, however, this relation is also brought about, 1) by the fact that the fixed capital only enters in part into the value of the commodity; 2) the *matières instrumentales*, such as the coal consumed, the heating, lighting, etc., are proportionally economised by labour on a large scale, although their total value increases, and therefore a smaller value component of the same enters into the individual commodity. But the condition remains the same, that the value component of the machinery which enters into the individual commodity as WEAR and TEAR, and the *matières instrumentales* which enter into it, should be smaller than the difference in productivity between the new and the old labour. Nevertheless, this does not exclude the possibility that an equally large or even a larger quantity of constant capital might be used for the total amount of commodities, e.g. the number of pounds of twist, which are produced in a given period of time, e.g. a day, than was previously expended in the form of wages. Only a smaller quantity in respect of the individual commodity. Presupposing, therefore, that the $\frac{1}{4}n$ workers produce exactly as much in one day as the $\frac{3}{4}n$ workers produced previously, the law would remain absolute. Because the amount of commodities produced would remain the same in proportion to these $\frac{1}{4}n$ workers as it was for the $\frac{3}{4}n$ workers. The value of the individual commodity could therefore fall *only* if the new constant capital < than that previously expended in wages and now no longer in existence. It can therefore be said absolutely that in the proportion in which a *smaller quantity of labour replaces a greater quantity of labour*—[XVI-1016] does not need to be identical, but may be, and mostly is, greater than the proportion in which the number of workers is diminished (the relative number of workers)—the constant capital which enters into the commodity //and in practice also the interest and profit on the *whole* of the constant capital, which admittedly enters into the labour process but not into the valorisation process// must be greater than the proportion in which the new constant capital grows (here the raw material is left out). This is only an aspect to be introduced in distinction to the one-sided consideration in dealing with surplus value. To be inserted in the section on *production costs*.^a

This does not, however, (owing to the way in which the fixed capital is reproduced) prevent the total capital //hence also the

^a See this volume, pp. 78-103.—*Ed.*

part of it which is not *consumed* in the labour process, but still enters into it// from being absolutely greater than the previous total capital.

Thus if e.g. 1 replaces 10, the capital which is allotted to him in the form of machinery, etc., and *matières instrumentales*—in so far as it enters into his product—is smaller than the previous capital which was required for the 10 workers. The proportion of capital laid out in labour has fallen 10 times here, but the new constant capital has perhaps only risen 8 times. From this point of view, therefore, the capital laid out in labour has not fallen proportionally in the same degree as the capital required for its realisation [has increased]. Or the total amount of capital which enters into the production of the one worker is smaller than the total amount of capital which enters into the production of the 10 workers replaced by him. And, although the part of capital laid out in wages has fallen 10 times in comparison with previously, it still forms a larger part of this new capital than $\frac{1}{10}$, because this new capital, which enters into the production of the one worker, has itself become *smaller* than the old capital, which entered into the production of the 20 workers.

On the other hand, however, the total capital which is required as condition of production for this increase in the productivity of labour—including namely the part which does not enter as WEAR and TEAR into the product—but is rather consumed in a series of work periods—is greater—may be much greater than the previous total capital, so that the part of the total capital laid out in labour has declined in a still greater proportion than the productivity of labour has grown. The more the fixed capital develops, i.e. the productivity of labour, the greater this unconsumed part of the capital, the smaller the proportion of the part of capital laid out in labour in relation to the total capital. From this point of view it might appear as if the magnitude of the capital grew more rapidly than the productivity of labour //but even the total capital cannot grow to the extent that the interest and profit on it raise the production costs of the commodity to the level to which the productivity of labour has risen //. But this only means that the portion of the capital annually produced which is converted into fixed capital is always increased relatively to the portion of the capital which is laid out in wages; by no means, however, that the total capital—which is in part fixed, in part converted into wages—grows as quickly as the productivity of labour.

If the part of capital laid out in labour thus falls, this is even

more the case if the growth in the part of capital which consists of raw material is brought into *consideration* at the same time.

[XVI-1017] Let us take an extreme case: the rearing of sheep on a modern scale, where previously small-scale agriculture predominated. But here *two different branches of industry* are being compared. The amount of labour—or of capital laid out in wages—which is suppressed here is enormous. Hence the constant capital can also grow enormously. And it is very much the question whether the total capital which is here allotted to the individual shepherds is greater than the total amount of the capitals which were previously divided among several hundred shepherds.

It is questionable whether, in individual branches of industry in which the total capital undergoes extraordinary growth, profit originates at all from the surplus value produced in these branches and not rather, in connection with the calculations made by the capitalists between themselves, from the general surplus value produced by the sum total of all the capitals.

Many ways of increasing productive power, particularly with the employment of machinery, require absolutely no relative increase in capital outlay. Often only relatively inexpensive alterations in the part of the machine which provides the motive force, etc. See examples.¹¹⁷ Here the increase in productive power is unusually great compared to the capital outlay which falls to the relative share of the individual worker—of the individual commodity as well. Thus here—at least as far as this part of the capital is concerned—the capital laid out in raw material grows the more rapidly—no noticeable reduction in the rate of profit—at least not to the extent that it would be caused by an increase in this part of the capital. On the other hand, although the capital does not grow here so much relatively speaking, it is true to say, as it is in the general case overall, that for the most part the absolute amount of capital employed—hence the concentration of capital or the scale on which work is done—must grow very significantly. More powerful steam engines (of more horsepower) are absolutely dearer than less powerful ones. But relatively speaking their price falls. Even so, a greater outlay of capital—a greater concentration of capital in one hand—is required for their employment. A bigger factory building is absolutely dearer, but relatively cheaper, than a smaller one. If every aliquot part of the total capital is smaller in proportion to the total capital employed by the labour

saved, this aliquot part can mostly be employed solely in such MULTIPLES as will raise the total amount of capital employed to an extraordinary degree or in particular the part of the total capital not consumed in a single turnover, the part the consumption of which extends over a period of turnovers lasting many years. It is in general only with this work on a large scale that productive power is increased tremendously, since it is only in this way that:

1) the principle of MULTIPLES, which underlies simple cooperation, and is repeated in the division of labour and the employment of machinery, can correctly be applied. (See *Babbage*, on how this increases the scale of production, i.e. the concentration of capital.^a)

2) The greater altogether the number of workers employed on the new scale, the smaller, relatively, the portion of fixed capital which enters as WEAR and TEAR for buildings, etc. The greater the principle of the cheapening of production costs by joint utilisation of the same use values, as lighting, heating, common use of the motive power, etc. [XVI-1018] The more is it possible to employ absolutely dearer, but relatively cheaper, instruments of production.

The circumstance that in some branches of production, railways, canals, etc., where an immense fixed capital is employed, these are not independent sources of surplus value, because the ratio between the labour exploited and the capital laid out is too small.

A further remark needs to be added to the previous page^b:

It is possible that if a capital of 500 was needed for 20 workers, and now a total capital of only 400 is needed for 2, 2,000 workers will now have to be employed, hence a capital of 400,000, in order to employ the aliquot parts of the 400 productively. It has already been shown^c that even with an increased rate of surplus value the relative reduction in the number of workers to be exploited can only be counterbalanced by a very great increase in the multiple of labour.

This is seen (appears) in competition. Once the new invention has been introduced generally, the rate of profit becomes too small for a small capital to be able to continue to operate in the

^a Ch. Babbage, *Traité sur l'économie...*, Paris, 1833, pp. 275-78.¹¹⁸— *Ed.*

^b See this volume, pp. 139-40.— *Ed.*

^c *Ibid.*, pp. 124-25, 128-29.— *Ed.*

given branch of industry. The amount of necessary conditions of production grows in general in such a way that a significant minimum level comes into existence, which excludes all the smaller capitals from this branch of production for the future. It is only at the beginning that small capitals can exploit mechanical inventions in every sphere of production.

The growth of capital only implies a reduction in the rate of profit to the extent that with the growth of capital the above-mentioned changes take place in the ratio between its organic components. However, despite the constant daily changes in the mode of production, capital, or a large part of it, always continues to accumulate over a longer or shorter period on the basis of a definite average ratio between those organic components, so that NO ORGANIC CHANGE OCCURS IN ITS CONSTITUENT PARTS as it grows.

On the other hand, a reduction in the rate of profit can only be enforced by a growth in capital—because of a growth in the absolute amount of profit—as long as the rate of profit does not fall in the same proportion as the capital grows. The obstacles which stand in the way of this are to be found in the considerations we have already brought forward.^a

Absolute plethora of capital.

Increase in workers, etc., despite the relative decline in variable capital or capital laid out in wages. However, this does not take place in all spheres of production [XVI-1019]. E.g. not in agriculture. Here the decline in the element of living labour is absolute.

An increase in the amount of labour on the new production basis is in part necessary in order to compensate for the lessened rate of profit by means of the amount of profit; in part in order to compensate for the fall in the magnitude of surplus value which accompanies the rising rate of surplus value on account of the absolute reduction in the number of workers exploited by means of an increase in the number of workers on the new scale. Finally the principle of MULTIPLES touched on earlier.

^a See this volume, pp. 104-33.—*Ed.*

But it will be said that if the variable capital declines in sphere of production I, it increases in the others, namely those which are employed in the production of the constant capital needed for sphere of production I. Nevertheless, the same relation enters here, e.g. in the production of machinery, in the production of raw products, *matières instrumentales*, e.g. coal. The tendency is general, although it is first realised in the different spheres of production by fits and starts. It is counterbalanced by the fact that the spheres of production themselves increase. In any case, it is only a need of the bourgeois economy that the number of people living from their labour alone should increase absolutely, even if it declines relatively. Since labour capacities become superfluous for the bourgeois economy once it is no longer necessary to exploit them for 12 to 15 hours a day. A development of productive power which reduced the absolute number of workers, i.e. in fact enabled the whole nation to execute its total production in a smaller period of time, would bring about revolution, because it would demonetise the majority of the population. Here there appears once again the limit of bourgeois production, and the fact becomes obvious that it is not the absolute form for the development of productive power, that it rather enters into collision with the latter at a certain point. In part this collision appears constantly, with the crises, etc., which occur when now one now another component of the working class becomes superfluous in its old mode of employment. Its limit is the surplus time of the workers; it is *not concerned* with the absolute surplus time gained by society. *The development of productive power* is therefore only important in so far as it increases the surplus labour time of the workers, not in so far as it reduces labour time for material production in general. It is therefore embedded in a contradiction.

The rate of surplus value—i.e. the ratio of surplus to necessary labour time for the individual worker (therefore in so far as surplus value is not modified in the different spheres of production by the proportion between the organic components of capital, turnover time, etc.)—is automatically balanced out in all the spheres of production, and this is *a basis for the general rate of profit*. (The modifications which in this way influence the necessary costs of production are compensated for by the competition between capitalists, by the different ITEMS which they bring into consideration when dividing among themselves the general surplus value.)

[XVI-1020] That the rate of surplus value rises means nothing other than that the cost of production of labour capacity falls, hence necessary labour time falls, in the proportion to which the *specific* product of that particular sphere of production which has become cheaper enters into the general consumption of the workers. This cheapening of labour capacity, reduction in necessary labour time, increase in absolute labour time, therefore takes place uniformly, and influences all spheres of capitalist production uniformly, not only those in which the development of productive power has taken place, but also those whose products do not enter at all into the consumption of the workers, and in which the development of productive power can therefore create no relative surplus value. (It is therefore clear that in competition, once the monopoly in the new invention has come to an end, the price of the product is reduced to its production costs.)

If, therefore, 20 workers who work 2 hours of surplus labour are replaced by 2, it is correct, as we have seen already,^a that these 2 can under no circumstances provide as much surplus labour as the 20 did previously. But in all spheres of production the surplus labour rises in proportion to the cheapening of the product of the 2 workers, and it rises without any alteration having taken place in the ratio of the organic components of the capitals employed by the spheres of production.

On the other hand, an increase in the value of the product of a sphere of production of this kind, which enters into the reproduction of labour capacity, has just as general an effect; this may wholly or partially paralyse that surplus value.

In the first case, however, the surplus labour time gained is not to be estimated by the sphere of production in which the increase of productive power has taken place, but by the sum total of the diminutions of necessary labour time in *all* spheres of capitalist production.

But the more general the relation becomes, with 2 replacing 20 in *all* or most spheres of production, under the same proportions between total capital and variable capital, the more does the relation in the totality of capitalist production raise the relation in the particular spheres of production. I.e. no reduction in necessary labour time could create the amount of surplus value there was previously, when 20 worked instead of 2.

^a See this volume, pp. 110-11, 127-28.— *Ed.*

And under all circumstances the rate of profit would then fall, even if the capital itself increased so much that a number [of workers] equally great or even greater than before could be employed under the new conditions of production.

The *accumulation* of capital (considered materially) is double. It consists on the one hand in the *growing amount* of past labour, or the available amount of the conditions of labour; the material prerequisites, the already available products and numbers of workers, under which new production or reproduction takes place. Secondly, however, in the *concentration*, the reduction in the number of capitals, the growth of the capitals present in the hands of the individual capitalist, in short in a new distribution of capitals, of social capital. The power of capital as such grows thereby. The independent position achieved by the social conditions of production [XVI-1021] vis-à-vis the real creators of those conditions of production, as represented in the capitalist, thereby becomes increasingly apparent. Capital shows itself more and more as a *social power* (the capitalist is merely its functionary, and it no longer stands in any relation to what the labour of an individual creates or can create), but an *alienated social power which has become independent*, and confronts society as a thing—and through this thing as a power of the individual capitalist. On the other hand, constantly increasing masses [of people] are thereby deprived of the conditions of production and find them set over against them. The contradiction between the *general social power* which capital is formed into, and the *private power of the individual capitalist* over these social conditions of production becomes ever more glaring, and implies the dissolution of this relation, since it implies at the same time the development of the material conditions of production into general, therefore communal social conditions of production.

This development is given by the development of productive power along with capitalist production and by the manner in which this development of productive power takes shape.

The question now is, how is the accumulation of capital affected by the development of the productive forces, in so far as they find expression in CHANGE[S] in surplus value and the rate of profit, and how far is it influenced by other factors?

Ricardo says^a that capital can grow in two ways: 1) in that a

^a See D. Ricardo, *On the Principles of Political Economy, and Taxation*, pp. 327-28.¹¹⁹—Ed.

greater amount of labour is contained in the greater amount of products, hence the exchange value of the use values grows along with their quantity; 2) in that the quantity of use values grows, but not their exchange value, hence the increase occurs simply through an increase in the productivity of labour.¹²⁰

[MISCELLANEA]

[XVII-1022] LABOUR PROCESS AND VALORISATION PROCESS:
USE VALUE AND EXCHANGE VALUE

It was shown originally¹²¹ that the distinction between the labour process and the valorisation process was of decisive importance, because there rested upon it the distinction between constant and variable capital, and the whole of the theory of capital (surplus value, profit, etc.).

But there are, as will appear, yet more very important relations relevant to this distinction.

We see, firstly, with fixed capital, that it enters into the labour process completely, but into the valorisation process only partially—to the extent that it is used up, as *WEAR AND TEAR*. This is one of the main factors working towards the cheapening of commodities through the employment of machinery; thus TO A CERTAIN DEGREE towards the increase of relative surplus value. At the same time, however, it is a cause of the decline in the rate of profit.

But, apart from fixed capital, all those productive forces which cost *nothing*, i.e. those which derive from the division of labour, cooperation, machinery (in so far as this costs nothing, as is for example the case with the motive forces of water, wind, etc., and also with the *ADVANTAGES* which proceed from the *SOCIAL ARRANGEMENT* of the workshop) as well as forces of nature whose application does not give rise to any costs—or at least to the degree to which their application does not give rise to any costs—enter into the labour process without entering into the valorisation process.

It is apparent here, secondly, and once again, how *use value*, which originally appears to us only as the material substratum of the economic relations, itself intervenes to determine the economic category.

We saw this first with money, where the nature of the substratum which serves as its vehicle, the use value of the commodity which functions as money, is itself determined by the economic function.

Secondly: the whole relation of wages to capital rests on the fact that labour capacity as exchange value is determined by the labour time required to produce it; but because its use value itself consists in labour, its exchange value is paid for, and it nevertheless returns in the exchange with capital more exchange value than it receives.

[XVII-1023] 3) Fixed capital—hence this particular economic form—is to a large extent dependent on use value. The duration of the depreciation of the machine, i.e. TO WHAT DEGREE it enters into the price of the commodity during a given period of turnover, and how long the component of capital represented by it circulates, depends on the use value, i.e. on the greater or lesser durability of the machine, etc. The turnover time of the total capital therefore depends on this; and CHANGES in the ratio between the organic components of the capital are also considerably affected by this.

4) The whole distinction between the labour process and the valorisation process—hence also the increase in the productivity of labour while labour time remains the same—the whole of the development of the productive forces—concerns use value, not exchange value. But it changes and modifies the economic relations and exchange value relations themselves.

DIMINUTION IN THE RATE OF PROFIT

No capitalist voluntarily employs a new mode of production, even though it may be much more productive, and however high the ratio in which it increases the rate of surplus value, if it reduces the rate of profit. But every new mode of production of this kind cheapens the commodity. He therefore starts by selling it *above* its costs of production, and *above* its value. He is able to do this because the average labour time *socially* required for the production of this commodity is *greater* than the labour time required under the new mode of production (the total amount of labour time contained in the constant and variable capital). His mode of production stands *above* the socially average level.

Competition generalises this and subjects it to the general law. Then the fall in the rate of profit takes place, a law which is therefore completely independent of the will of the capitalist.

CONSTANT CAPITAL. ABSOLUTE QUANTITY OF CAPITAL

In order to employ with advantage the machine which produces the motive force (hence e.g. to use the steam engine instead of the motive force provided by hands and feet), which sets in motion the actual working machines, i.e. in such a way that the [XVII-1024] total capital which is required in the new mode of production does not make the commodity more expensive instead of cheapening it, it is necessary for this motivating machine to be employed for a large number of working machines and therefore relatively [fewer] workers. And relative costs of production fall in proportion as the number of working machines increases. Hence the constant growth in absolute capital and the *growth in the minimum amount of capital* required in order to employ in the production of the commodity no more *labour time than is socially necessary*. Hence in turn a growth [in the constant capital] (since the raw material and the *matières instrumentales* form part of this), a fall in the variable capital in comparison with the quantity of capital advanced, and, above all, the necessity for an absolute[ly large] quantity of capital.

DECLINE IN THE RATE OF PROFIT

The result of the investigation is this: Firstly, the rate of surplus value does not rise in proportion to the growth in productive power or the decline in the (relative) number of workers employed. The capital does not grow in the same proportion as the productive power. Or, the rate of surplus value does not rise in the same proportion as the variable capital falls in comparison with the total amount of capital. Hence a diminution in the relative magnitude of the surplus value. Hence *a decline in the rate of profit. A constant tendency towards a decline in the same.*

It should be remarked further on this point that the law whereby the value of the commodities is determined by the labour time socially necessary for their production drives the individual

capitalist, so that he can sell his commodity *above* its social value, to curtail the labour time necessary for him exceptionally by introducing the division of labour, by employing machinery, etc.—also in spheres of production whose products enter neither directly nor indirectly into the worker's consumption or into the conditions of production of his articles of consumption—therefore also in branches of production where no development of productive power can cheapen the reproduction of labour capacity, i.e. shorten the necessary labour time and lengthen the surplus labour time. Once proof has actually been provided that these commodities can be produced more cheaply, the capitalists who work under the old conditions of production must sell them *below* the value, since the labour time they need for the production of those commodities now stands *above* the labour time socially *necessary* for their production. In a word—and this appears as an effect of competition—they too must adopt the new mode of production [XVII-1025], in which the ratio of the variable capital to the total amount of capital advanced has fallen. Here, therefore, there takes place a reduction in the value of the commodities, and a reduction in the number of workers exploited, without an increase of any kind in relative surplus value. This situation in the unproductive spheres of production—those not producing relative surplus value—is of substantial influence, if one considers the capital of the whole society, i.e. of the capitalist class, from the angle that the total amount of surplus value falls in proportion to the capital advanced—hence that the *rate of profit* falls.

It is possible that such commodities may by growing cheaper become accessible to the workers' consumption, may indeed become necessary elements in this. Their effect is never direct, and is never more than partial. They *DIVERSIFY* its magnitude without raising its value. Above all, they *DIVERSIFY* the magnitude of the capitalists' [consumption], a point which can be made for any development in productivity, but which is irrelevant in our context. They even exert an economic influence, in so far as every expansion of the sphere of exchange, every magnification of the number of stages in which the exchange value of a commodity unfolds promotes at the same time its character as commodity, hence also promotes the mode of production directed exclusively at the production of *commodities*, not of use values as such.

On the other hand, the fall in variable capital in comparison with total capital—and this fall accompanies every development of productive power—does not occur to the same degree as

productive power develops, because an ever more considerable portion of the capital enters into the value of the commodities, into the valorisation process, only in the form of annuities, and because during certain periods a constant increase takes place in the size of the capital in the production of a particular commodity without accompanying changes in the ratio of the organic components, i.e. it remains on the basis of the old mode of production. The rate of profit therefore does not diminish in the same proportion as capital grows (still less in a greater proportion), although the growth of capital—to the extent that it depends on the development of the productive forces—is continuously accompanied by a tendential fall in the rate of profit.

We therefore say, on the one hand: capital does not grow as quickly as productive power. We say, on the other hand: the rate of profit does not fall as quickly as capital grows. We say, on the one hand: variable capital does not decline as quickly in proportion to total capital, or total capital does not grow as quickly in proportion to variable capital, as productivity grows. We say, on the other hand: the surplus value created by variable capital does not grow as quickly as the variable capital falls, and does not fall as quickly as the constant capital rises. (Of the total capital.)

[XVII-1026] The absolute magnitude of surplus value declines, in comparison with the capital advanced, although the rate of surplus value rises, with the fall in variable capital, or in the relative portion of the total capital which is laid out in wages. But it declines more slowly than variable capital falls. The rate of profit therefore does not fall as quickly as the total capital grows. On the other hand, the total capital does not grow as quickly as productive power and the replacement of variable capital by constant capital which accompanies this. This would therefore imply that variable capital falls more quickly than the total capital grows. But this is incorrect, in so far as the total capital enters into the valorisation process. However, the more rapid growth in the productive power of capital means only that the growth in the rate of surplus value does not correspond to the growth in productive power.

In so far as the employment of a greater amount of constant capital really creates [greater] surplus value, the aliquot part of the total amount of capital which corresponds to a single worker must be smaller than the total amount of capital which corresponded to the number of workers he replaces. But this comparative reduction in the aliquot parts of the capital relative to the

individual workers employed by it (absolutely greater in relation to this individual, smaller in relation to the number he replaces) generally occurs—and in the further course of development always occurs—with a simultaneous increase in the absolute size of the capital, hence of the sum total of these aliquot parts. If, e.g., a capital of 400 was used for one instead of 500 for 20, these 400 could perhaps only be employed in this manner if $10,000 \times 400$ were employed. Therefore, although the conditions of labour would be cheaper for the individual worker—not compared with the previous individual worker, but with the previous 20 workers—there is a rise in the total value of the conditions of labour which must be possessed by the individual so as to carry on the productive labour process under these new conditions. I.e. the power of capital vis-à-vis labour grows, or, and this is the same thing, the worker's chance of appropriating the conditions of labour for himself is lessened. The independent position of past labour as an alien power over living labour achieves a tremendous extension of its dimensions. The good Carey overlooked this.¹²² The single spindle is cheaper, but the workshop needed to employ mechanical spindles of this kind requires a capital extraordinarily increased in size, compared with that required previously by the hand spinner.

At the start of developments in many spheres of production where the tool is transformed into a machine of labour—but has not yet developed into a system of machinery—there may indeed be a fall in the amount of capital required, if e.g. 1 worker replaces 10, the raw material remains the same, and the cost of the machine-like tool is in contrast less than the wages of the 10 workers over one year. Mr. Carey TAKES HOLD OF SUCH PHENOMENA OF THE transition from manual to machine labour TO MAKE A FOOL OF HIMSELF. But these small machines are then seized upon by capital, which applies to them the principles of cooperation and the division of labour, and the principle of the [XVII-1027] proportional reduction of production costs, and finally subjects the whole workshop to a motivating machine or a natural force.

ACCUMULATION¹²³

The most direct way in which the *increase in productive power* intensifies the accumulation of capital is through the *reduction in necessary labour time* and the increase in surplus value, since

surplus value is converted from its form as income into the form of capital; this conversion in general constitutes accumulation.

The direct result of every increase in productive power is a *cheapening of the commodities* in whose sphere of production the heightening of productive power has taken place. Whether these commodities enter into the worker's means of subsistence—hence into the reproduction of labour capacity—or not, they increase in any case the amount of *use values* in which a definite magnitude of value is represented, hence a definite sum of money //the value of the substance in which the money exists remaining unchanged//, or the amount of use values representing a specific quantity of labour time—even where these commodities do not increase the magnitude of the surplus value, and the magnitude of the profit (its *value magnitude*). A *relatively* greater part of the income—of the profit, the surplus value—can therefore be reconverted into capital, although the extent of the capitalist's enjoyments, or the amount of use values he consumes, values not reconverted into capital, is simultaneously increased. The more so, in that the increase of productive forces also takes place in the spheres of luxury production, and here luxury production is to be understood as including all production which does not enter either directly or indirectly into the reproduction of labour capacity. The accumulation of capital therefore grows as productive power increases, not only through the growth in the magnitude of the value which is represented in the form of profit, but through the ability, resulting from the general cheapening of commodities, to reconvert into capital an increasingly large part of income.

Disregarding this point: In so far as the increase in the productive power of the raw material and the instruments of labour, of the *constant capital*, brings about luxury production in the above sense, the same total capital absorbs more labour altogether, can employ, can realise, more labour. This is another source of the accumulation of capital, since here the absolute, if not the relative, surplus value is increased, because more days of labour are employed, exploited.

[XVII-1028] DIMINUTION OF OUTGOINGS
FOR CONSTANT CAPITAL

The *SUPPRESSION* of all precautionary measures aimed at the safety, convenience and health of the workers belongs here; e.g. in the coal mines, similarly in the factories proper, a large part of the

battle bulletins (see the half-yearly factory REPORTS) of the wounded and dead of the industrial armies arises from this source.¹²⁴ Similarly lack of space, etc.

The *devaluation* of constant capital as a result of new inventions, whereby it can be reproduced more cheaply and with better quality, more effectively, hence the labour time contained in it is no longer that socially necessary—and improvements come thick and fast particularly when new machines are first introduced—is one of the main reasons why *overwork* and the prolongation of SURPLUS labour time—OVERTIME—goes hand in hand with machinery (see the examples in Babbage¹²⁵). The circulation time within which the value of machines, etc., and other components of fixed capital is reproduced is in practice not determined by the time during which they last but by the quantity of labour time during which they serve as means of production, and in general by the dimensions, the duration, of the labour process during which they function and are used up. If the WORKMEN work 18 hours instead of 12, this gives 3 more days per week, 1½ weeks of labour in 1 week, hence in 52 weeks $52 + 52 \times \frac{1}{2} = 52 + 26 = 78$ weeks. In 5 years 390 weeks, hence well-nigh 7 years. If the OVERTIME is unpaid, and the normal SURPLUS TIME = 2 hours, 30 hours of the 3 days (36 hours) would have to be paid for. Apart from the normal surplus time, the workers thus provide 1 week free for every 2 weeks. 1 year for every 2. And thus the *valorisation* of the machine is *doubled*, and accomplished in half the time needed otherwise.¹²⁶

Where the capitalists have a monopoly, and are not compelled by competition to replace obsolete machinery, etc., by new, as for example on the railways, they therefore exclude improvements as long as possible. "*The Lancet*" for 1 March 1862 STATES that a large number of the illnesses arising from railway travel are caused by the lack of elasticity inside the carriages and in the springs which SUPPORT the carriages.

"The inventor of any patented article usually obtains reward for his ingenuity by a royalty on the sale from persons making use of his discovery. A number of ingenious improvements adapted solely for use by railway companies are yearly patented, and the system pursued towards the inventors is that, after approval of the plan suggested, it is determined to wait until the time of the patent expires before adopting it. Thus the old stock is used up and the royalty to the patentee saved; and though a few more preventable accidents may occur, yet the public are supposed to be used to being so treated, and the only anxiety is to keep the reports out of the papers, or to soften them as much as possible."

^a "The Influence of Railway Travelling on Public Health", *The Lancet*, March 1, 1862, p. 233.—*Ed.*

[XVII-1029]¹²⁷ [MERCANTILE CAPITAL.
MONEY-DEALING CAPITAL]

CONTINUATION OF NOTEBOOK XV

Thus *mercantile capital* enters into the equalisation of surplus value to form an average profit (although it does not enter into the production of *that surplus value*), and therefore the *AVERAGE RATE OF PROFIT* already contains the deduction from surplus value which falls to *MERCANTILE capital*, hence the *MERCANTILE DEDUCTION* from the profit of productive capital.

		<i>Surplus value</i>
E.g. <i>EXTRACTIVE capital</i>	200	30
<i>AGRICULTURAL capital</i>	300	45
<i>MANUFACTURING capital</i>	200	25
<i>MERCANTILE capital</i>	100	
	800	100

If the mercantile capital enters here into the distribution of the surplus value, the rate of profit= $12\frac{1}{2}\%$. If it does not, the rate= $14\frac{2}{7}\%$. The mercantile capital of 100 must turn over 8 times in order to buy and sell 800 (for the value of the commodity=700 (cost price)+100 profit=800). And therefore, in order that it may also come to $14\frac{2}{7}\%$, it must in every turnover give rise to an eighth of $14\frac{2}{7}\%$; or $1+\frac{3}{4}+\frac{1}{28}=1+\frac{11}{14}\%$. The 800 would lose $14\frac{2}{7}\%$. There would therefore remain $785\frac{5}{7}$. And the real profit made by the capital of 700 would= $85\frac{5}{7}=12\frac{12}{49}\%$. Less than if the mercantile capital enters into the distribution. Because in fact the mercantile capital would make $14\frac{2}{7}\%$, whereas the others would

be reduced to a quota which emerges if $\frac{1}{8}$ of the capital makes $14\frac{2}{7}\%$. In fact, however, if a mercantile capital of 100 is necessary to turn over $781\frac{1}{2}$ (at $12\frac{1}{2}\%$), a larger MERCANTILE CAPITAL would be necessary to turn over 800. $102\frac{574}{1,563}$ would be necessary. More industrial capital would have to be converted into mercantile capital. The amount of surplus value would thereby be lessened, hence the rate of profit; but the mercantile rate of profit would always remain somewhat higher than the industrial rate.

If the CALICO man has realised in the £1,000 for which he sells the 12,000 yards the whole production process of the 12,000, it initially appears to be no concern of his if the MERCHANT adds e.g. 10% to the price. But, first, once he buys yarn, machine, coal, etc., he has for his part to pay for the addition to the price. If the calico enters into the worker's consumption, his wages rise. In both cases the calico man's rate of profit falls. If his product enters into the constant capital of another capital, this is the same thing for the equalisation of the rate of profit as if it entered into his own. Furthermore, the nominal increase in the rate of profit brings with it an uncompensated increase in the rate of interest. If the product enters into the consumption of the non-worker, his capacity for accumulation, etc., is reduced.

[XVII-1030] But this way of conceiving the matter is wholly incorrect.

Firstly, it contradicts the historical FACT that mercantile capital, SO FAR FROM BEING EXCLUDED OF PARTICIPATING IN THE REGULATION OF THE AVERAGE PROFIT, rather, as the first free form of capital, is the FIRST TO ENTER INTO THAT CREATION. Mercantile profit originally determines the profit of PRODUCTIVE CAPITAL. Only when capitalist production has penetrated fully, and the producer is a MERE MERCHANT, is the MERCANTILE PROFIT REDUCED TO THE ALIQUOT PART OF THE SURPLUS VALUE FALLING DUE TO IT IN REGARD TO THE ALIQUOT PART IT FORMS OF THE GENERAL CAPITAL.

Secondly, it altogether contradicts the concept of a GENERAL RATE OF PROFIT, which is entirely indifferent towards the *particular function* of the capital WHICH PARTICIPATES IN THE PARTITION OF THE GENERAL MASS OF SURPLUS VALUE, and is indifferent towards THE DEGREE IN WHICH IT CONCURRED IN ITS PRODUCTION.

It can therefore be seen that even MERCANTILE CAPITAL, once it appears as a mere element of capitalist production, is subsumed under it, does not contradict the law that the sum total of the AVERAGE PRICES of the commodities, i.e. the sum of their production prices, = the sum of their values, and the sum of the *profits* (INTEREST and RENT INCLUDED) = the sum of the surplus value or the unpaid SURPLUS labour. It is only that the mercantile capital shares the

profit with the PRODUCTIVE capital, while the latter directly winks it out of the worker in the form of surplus value.

The magnitude of the deduction profit suffers through MERCANTILE profit—i.e. the magnitude of the difference between the BUYING PRICE of the MERCHANT (the SELLING PRICE of the PRODUCER) and the SELLING PRICE of the MERCHANT (the BUYING PRICE of the CONSUMER), hence the apparent “extra charge” the merchant makes upon the price of the individual commodity—is determined, since the general rate of profit is already given, by the AVERAGE NUMBER OF TURNS, REVOLUTIONS OF MERCANTILE CAPITAL, which is in turn expressed in the proportion in which the MERCANTILE CAPITAL stands to the total capital. For e.g. 100 to realise a profit of 20%, the merchant must add 5% to each sum of commodities of a price of £100 if his capital revolves 4 times, 4% if it revolves 5 times, 2% if it revolves 10 times. The difference between the BUYING PRICE and the SELLING PRICE of the MERCHANT is the smaller, the greater the proportion of the part of capital directly employed in production.

There now remains the question: Since the MERCHANT himself may employ labour, apart from his capital // to the extent that his own labour enters here, it forms a part of WAGES, as with industrial capital //, does he create surplus value through this labour? Does it originate directly as a part of the profit he CHARGES on account of the function of his own capital? What is his relation to *his own* wage labourers (*commis*,^a etc.)?

Just as productive capital makes a profit by selling labour, contained in the commodity, which it has not paid for, so does *mercantile capital* do the same by paying productive capital not the *whole of the unpaid labour* contained in the commodity (in the commodity as product of that capital as an aliquot part of the total capital), but only a part of it, [and pocketing] the *unpaid* part which is still, for mercantile capital, contained within the commodity.¹²⁸ Just as [profit] appears to industrial capital as an extra, a supplement to the cost, the part of the value it has not laid out in production, not advanced, so for commercial capital does the purchase price of the commodity, and the supplement to the price, the difference between SELLING and BUYING PRICE, appear as something independent of the production process and the value of the commodity itself, although it is moderate *in degree* and is kept within bounds by the laws of competition.

If we therefore take the last price—the MERCANTILE PRICE—as distinct from the factory price, it is only in the former that the

^a Shop assistants.—Ed.

production price of the commodity is completely expressed.

The merchant [sells]—if we leave aside the intermediate transactions within the merchant estate itself, which are of no interest at all here—1) to the industrial consumer, i.e. to productive capital. Here the mercantile profit enters as a cost into production. 2) He sells to the individual consumers; to the extent that he is himself one of these, this must be regarded as the direct appropriation of a part of his profit *sub specie* use value; [XVII-1031] what he himself consumes in this way is a deduction from the amount of the commodity in which the total surplus value is realised; when he sells to the industrial capitalist—profit and interest—this appears under both categories directly as a deduction from surplus value; what he sells to the workers is sale to variable capital. Finally he sells to the recipient of rent.

The merchant lessens the *number of buyers* for productive capital. The merchant lessens *the number of sellers* for the consumer. Towards the industrialist he concentrates the consumers into fewer persons, towards the consumer he concentrates the producers into fewer persons. Hence a great curtailment of this exchange process or of the loss of time on labour, etc., conditioned by mere circulation. The function of pure merchants' capital, separated from the previously mentioned continuation of productive operations in the circulation process, such as transportation, etc.,^a can be reduced simply to buying and selling. With developed capitalist production and a developed division of labour we also find merchants' capital functioning in a certain sphere in its pure form, separated from its entanglement with other operations. E.g. forwarding and transport only concern the merchant in so far as they enter into the BUYING PRICE of the commodity, as ITEMS among the costs constituting its price. Similarly rent for WAREHOUSING, which falls to the share of another capital, that invested in DOCKS, etc. Finally, RETAILING does not fall within the province of merchants' capital, but of another section of merchants.

Merely buying and selling involves the MERCHANT in COSTS over and above the capital directly advanced, hence existing in the form of either money capital or commodity capital; namely the part of capital which really belongs to him. Firstly buying and selling themselves; the time *this* kind of labour costs (function); writing, calculating, accounting, travel costs, cost of correspondence, etc. And with bigger capital the clerks, the assistants who work for the merchant, finally HIS OFFICE. Whatever of his own labour goes into

^a See this volume, pp. 38-48.—Ed.

the shit can be deducted from profit, just as with every other kind of capital. The outlays this causes form a second part of the capital, which is not directly INVESTED IN WARES. They are costs incurred in buying and selling over and above the part of capital which is directly involved in this function. And the merchant adds to this part of capital the same profit as he adds to the other one, or the price of the commodity must not only replace these costs for him, but yield a profit on them. The whole thing therefore enters as an element into the surcharge the merchant adds to the price of the commodity, or into the excess of the SELLING PRICE over the BUYING PRICE. This excess therefore makes good a part of the costs which derive from the operation of BUYING and SELLING itself, and which are for the merchant as it were included in the BUYING PRICE of the commodity, although he does not have to pay them to the seller but must himself advance them.

These circulation costs—or costs of pure merchants' capital—can be divided up into an insignificant part, which has to do with the consumption of *commodities* themselves, namely e.g. travel costs, POSTAGE, paper, ink, OFFICE, etc.; and a more important part, which consists in the *payment of alien labour*, which is formally *wage labour*, SINCE it is exchanged directly for capital, and is only exchanged for it in the reproduction process of capital. Both sorts of circulation costs occur in part in productive capital itself (its mercantile or office costs); *since circulation is after all its own process*. With merchants' capital, in contrast, these costs occur as independent. In the former case the OFFICE stands alongside the factory, mine, FARM, etc. In the latter case the OFFICE is there as such with its outgoings.

These costs are not incurred in the production of the commodity itself, i.e. they are not necessary in the labour process in order to produce its *use value*. They are rather incurred in or for the circulation of commodities; they are necessary in order to *realise* them as *value*. They are necessary for their reproduction process. The commodity is a unity of exchange value and use value; but it is use value whose [XVII-1032] exchange value exists only ideally as price and must first be realised. In so far as this realisation gives rise to costs, those costs enter into the reproduction costs of the commodity, although not into its direct production cost. These reproduction costs also occur without capitalist production, as soon as production becomes commodity production in general. The circulation process is not only the realisation of *surplus value*, it is rather only the latter in so far as it is simultaneously and above all the realising of *value*.

Since merchants' capital is absolutely nothing but a *form* of productive capital functioning in the circulation process *which has achieved an independent position*, all questions relating to it must be solved by posing the problem first in the form in which those phenomena peculiar to MERCANTILE capital do not yet appear independently, but rather as directly linked, in direct connection, with productive capital. As OFFICE in contrast to *factory*, productive capital functions continuously in the circulation process. We therefore have first to consider the OFFICE and its costs, and their relation to the value and surplus value of commodities, where the office appears as the side of productive capital itself which is turned to circulation.

OFFICE costs can be reduced *d'abord*^a to the rent of accommodation, which is itself in turn composed of ground rent, interest for the capital fixed in the house, and finally the annual depreciation in replacement of that capital.

The rent is merely a part of the surplus value, as is the interest. The capitalist does not pocket them himself; he pays them to another capitalist. That does not change anything in the situation. They appear to him as costs. They are, nonetheless, deductions from the surplus value created by the worker. This part of the costs of circulation can therefore be reduced to the fact that productive capital has to pay a part of the surplus value, in the form of house rent, to another capitalist and to the LANDLORD.

Only a part of the OFFICE rent remains as a real advance, the depreciation of the house which is to be replaced annually. Now come the office costs, which can all be reduced to paper, ink, pens, STAMPS and the salaries of clerks, travelling salesmen, etc. The fixed capital needed by these fellows, apart from the raw material of the paper, etc., comes down to the depreciation of the house (this part of the rent of the accommodation) and the few miserable sticks of furniture they need to set up an office. These are costs which the productive capitalist must cover, pay cash for, to a greater or lesser extent, depending on the particular nature of his business; they form a real capital advance, and are not concealed surplus value which appears as a cost to the person who must pay it and as interest or rent, i.e. appears in the form of surplus value, to the other person, who pockets it.

In calculating the rate of profit the capitalist counts this part of the capital advanced just as much as he does the part advanced in raw material, machines, etc. These are values which are consumed,

^a First.—Ed.

and must be consumed, not to produce the commodity itself, i.e. the use value of the commodity, but to make it circulate as a commodity, and it could not be reproduced without them; since it must be converted into money, must have realised its value, before its reproduction. They form part of the *faux frais*^a of production, i.e. they are costs of reproduction which are not costs incurred in the manufacture of the use value of the commodities, but derive instead from their economic form as commodity. Relatively, these costs are always very insignificant as compared with the real outlays for production, and they are the more insignificant the larger they appear; because they are only noticeable where a big capital is set in motion, in proportion to which they are visible—on account of their concentration—but relatively weaker than in the case of a small capital. Yet we are not concerned here with the quantity, but with their qualitative determination.

In any case, these outlays have the peculiarity, which distinguishes them from the actual costs of production, that whereas the rate of profit (here=rate of surplus value, as we disregard the adjustment) depends in the best case on the costs of production, here inversely the costs stand in proportion to the amount of profit. If the business is small, the amount of profit is small, so the office costs are minimal, since the producer can take care of this almost alone. If the business is large, the amount of profit is large, so office costs increase and occasion a certain degree of division of labour. The great extent to which these costs are associated with the profit is shown e.g. in the fact that if they increase, a part of the salary is paid by giving a percentage share in that profit. In so far as the salary assumes this form, this part of the office costs is reduced to a deduction from the profit of the capitalists, a deduction which nevertheless leaves him the AVERAGE RATE, because he works under more favourable conditions than the AVERAGE CONDITIONS OF PRODUCTION.

Hence this is also to be eliminated from the question.

In any case, these office costs—in so far as they do not consist of the labour of the capitalist himself, in so far as they have to be paid and require advances—enter into those advances. They enter into the price of the commodity, and, [XVII-1033] for the commodity to be able to be reproduced, a part of its value must be set aside (hence a part of the commodity itself must be exchanged) for the OFFICE, pens, ink, paper, salaries of the clerks, etc. Since these expenses add nothing to the use value of the commodity, are

^a Overhead costs.—*Ed.*

expenses which do not enter into the direct production process, the capitalist seeks to restrict them as much as possible. In so far as *that part of the value* of the commodity is realised which constitutes wages, these expenses belong to the conditions of production of the *commodity*-producing labour itself (even if no capitalist were there), they belong therefore to the conditions of reproduction of the salary, [and] to the conditions of labour. A part of the annual labour of the country is therefore employed in the reproduction of these conditions. The worker must therefore reproduce them as *capital*, if not as profit as well. In so far as they are required to reproduce the *part of the value* of the commodities which represents surplus value, they have nothing to do with the worker as such. UNDER ALL CIRCUMSTANCES, as expenses which have always to be reproduced, they reduce the *rate of profit* and the *amount of profit* in so far as this part of capital cannot be laid out in, raw material, wages, etc.

The only question which opens up here is this: The clerks and other members of the office are formally wage labourers. They sell their labour capacity directly to capital. If the productive capitalist now makes a profit, does he extract surplus value directly from this sort of wage labourer or not? Does their labour enter into the value of the commodity, and how? Here, *notabene*, it is not a matter of OVERLOOKERS, MANAGERS, who are employed in the act of production in a directing role, but of purely mercantile workers, who are only concerned with the realisation of the value of the commodity, and the functional labours that are involved in the circulation process of the commodity.

There is, at the outset, an analogy between the clerks and the wage labourers: If e.g. a division of labour is introduced among them, the same number will perform more labour. But they receive their wages as individuals. The wage bears no relation to the productivity of their labour. The social character of their labour appears to them as rather a productive power of capital and a form belonging to capital itself.

Further: The more intensive or extensive their working day, the fewer of them does the capitalist need to retain. The higher his *rate of profit* on a given aliquot part of capital, e.g. 100, the lower is this ITEM of costs, and the more, *pro rata*, is the capital advanced lessened in proportion to the surplus value. The greater is then the *amount of profit*, since a proportionately greater part of the capital can be employed directly in production.

Just as labour is involved in direct *production*, so is the clerk in the direct *reproduction* of alien wealth. His labour, like that of the

worker, is only a means for the reproduction of capital, as the power which commands him, and at the same time as the worker creates surplus value, the clerk is employed in helping its realisation, not for himself, but for capital.

But there always remains this difference between these mercantile workers and the wage labourers engaged in the production process: The more labour the capitalist extracts from the latter, the greater his surplus value. The more unpaid labour they perform, the more saleable, but unpaid, value they produce. And the greater the number of workers employed at a given stage of production, the greater the amount of surplus value. Surplus value can in general only be created by labour, whose realisation depends on its quantity, irrespective of whether this labour is, or is not, paid for. With the mercantile wage labourers, on the other hand, the value they add to the commodity is never greater than what they themselves cost; it depends not on their labour but on the value of their labour capacity. The capitalist can only extract surplus value from them in so far as he pays their labour capacity at less than its value, but reckons it among the ITEMS of cost at its value. This case does not belong here, where we always presuppose that full values are paid. The less the capitalist pays the MERCANTILE worker, i.e. the more he has him work for the same price, the *smaller* his costs. I.e. the less it costs him to realise the surplus value. But the latter is not itself affected by this (only indirectly, in so far as a large part of the capital can be invested in productive expenditure). The increase in the number of these workers as such therefore occurs only if there is more value and surplus value to be realised, hence more of this kind of labour is required. It is always a result, never a cause of the increase of surplus value.

The mercantile worker has something else in common with the wage labourer proper: What is paid to him is the value—the cost of reproduction—of his specific labour capacity, which stands higher than that of the wage labourer. (Incidentally, this depends very much on competition, and becomes ever cheaper WITH THE PROGRESS OF CIVILISATION.) With the development of capitalist production—and therefore of civilisation—this labour capacity depreciates. Its cost of reproduction becomes cheaper: 1) because of the emergence of the division of labour, which means that [XVII-1034] a more one-sided capacity needs to be produced, and part of the cost of this production is not borne by the capitalist since, like the aptitudes of the worker, this capacity develops by the exercise of the function itself, and develops the more rapidly the

more one-sided the function becomes with the division of labour; 2) because the preliminary training, the acquisition of the knowledge of reading, writing, arithmetic and commercial matters in general, language skills, etc., becomes ever quicker with the progress of science, and can be reproduced more easily, more universally and more cheaply, the more the capitalist mode of production predominates, and therefore science and methods of teaching are directed to practical ends; 3) [because of] the introduction of universal public education, which permits the recruitment of this kind of worker from classes which were previously excluded, and are accustomed to an inferior living standard. The development of capitalist production therefore devalues the labour capacity of these people, their salaries, while their capacity for work increases; partly through better preliminary training, and superior skill resulting from the increase in the division of labour and the tradition handed down from the past. The auxiliary means of this labour, such as all the necessary books on commercial arithmetic, etc., and the art of book-keeping, etc., are also perfected.

But the labour time these people have to work stands in no connection with the labour time required for the reproduction of their labour capacity. All the labour they perform over and above this is unpaid labour time, which capital appropriates without an equivalent. Its costs would otherwise be very much increased, if it only received an equivalent in EXCHANGE for the value of this labour capacity which it pays. Its rate of profit would be very much reduced. But whatever the relation of the unpaid to the paid labour time which this kind of worker provides for capital, this unpaid labour never increases the value of the commodity, and it therefore does not add any surplus value to it. All it does is lessen the cost of realising the value, hence lessen the ratio of the capital advanced to the surplus value, hence increase the rate of profit in the same proportion as it is not paid and no equivalent for it enters into the costs of production. It never adds to the value of the commodity more than its own value, hence never more than its cost, however far that cost may sink below the labour time for which the labour is active. If the capitalist could reduce this labour to 0, the rate of profit and the amount of profit would be higher to a corresponding degree. But if, on the other hand, the (actual) wage labour were reduced to 0, profit would vanish and, with surplus value, capital itself.

The side of capital turned towards circulation therefore appears double to the money capital, which must always buy. This achieves

an independent position in the shape of *MERCANTILE capital*, as capital which is always in the state of circulation, and which both alternately assumes the forms of commodity and of money and also, although in different proportions at different times, always exists simultaneously in both forms.

But productive capital not only alternately assumes the forms of commodity and money in the circulation process, its function thus appearing as that of selling and buying; not only must it always, for the sake of the continuity of the production process, be represented IN A CERTAIN AMOUNT OF CIRCULATING CAPITAL, CONSISTING IN MONEY. Buying and selling requires labour and this labour gives rise to costs, circulation costs. These are represented, alongside the productive workshop, in the *OFFICE* and its costs, which can be reduced partly to the consumption of the commodities needed to perform this labour of circulation, partly to the wages of the workers who are only employed in functions which arise from the circulation process of the commodity, partly in the realisation of its value, partly in the reconversion of the realised value into conditions of production, or, to look at this purely formally, in selling and buying. The commodities are sold to realise their value, they are bought (by the productive capitalist) for the purpose of reproduction, of starting industrial consumption or renewing it. This part of the capital advanced does not exist with the *FARMER*, e.g.; it is barely visible with the small industrialist, it attains a *PALPABLE* form in large-scale industry, but, like all the determinations which are appropriate to productive capital as circulating capital, it appears independently with *MERCANTILE CAPITAL*. Besides the part of mercantile capital which functions as commodity or money, another part is advanced in *OFFICE costs*, and in the wages of its *IN and OUT OF DOOR FUNCTIONARIES*. This is the only workshop of *MERCANTILE capital*. The part of capital employed in this way appears much larger with the big *MERCHANT* than with the industrialist, because apart from the *MERCANTILE OFFICES* proper which are associated with every productive workshop, the part of productive capital which would have to be employed in this manner by the whole class of productive capitalists is concentrated in the hands of individual *MERCHANTS*, who, just as they attend to the continuation of the function of circulation, attend also to the continuation of the costs of circulation which grows out of this continuation. What is true of the other part of *MERCANTILE CAPITAL* is true of this one. Every individual mercantile capital functions for a *LOT OF PRODUCTIVE CAPITALS*, and the whole of the mercantile capital laid out in this way replaces a capital which in this form was

employed by the whole [XVII-1035] PRODUCTIVE CLASS, and it replaces it with a smaller amount, since the total amount of these circulation costs is lessened by division and concentration of labour. It is precisely in this way that it increases the capital employed in production itself and thereby indirectly the productive power and the quantity of the productive capital.

In so far as these costs enter into the function of MERCANTILE CAPITAL, they naturally do not form, as costs of this kind, a part of its profit. As we saw directly with productive capital, they enter into the price of the commodity as capital advanced, costs of production. In so far as these costs of realising the price (selling) or converting value into commodity (buying)—these costs of circulation—enter into the difference between the MERCANTILE SELLING PRICE and the BUYING PRICE, this part of the difference does not form a profit, and it is not a part of the surplus value, but rather a mere reproduction of capital advanced. So that if we are speaking of mercantile profit, this part of the merchant's EXPENSES, or this part of the SELLING PRICE, OF RATHER the difference between SELLING PRICE and BUYING PRICE, must be deducted.

But there is a considerable difference between the relation of MERCANTILE capital to its MERCANTILE wage labourers—and the same relation between productive capital and its MERCANTILE clerks, etc.

It goes without saying, first of all, that just as the function of MERCANTILE CAPITAL creates absolutely no surplus value (the same is true of the MERCANTILE part of PRODUCTIVE capital), the workers employed by it create no surplus value either. The costs of circulation always increase the capital outlay, and always reduce the rate of profit. The commodities which are consumed in circulation are withdrawn as much from industrial as from individual consumption, and the labour which is performed there is always a deduction from productive labour.

The relation of MERCANTILE CAPITAL to surplus value is different from the relation of *productive capital*. The former appropriates a part of the surplus value, TRANSFERS PART OF IT TO ITSELF. The latter produces it by direct exploitation of labour, direct appropriation of alien labour. The costs of circulation *appear* to productive capital as expenses; they appear to mercantile capital as the source of its profit, which—presupposing the general rate of profit—is in proportion to the magnitude of the costs of circulation. For mercantile capital, therefore, INVESTMENT in these costs of circulation is productive INVESTMENT. Hence the MERCANTILE LABOUR it buys is also, for it, directly productive. It is only through its function of realising value that mercantile capital functions as capital in the

reproduction process. The amount of profit it makes depends on the amount of capital it can employ in this process, and the greater the unpaid labour of the clerks, the more of this capital can it employ (the more capital can it employ in buying and selling). For the most part, however, it has its workers perform the function itself, through which its capital acts as reproductive capital (not merely interest-bearing capital, for example), but it pays them as labour capacity. Although the *unpaid* labour of these clerks does not create surplus value, any more than mercantile capital does in general, it does create *for it an appropriation of surplus value*, which for the particular capital is the same thing. It is therefore a source of profit for it. Mercantile business could otherwise never be conducted on a large scale—in capitalist fashion. The relation of the MERCHANT to his “clerks, etc.” is therefore much more analogous to the relation of productive capital to the productive wage labourer than the relation of the clerks in the MERCANTILE OFFICES attached to the factory, etc., although the exploitation of the MERCANTILE worker himself is the same in both cases.

Capital employed in *money-dealing* is a particular kind of commercial capital alongside capital employed in *commodity-dealing*. The one is a development of *commodity capital*, the other a *development of money capital*, or the one is a development of capital as commodity, the other of capital as money. Both are merely *forms and modes of existence of productive capital* present in the circulation process *which have attained an independent role*. Just as mercantile capital *exists* before productive capital, as the first free form of capital, so does money-dealing and capital employed therein (*MONEYED CAPITAL*, interest-bearing capital, also belongs here) presuppose only *merchants' capital* [XVII-1036]; it therefore equally exists as a form of capital *which precedes* productive capital.

Mercantile capital—within the capitalist reproduction process—is absolutely nothing but on the one hand productive capital *in general* in its circulation $C—M—C$ (which however simultaneously assumes a shape of its own, because the commodity here is capital: $M—C' C''—M$), in its function of buying and selling—or in the movement of the complete metamorphosis it passes through in its sphere of circulation, and on the other hand a part of productive capital which has been separated off from it, *has become independent*, and for which the sphere of circulation is the sphere of production peculiar to it. The situation is exactly the same with money-dealing capital.

Circulating capital (and all capital circulates, even fixed capital,

to the extent that its depreciation enters into the commodity as a value component) is precipitated as money when it RETURNS from a circuit or appears as the starting point of a circuit. For a sum of value which must first be converted into capital, money appears as a starting point in isolation. This is only the case for *newly invested capital*. But for capital already involved in the process, and therefore IN A CONTINUAL COURSE OF REPRODUCTION, *both the concluding point and the starting point* appear *only as points of transit*. In so far as capital has to pass through $C-M-C'$ between its stay in the sphere of production and its return to the latter, the M is in fact only the result of a phase of the metamorphosis, to become after that the starting-point for the opposite phase which complements it. Capital, however, simultaneously passes through the acts $C-M$ and $M-C$. I.e. not only is there a capital in the stage $M-C$, while the other is in the stage $C-M$, but the same capital is *simultaneously* buying constantly and selling constantly, owing to the continuity of the production process. Capital is continuously to be found in both stages *simultaneously*. While a part of it is converted into money, to be reconverted into commodities, the other part is simultaneously converted into commodities, to be reconverted into money. Whether the money functions here as means of circulation or means of payment—in the second case so that the balances are paid, in the first case so that the value is always present in a dual form, at one pole as commodity, at the other as money—depends on the form of commodity exchange itself. But in both cases the capitalist has constantly to pay out money (and to *many people*; the productive capitalist has to pay many merchants, the merchant has to pay many capitalists, etc.) in order constantly to receive money in payment. This merely *technical operation* of paying money and collecting money in itself constitutes labour, which, in so far as money functions as means of payment, makes acts of account settling necessary, after the balance has been calculated. This labour is a *cost of circulation*. A definite part of the capital must constantly be available as hoard (as a coin reserve, i.e. a reserve of means of purchase and a fund for payment, a reserve for payments) and a part of the capital constantly returns in this form. This makes necessary, apart from payment and collection, the *keeping in safe custody* of this hoard, which is in turn a separate operation. It is therefore in fact the constant dissolution of the hoard into means of circulation and means of payment, and its rebuilding as money obtained through sale or payment fallen due—this constant movement of the part of capital which constantly exists as money—separated from the

function itself, this *technical* movement, which gives rise to particular labour and costs. *Circulation costs*. It is a result of the division of labour that these technical operations, which flow from the functions of capital, are allotted to definite functionaries on behalf of the whole capitalist class, and that these operations are concentrated in their hands. Here, as with merchants' capital, there is division of labour in a dual sense. It becomes a particular operation, a particular business, and because it becomes a particular business, performed for the whole class, it is concentrated, carried out on a large scale, and a division of labour takes place within it, both through its splitting into different branches which are independent of each other, and through the development of the workshop within these branches. A part of the productive capital involved in this movement is separated off from productive capital, and is employed only in these operations—first the storing of the money, then its payment, collection, settlement of balances, etc.—which are separate from the acts necessitating these technical operations. This is [XVII-1037] productive capital which has attained an independent role in money dealing.

If we now consider the reproduction process of a single capital, we see that the realised surplus value returns in the form of money. The profit is in part expended as income, and it must in part be reconverted into capital. The reproduction process is not only a simple reproduction process but a process of accumulation, reproduction on an increased scale. This manifests itself in part as *accumulation of money*. Whether the individual capitalist can immediately reconvert into capital his profit which exists in the form of money, i.e. utilise it within his reproduction process, depends 1) on the state of the market, which does not perhaps permit the extension of a particular business at that moment; 2) also on the organic composition of his productive capital; since not every sum can be converted immediately into productive capital, this conversion depending in part on the technological conditions (I may have enough money to extend a factory, not enough to add a new one), in part on the magnitude of the sum, which must be large enough to be divided into variable and constant capital in the appropriate proportions. As long as this is not possible, the money is a hoard lying idle—now capital lying idle. The job of storing it falls to the money dealer. This is an operation of the money dealer which arises from a moment of the capitalist process of accumulation, which initially presents itself as *accumulation of money* (in part at least). As long as the capitalist cannot invest the money in his own business, he endeavours to

valorise this idle hoard as *interest-bearing* capital, to lend it out. The money dealer does this for the whole class; *lending and borrowing*, like paying and collecting money, become a particular function of capital employed in money dealing—a function which proceeds from the reproduction process of capital itself. What previously appeared as a *concentration* of the hoard reservoir, now appears as simultaneously a concentration of *money* loanable as capital.

The same is true of the capitalist who has brought his gains into safety but wants to consume them not as money but as capital, i.e. wants to live on interest.

Similarly for all *productive capitalists* themselves—for the part of the profit they expend as income, yet NOT AT ONCE, but *au fur et à mesure*.^a This consumption fund (the actual *coin reserve*) can be lent out as capital in the interval, and it must under all circumstances be accumulated as money IN CERTAIN DIMENSIONS. The same holds for the *recipient of rent* who wants, apart from this, to consume a part of his income as interest-bearing capital. Ditto for all unproductive workers whose income is in part capitalised, in part consumed *au fur et à mesure*, but received in larger portions at certain intervals.

All this is concentrated as loan capital with the money dealer, who apart from this himself lends money and must keep READY definite funds, in order always to be able to pay. The function of his particular capital is only the independent form of the processes which emerge from the reproduction process of capital (conversion of profit into capital), in part from the form of circulation; the fact that newly arisen capital steps forth in the form of money. The money dealer lends and borrows for the whole class, or rather he performs the lending and borrowing of the whole class.

Exchange rate business and *exchange business* proceed from the function of money as world money; the difference between the national currencies. Finally the *BULLION trade; in part the settlement of international payments*, therefore the movement back and forth of money capital (here capital, because it is a form of capital); in part the procurement of fresh supplies of *gold and silver* from their sources of production. The latter is in fact brought about by foreign trade. But the *technical aspect*, the BULLION RETURN, is taken over by the money dealer. Hoard formation—usurers' capital—the exchange of international coins—the BULLION trade (the ENGLISH GOLDSMITHS) form the foundations of the independent development

^a Gradually.—Ed.

of money dealing. It is specially connected with dealing in commodities [XVII-1038], since only merchants' capital—before the development of capitalist production—constantly buys and sells on a mass scale, lends and borrows, pays and collects, in short constantly has its wealth chiefly in the form of money.¹²⁹

Only with the *credit system* does MONIED CAPITAL and money dealing receive the form which emerges from the capitalist mode of production itself.

The profit of *money dealing* does not offer the same difficulty as that of mercantile capital. With the latter the difficulty arises from the fact that the profit originates through an addition to the prices of the commodities, and the commodity is sold dearer than it is bought; which appears to contradict the determination of the price of production and ultimately the value of the commodity by labour time. With the former, in contrast, the commodity as such remains entirely outside the picture, and by far the greater part of the money dealer's profit consists of the interest for which he lends capital, whereas he borrows it for nothing; or of the excess of the interest at which he lends it over the interest at which he borrows it. A part of the surplus value itself therefore directly appears as the source of his profit, and his profit merely appears as a share in that surplus value.

We shall be able to go into this in more detail in the section on capital as *credit*,⁶⁷ but this does not form part of our task at present.

EPISODE. *REFLUX* MOVEMENTS OF MONEY
IN CAPITALIST REPRODUCTION

Let us take first the circulation between productive capitalist and SHOPKEEPER and worker. Let the SHOPKEEPER represent all the sellers of the means of subsistence which enter into the worker's consumption.

Money is paid as wages by the capitalist to the worker; the worker gives out this money as means of circulation, buys commodities from the SHOPKEEPER with it; with the money the SHOPKEEPER replaces his STOCK from the capitalist, who we shall assume produces means of subsistence.

In so far as the money is exchanged on the part of the capitalist for labour, it is money which is converted into productive capital. It is the first element (disregarding the part of the money which is converted into raw material, etc.) in $M-C-M$, as form of the reproduction process of capital.

Furthermore, as far as this capitalist is concerned, the money functions as means of purchase, means of circulation. $C-M-C(L'^a)$. (He has converted the commodity into money and now converts this money into labour, another commodity.)

As far as the worker is concerned, the money is simply coin. L (his commodity)— $M-C$ (the commodity he buys from the SHOPKEEPER); a mere money form, which his commodity assumes, to be subsequently converted into means of subsistence.

With the SHOPKEEPER, the money functions initially as means of circulation. $C-M-C$. He is constantly selling commodities and buying new commodities with the money. But CONSIDERING that he bought the commodity before he sold it, his process presents itself

^a Labour capacity.—*Ed.*

as $M-C-M'$ $M'-C$, etc. And this REFLUX represents here the capitalist movement.

This money in the hands of the capitalist in the act $M-L$ (labour¹³⁰ as commodity), disregarding the fact that it is means of circulation (means of purchase), represents capital, but only a capital in the course of changing its form. It is converted from the form of money into the form of labour, from the form of money into that of the commodity. This is a change of form which capital undergoes in the reproduction process, but it does not express a *valorisation* of capital; for the money the capitalist pays = the *value* of the labour capacity he buys. No *surplus value* arises out of this process, considered in itself. Surplus value only arises from the industrial consumption of the commodity.

For the worker the money, as being merely coin, merely represents *income*. This is always the case where the money merely represents the simple metamorphosis $C-M-C$; the conversion of the commodity into money, so that it can be converted into means of subsistence. In fact exchange of the commodity for means of subsistence. Mr. Tooke calls money that is spent in this manner *income*, because it must in fact derive from an income, wages, profit—interest or rent.^a

[XVII-1039] Lastly, if we consider the SHOPKEEPER, for him the money is not only the form of his capital but its REFLUX movement, it is the movement of his capital. $M-C-M'$, money which returns increased from circulation, self-valorising value. We shall consider this point presently.

However, it is clear even now that nothing can be more incorrect than Tooke's direct identification of the different determinations of the form of money with the question whether they represent capital or income. Thus for example money as means of circulation = income, but when it is not expended as income it is *capital*.

D'abord,^b money appears as *means of circulation* in all 3 processes. For the capitalist $C-M-L'$. For the worker $L-M-C$. For the SHOPKEEPER $C-M-C'$. The same money functions here further as a mere change in the form of capital, as income, as capital + income; i.e. as capital which constitutes capital in relation to itself.

If we consider the whole process of the productive capitalist, money is merely a form of his capital, a form which he changes

^a Th. Tooke, *An Inquiry into the Currency Principle...*, London, 1844, pp. 34, 36.¹³¹—*Ed.*

^b To begin with.—*Ed.*

through his exchange with labour; considered from the point of view of the content, this is a reconversion into conditions of production. The same money in the worker's hands becomes income and circulates as income. The same money returning into the hands of the *épiciér*^a=capital+profit, and its *departure* from the shopkeeper in renewed purchases from the productive capitalist is a mere change in the form of his capital, which denotes a moment in the process of reproduction. It is therefore ridiculous to say that this money is income or capital OF ANYTHING OF THE SORT.

Let us assume that the productive capitalist has bought labour capacity for £100; the workers buy with this money £100 of commodities (which the SHOPKEEPER has bought from the capitalist) and they thus return his money to him. This REFLUX expresses for him the concluding process of a part of his capital. $M-C-M'$. He has withdrawn more money from circulation than he threw in. If the profit=10%, the commodities he sold for 100 cost him $90^{10/11}$. ($9^{1/11}$ profit on the 100.) He sells the commodities to the workers for 100 and buys them from the capitalist for $90^{10/11}$. But in fact in his sale to the SHOPKEEPER the capitalist does not realise the whole value of these commodities—the production price of these commodities, but leaves the *épiciér* to realise $1/11$ of the value. The workers therefore obtain commodities the real production price of which=100. They obtain an equivalent for their 100. And when the *épiciér* makes his profit on the commodities he is merely participating in the capitalist's profit.

In examining how the different parts of the total capital are exchanged for each other,¹³² how their values are realised one through the other, and how their use values replace each other, we saw that if we subsume the *épiciér* under the productive capitalist, or entirely leave him aside, the transaction presents itself like this: The capitalist pays £100 for the labour of the workers: the latter buy back from him £100 worth of commodities. Thus the £100 flow back to him. But in this transaction the capitalist gains nothing. Instead of directly paying the workers commodities to the value of £100, he pays them a value of £100 in the form of exchange value (real money or tokens of value), and as soon as he receives this £100 back, he pays in commodities. Although every part of the commodity contains value, and every individual commodity consists in equal parts of $C+P$, cost and profit, paid labour and unpaid labour, the part of the total product (or of the value of the total product) which is paid in wages contains no

^a Shopkeeper.—Ed.

SURPLUS VALUE, if it is considered in isolation, just as the part of the total product which replaces the constant capital contains no surplus value—because the whole of this part of the product (after the *remplacements* have been deducted) is then calculated as consisting merely of SURPLUS labour.

Hence for the *épicier* (who trades with the workers) to be able constantly to withdraw more money from circulation than he throws in, all that is needed is that enough money should circulate to pay the workers' wages. The *épicier* withdraws more money from circulation than he throws in because he in fact throws more value into circulation than he withdraws from it. Admittedly, the means of subsistence he bought from the capitalist had a value (we say here value for price of production, since we are dealing with capital as a whole and consider every particular sphere only as a part of the total capital) of [XVII-1040] 100, but a realised value of only $90^{10/11}$. But he throws them into circulation with their adequate, full value expression of 100. And for the question we are considering here it is entirely the same thing whether the commodity is thrown into circulation with a higher value than that with which it was originally withdrawn therefrom, because its value has grown, or because a merely latent value has been made manifest, realised. We say: this is the same thing here, where we are considering the relation of circulating money to the reproduction process.

Let us assume that the *épicier* consumes his profit entirely, and in the same articles he buys from the capitalist. In this case, if he originally buys with $\pounds 90^{10/11}$, he sells these commodities to the workers for 100, and with this 100 he can buy back not only enough to replace the commodity capital which was to be sold to the workers (namely $\pounds 100$ worth of commodities for $\pounds 90^{10/11}$) but also $\frac{1}{11}$ of the commodity value of 100 for his own consumption. Hence in this case he would buy back from the productive capitalist commodities to the value of $\pounds 100$. The sum of money ($\pounds 100$) the capitalist needs to pay the workers would therefore constantly flow back to him from the *épicier*. If the *épicier* buys for $\pounds 90^{10/11}$, he obtains a commodity value of $\pounds 100$, and he sells this to the workers for $\pounds 100$. If he buys for $\pounds 100$, he obtains a commodity value of $\pounds 110$. Therefore, after he has sold a value of 100 to the workers, he retains a commodity value of $\pounds 10$ for his own personal consumption.

Here, therefore, we see *d'abord* an example in which it is only required that the capitalist should pay the workers their wages weekly (or over some other period)—hence that money to the

amount of their wages should circulate—for the *épiciier* to be able constantly to withdraw from circulation more money than he threw in. In this case $10/11$ ($(9\frac{1}{11})11=99+11/11=100$) is constantly returned by the *épiciier* to the capitalist from the circulation he requires in order to pay wages. But he would have to procure the remaining $1/11$ in some other way, *which we shall discuss later*. Secondly, however, if the *épiciier* realised his profit of $\pounds 9\frac{1}{11}$ in the commodities of the capitalist himself, the $\pounds 100$ of wages paid by the capitalist would be sufficient not only for the workers to obtain their wages and the *épiciier* to replace his capital, but also for him simultaneously to realise his profit. To pay the wages of his workers periodically, therefore, the capitalist would *need no other fund* than this circulation between himself, his workers and the *épiciier*. As for the SHOPKEEPER, he would constantly withdraw from circulation *more value* than he threw into it (expressed as *value*), namely $\pounds 110$, while he only threw in $\pounds 100$. Nevertheless he would always throw into circulation as much money as he took out, namely $\pounds 100$. In this case, however, he constantly withdraws $\pounds 110$ worth of commodities from circulation and only throws back $\pounds 100$ worth. This version of the matter appears to contradict the previous one. First we said that he withdrew more money from circulation than he threw in, because he threw in commodities of greater value than he withdrew. Now we say that he throws exactly as much money in as he takes out, because he withdraws commodities of greater value from circulation than he throws back into it. The two are in fact identical expressions. In the one case he realises his surplus value in commodities, in the other in money. The *épiciier* constantly withdraws from circulation a commodity value of $\pounds 110$ for $\pounds 100$, while he only throws into circulation, sells to the workers, a commodity value of $\pounds 100$. This is the result of the fact that he constantly withdraws (realised) commodity value from circulation for $\pounds 90\frac{10}{11}$, and throws back into it a value of 100 (realised in the same quantity of commodities).

At any rate, we have here an example in which the same circulation ($\pounds 100$) suffices for the capitalist to pay wages; suffices at the same time for the *épiciier* to realise a SURPLUS value of $\pounds 10$, and finally *the same* amount suffices for the *épiciier* to realise capital and income, and for the capitalist constantly to expend the same amount for the repeated purchase of the same amount of labour.⁴³

Let us assume that the capital of the *épiciier* is $\pounds 1,200$. Let this sum turn over 4 times a year, so that every year he makes $\pounds 4,800$ worth of purchases from the capitalist, which is $\pounds 400$ a month and

£100 a week. *His own* capital would be replaced in the first quarter. If the rate of profit were 10% per annum—hence the 4fold turnover were the AVERAGE REVOLUTION OF THE MERCANTILE CAPITAL—the *épiciér* would add $2\frac{1}{2}\%$ on each 100, for 10% on 1,200=120, and 120 on 4,800= $2\frac{1}{2}\%$. In this case, if the *épiciér* paid 100 he would obtain a commodity value [XVII-1041] of $102\frac{1}{2}$, and since he only gives the workers a commodity value of 100 for £100, these £100 worth of commodities would cost him $\pounds 97\frac{23}{41}$. Here, therefore, a weekly circulation of £100 (the £100 turn over 4 times a month and 48 times in the year) would 1) pay for labour⁴³ with an annual value of £4,800, and 2) realise a commodity value of £4,800. Taken together, a value of £9,600 would be realised. Apart from this, the capital of £100 would return to the capitalist at the end of the whole circuit, whether this was itself equal to a value of £100 (if gold money, etc.) or it was only represented by a token of value or credit paper, which is the same thing for this discussion. While it realised these commodity values, the £100 would at the same time have replaced the *épiciér's* capital of 1,200 and realised a profit of 120.

(The calculation is in itself absurd on account of the *hypotheses*. For if the *épiciér* only needs 100 in turnover, he cannot invest a capital of 1,200. We should then have to assume that, apart from the sum which he always has READY and which after all amounts at most to $\frac{1}{3}$ of what is being turned over, hence £40 at most, the remainder is counted for his SHOP, wages, etc., circulation costs. We should then have to calculate a higher surcharge: 10% profit and so much, etc., for the replacement of the fixed capital. We should then have had to bring into the calculation as well the circulation between the *épiciér* and his own workers.)

But what we are concerned with here, and what is the case independently of any hypotheses, is this: In one single cycle of the circulation of the capital, in which the capitalist lays out £100 in labour, the workers buy commodities with the £100 from the *épiciér*, and the *épiciér* uses this £100 to buy back commodities from the capitalist, the £100 buy labour for £100 and commodities for £200, namely the £100 of commodities the workers buy from the *épiciér*, and the £100 of commodities the *épiciér* buys from the capitalist. This admittedly expresses, in so far as we are considering the circulation of money, merely its circuit, $M-C-M-C$, etc. But at the same time, if we look at the process which lies hidden behind this, [it expresses] a complete cycle of the reproduction process, which contains, entwined together, the moments of production, consumption, distribution, circulation and

reproduction. In contrast to this, the 40 turnovers of the £100 in the year express the 40fold repetition of this complete cycle. A single cycle may proceed slowly or quickly, the amount circulating may be big or small, but the money must pass through these turnovers. ITS SUFFICIENCY for the 40 times greater amount, on the other hand, has as its condition a given number of repetitions of the cycle, hence that the reproductions of the whole cycle of reproduction over a year should be sufficiently rapid.

Assume that the capitalist pays the workers £100 out of his own pocket (before he has begun to trade with the *épiciier*). The *épiciier* buys with £100 from his pocket a commodity value of £110 from the capitalist (namely $£90^{10/11}$ of commodities for resale and $9^{1/11}$ from his own consumption). £200 of money has now been laid out, therefore. £100 is in the pockets of the workers. The capitalist for his part has replaced the £100 through the sale of the commodities. As soon as the cycle has started, and the £100 has passed from the workers to the *épiciier*, and flowed back from the latter to the capitalist in purchases, £200 is in the capitalist's pocket. But he pays his workers with the £100 he receives back from the *épiciier*, not with the £100 he received from him before the cycle. £100 of money is now thrown out of this circulation. But the capitalist now may retain £100 less in the form of money. He can invest it elsewhere. The CURRENCY flows to him from the *épiciier*. This is in general the service performed by capital engaged purely in trade. The capitalist does not gain any capital thereby. For he provided £100 of commodities for the first £100, and for the £100 of the *épiciier*, with which he pays the workers from now on, he must always provide commodities afresh. But what he gains is that he can invest this value of £100 elsewhere. Whether the *épiciier* was the original owner of the £100 or not is demonstrated at the end of the first cycle. If it was his, he now has £100, just as before, since he has consumed the surplus value of £10 in commodities. If it belonged to the capitalist, the *épiciier* has to pay out the £100. If he buys anew, this happens in fact with fresh credit.

[XVII-1042] In the real reproduction process we must presume that one part of the profit is consumed as income, another part is accumulated. Let us assume that the *épiciier*, who makes a profit of 10% on a capital of 100 (this 100 needs to be merely an aliquot part of his capital and stands for x here), consumes half of the 10% and accumulates the other half. On our assumption the workers buy from him £100 worth of commodities, which cost him $£90^{10/11}$. His profit = $£9^{1/11}$. But in order to simplify the calculation we should prefer to say, and the relation is the same here: the workers buy for £110 commodities which cost him £100. £110 is

here what the capitalist has to pay the workers; he only receives the whole sum back from the *épicier* if the latter constantly consumes the £10 profit, and indeed consumes it in the capitalist's commodities. If he consumes £5, £105 comes back to the capitalist, and if this occurs regularly this amount is constantly in circulation. The capitalist, on the other hand, would constantly have to draw £5 from sources other than this cycle of circulation and, through wages, throw them into circulation as SURPLUS, except under certain circumstances which will appear shortly.

The £5 the *épicier* accumulates is initially accumulated by him in the form of money, and this is the sole, *most direct, immediate* form in which he can accumulate, unlike the productive capitalist. The productive capitalist can accumulate *in natura*, if his product itself enters as a condition of production into itself, as e.g. wheat does as wheat seed in agriculture, or he can accumulate through exchange, as do e.g. the machine manufacturer and iron producer. (What would correspond to this in the case of the SHOPKEEPER, perhaps, would be an increase in the part of his capital which enters into the circulation costs of his circulating capital, such as buildings, etc. But even so this too requires a prior conversion into money.)

//It is true that accumulation may appear with all capitalists as *accumulation of unsold commodities* (presupposing here that they have sold the part of the commodities which replaces their capital). But this is always involuntary accumulation and it hinders reproduction, with one sole exception. The capitalist may consider it necessary to produce an increasing reserve fund of commodities to cover increasing demand (this can naturally only happen with commodities which can be preserved FOR SOME TIME, such as clothing materials and the raw material for them, etc., cattle, machines, etc., metals, etc.), and SO FAR (this may also be case for the SHOPKEEPER) all accumulation amounts to annual overproduction, an overproduction which is the law of expanding production, not stagnant production.//

OUR SHOPKEEPER may now accumulate this £5 straight away in real terms as capital, i.e. convert it into capital, or only accumulate it as the material of capital, as money capital destined for reproduction, but temporarily at rest. This is in fact a mere hoard, but with the determination of capital lying fallow.

With £100 the SHOPKEEPER bought commodities of a value of 110; the capitalist paid the workers £110 of wages; the workers paid the SHOPKEEPER the £110 for commodities which are worth 110 but only cost the SHOP 100. On our first presupposition the SHOP[keeper]

spends with the same capitalist, apart from the 100 needed for the replacement of his commodity capital (which has a value of 110), 10 more for his own personal consumption. For 110 he receives commodities of a value of 121, but he consumes this value of 21 or sells it to himself. The commodities cost him only 10, although they are worth £21; but cost him as his own customer the value of 21. (Just as he obtained 110 for 100 (in the case where his capital was $90^{10/11}$) but consumed 10. The £110, however, circulates constantly; it provides the money for both the workers' wages and the *épicier's* commodities, as well as the commodities the *épicier* buys back; equally the £110 replaces his capital and his profit.)

If the *épicier* always consumes £5 and accumulates £5 (as distinct from the HOARD, which is always involuntary with the capitalist, but which is, both for him and for the hoarder, money withdrawn from circulation, exchange value at rest as money) the situation remains the same in so far as he still buys commodities for £110; £100 to replace his capital, £5 as profit added to the capital, and £5 for his own consumption. But certain distinctions enter here. As far as concerns the £5 consumed by the *épicier* himself, the old rule still prevails. He buys with it a commodity value of $£7\frac{3}{4}$, which he himself consumes, however. [XVII-1043] It is different with the other $£7\frac{3}{4}$.

This is wrong. We assume that he always adds 5% to the capital, hence the capital is 100, 105, 110,¹⁵³ etc. For him to accumulate this, to apply it as capital, the workers need to buy more from him, the capitalist must therefore buy more labour⁴⁵ (whether by employing more workers, or by having to pay more because more work is done. Here we leave out of account any rise in the market price, although this amounts to the same thing for the circulation of money. Similarly, the production price of the commodity could have risen, hence either more labour is employed by the capitalist in order to produce the same amount of commodities, or the raw material, etc., has become dearer. We are not considering any of these CASES here. It is assumed that commodity values remain the same.) The mere accumulation of the SHOP[keeper], SO FAR as it is not SPEND OF HIS PROFIT, is not of the slightest use to him in accumulating as capital the money saved, if the workers do not have any more to buy. And we are assuming that this is his LINE OF BUSINESS, and we leave out of account here the competition through which one SHOPKEEPER extends his sphere of action at the expense of another. (This is a very important consideration in dealing with the competition of capitals.⁶⁷ Here one of the SHOP[keepers] represents the class of SHOP[keepers].) It is admittedly possible that he e.g.

expands his SHOP, etc., and maintains a larger service personnel. This already requires a considerable increase in the accumulation of his capital (OR RATHER his LATENT CAPITAL). It therefore only comes about in consequence of a long (productive) accumulation or growth of latent capital.

But let us assume that the workers buy more and that the shopkeeper's accumulation corresponds exactly to the growth in wages (hence to the growth in the reproduction of the *variable* capital of the capitalist). (If the latter were to proceed more rapidly, he would have to take credit from the capitalist. His profit would then grow more rapidly than his capital.)

Let us say that this process takes up e.g. 5 years.

Year I) Capital 100. SHOP[keeper] buys from the capitalist for £100 commodities of the value of £110. Capital pays £110 in wages. The workers buy commodities from the SHOP[keeper] to the value of £110.

//If the situation is normal, the worker, like anyone else, buys the commodities at their value. They are only dearer for him because he provides more labour for the money with which he buys them than the money represents; not because the commodity is worth less in money than it costs him. The money costs him more labour than it is worth.//

II) *Capital 105.* SHOP[keeper] buys from capital for £110 (hence commodities to the value of £121). But he only has in his shop commodities for £105, hence to the value of £115¹/₂. He consumes commodities to the value of £5¹/₂, which cost him £5. (The ¹/₂ is 10% on 5.) The capitalist pays £115¹/₂ in wages, with which the workers buy from the SHOP[keeper] a commodity value of £115¹/₂.

III) *Capital 110.* SHOP[keeper] buys commodities from capital for £115¹/₂, hence commodities of the value of £126¹/₂+¹/₂₀, or £126¹¹/₂₀. But he has in his shop only £110 of commodities, consumes therefore a commodity value of £5¹¹/₂₀. The value of these commodities, for which he has laid out £110, is 121. The capitalist pays £121 in wages. The workers buy commodities from the SHOP[keeper] for £121.

IV) *Capital 115.* SHOP[keeper] buys from capital for £121=a commodity value of £132¹/₁₀. But he only has in his SHOP commodities for 115, the value of which is 126¹/₂. He therefore consumes a commodity value of 6⁶/₁₀. The capitalist pays £126¹/₂ to the workers; they buy with this commodities which cost the SHOP[keeper] 115.

[XVII-1044] V) *Capital 120.* SHOP[keeper] buys from the capitalist for £126¹/₂. But he only has enough in his SHOP for £120. He

therefore consumes $\pounds 6\frac{1}{2} = a$ commodity value of $6 + \frac{1}{2} + \frac{6}{10} + \frac{1}{20} = 6 + \frac{1}{20} + \frac{12}{20} + \frac{1}{20} = 6 + \frac{14}{20} = 6\frac{7}{10}$.

He has in his SHOP commodities for $\pounds 120$, hence a value of $\pounds 132$. The capitalist pays $\pounds 132$ to the workers; they buy for this amount from the SHOP[keeper], etc.

Two things are assumed here for the SHOP[keeper] to be able to add 5% to his capital every year. Firstly, that the individual CONSUMPTION OF the SHOP[keeper] himself grows somewhat every year. Otherwise the accumulation would have to proceed more rapidly. Secondly, that the capitalist (this is what we call the directly productive capitalist $\kappa\alpha\tau'\acute{\epsilon}\xi\omicron\chi\eta\nu^a$) accumulates, since this is demonstrated in the growing magnitude of his variable capital, i.e. the annual growth in his outlay for the purchase of labour. But we see here at the same time that though the circulation of $\pounds 100$ was enough as long as the SHOP[keeper] did not accumulate but consumed his $\pounds 10$ of profit in commodities, this is no longer the case once he begins to accumulate. Just as at the beginning of the process he bought for $\pounds 90\frac{10}{11}$ and sold for $\pounds 100$, the capitalist therefore having to add $\pounds 9\frac{1}{11}$ to circulation, but the $\pounds 100$ being sufficient, so now at the beginning of each year the capitalist has to make an addition to circulation from his own capital in order to keep reproduction going.

Year I) SHOPKEEPER operates with $\pounds 100$. Capital pays wages of $\pounds 110$. Therefore throws $\pounds 10$ more money into circulation.

Year II) SHOPKEEPER operates with $\pounds 105$. Capital pays wages of $115\frac{1}{2}$. Throws $\pounds 5\frac{1}{2}$ more money into circulation.

Year III) SHOPKEEPER operates with $\pounds 110$. Capital pays wages of $\pounds 121$. Therefore throws $\pounds 5\frac{1}{2}$ more money into circulation. ($115\frac{1}{2} + 5\frac{1}{2} = 120 + \frac{2}{2} = 121$.)

Year IV) SHOPKEEPER operates with $\pounds 115$.¹³³ Capital pays wages of $\pounds 126\frac{1}{2}$. Therefore throws $\pounds 5\frac{1}{2}$ more into circulation.

Year V) SHOPKEEPER operates with $\pounds 120$. Capital pays $\pounds 132$. Throws $\pounds 5\frac{1}{2}$ more into action.¹³⁴

The total amount the capitalist has added to circulation over the five years = $\pounds 10 + 4(5 + \frac{1}{2}) = 10 + 20 + \frac{4}{2} = \pounds 32$. This amount replaces the whole of the SHOPKEEPER'S profit, because he consumes part of it in the commodities of the capitalist, hence sells it to himself.

Incidentally, the eventual upshot of all this is the law we developed earlier. The wage of the worker pays the whole capital of the SHOP[keeper] as well as his profit. Therefore, if a SHOP[keeper] who only provides the workers with the means of subsistence, i.e.

^a Par excellence.—Ed.

is only sustained by variable capital, accumulates, the money laid out for wages must increase. In fact the causal relation is reversed. The SHOP[keeper] can only accumulate as SHOP[keeper] (i.e. reconvert into CAPITAL his profit in his BUSINESS) if productive capital produces on an expanded scale, and only in so far as this expansion involves an expansion of variable capital, i.e. capital laid out in wages. The expansion of circulation—to the DEGREE of the SHOP[keeper]'s ACCUMULATION—must then be provided by capital.

Now take the second case. The SHOP[keeper] has no opportunity to expand his business, because the capital laid out in the purchase of labour does not increase, or does not increase in the proportion to which the SHOP[keeper] would like to accumulate.

If e.g. his capital is 100, the value of the commodities he buys is 110, and if he consumes half of the 10, he will accumulate £25 in the 5 years; if his capital=1,000, he will accumulate £250. Thus the accumulation of capital appears here at first as accumulation of money, WHICH IS NOTHING ELSE THAN HOARDING, although here the hoard has the character of latent capital. All surplus value which is realised in money assumes this form initially, until it has been reconverted into productive capital. The latent capital may also have other forms, those of fixed capital, etc. But then—with the exception of unsold commodities destined for individual consumption (apart from the means of subsistence for the workers)—it already exists as a condition of production, realised (not in the money form) and available.

[XVII-1045] This accumulation of capital in the form of money is however the sole kind which can take place without the presupposition of simultaneous reproduction in other spheres of productive capital. This SHOPKEEPER can thus be compelled to HOARD the £250 as money, because there is no growth in variable capital. This lack of growth does not prevent him from setting aside annually £5 of money, or more, depending on his greed or mania for accumulation, which he cannot however directly apply as capital in his business. This is an incidental feature of the reproduction process which is important for the explanation of many phenomena.

Under the circumstances we have indicated, the SHOP[keeper] buys from capital:

1st year for £100. Capital has to throw £110 into circulation. Thus £10 more than it receives from the SHOP[keeper].

2nd year for £105. Namely £100 for SHOP and £5 for SHOPKEEPER. The SHOPKEEPER accumulates or RATHER HOARDS £5. Capital has as before to throw £110 into circulation. The SHOP[keeper] for the £5

receives £5 ½ of commodities *in natura*. But for the £100 he receives a value in commodities of £110, which the capitalist has to pay his workers as wages. But since he receives £105 from the SHOP[keeper] he has to add 5.

3rd year the same. 4th year the same. 5th year the same.

The capitalist has therefore to add to circulation in the first year 10, in the 4 following years £20 (each year 5), in the 5 years £30. It was £32, while the SHOP[keeper], instead of putting the £5 into the bank (in short laying it aside), invested it productively in the purchase of capital's commodities. It is therefore—*prima facie*—almost the same CASE, *quoad circulationem*,^a as if the SHOP[keeper] had accumulated productively.

Given the capitalist mode of production, however, it is to be assumed that the SHOP[keeper] deposits this amount every year with a banker. Whether or not he draws interest from this is here irrelevant. Yet it would need to be considered for reproduction as a whole. This much is clear, however, that the amount the SHOP[keeper] puts aside in this case=the amount capital has to add every year over the 5 years—£5. The SHOP[keeper] first puts aside £5 at the end of the first year, hence £25 over the 5 years. In the first year capital throws £10 into circulation. But 5 out of this 10 remains in circulation or returns to it from the SHOP[keeper]. With the exception of the £10 which the capitalist casts into circulation in the first year, he continues to throw in no more than 5 a year, since the other 5 remains in circulation. Since the 105 remains in circulation (the capitalist has thrown in the 5 once and for all) there remains to be added by the capitalist over the 5 years, after the deduction of this amount—and it is in circulation, flows back—only £25, exactly the same amount the SHOP[keeper] has lying in the bank. This money—capital lying fallow, accumulating latent money capital for the SHOP[keeper]—forms the source of the supplement capital needs for the circulation. Thus the circulation can last year by year with the sum of £110. The profit of the *épiciér* is *verbalement*^b PAID to him IN HIS OWN COIN. He himself puts back £105 a year, and £5 is paid to him in his money which he has deposited with the BANKER. (It is assumed here that he himself receives no interest; otherwise an increase of circulation from one direction or another would be necessary.) The capitalist pays him his annual balance of £5 with his £5 annually deposited with the BANKER. The business is now done in the following way:

^a From the standpoint of circulation.—Ed.

^b Literally.—Ed.

First year. Capitalist receives £100 from *épiciier*. Pays 110 to workers, who buy commodities from the *épiciier* with this money. The *épiciier* pays 105 and takes 5 to the banker.

Second year. Capitalist receives £105 from *épiciier* (5 of which is thrown into circulation by capital). He takes from the BANKER the 5 which the *épiciier* has deposited. He pays the workers £110. Back to the *épiciier*. The latter brings to the banker the same £5, which have been returned to him in the £110.

Third year. Capitalist receives £105 from the *épiciier*. He takes the £5 from the banker and pays it to the *épiciier* for the second time, in the 4th year for the 3rd time, in the 5th year for the 4th time. The £25 deposited with the BANKER by the *épiciier* therefore continues to exist only in the form of £5. And in fact the capitalist threw £10 into circulation only at the beginning of the transaction; this £10 passes through the same cycle just as before. Out of the £25, therefore, only £5 is to be found with the BANKER as money accumulated and constantly expended by the capitalist; this £5 constantly travels from the banker to the capitalist and from the [XVII-1046] *épiciier* to the banker. Only by an indirect route does the *épiciier* annually throw £110 into circulation. His capital of £25 deposited with the BANKER amounts to his having a balance of £25 in his favour with the BANKER, which is present (in so far as the BANKER deals at all with his own capital) in the form of SECURITIES, mere drafts on future income, government stocks, bills of exchange, share certificates, etc. What has accumulated here in fact is the *épiciier*'s draft on the BANKER, the BANKER's draft on the future receipts of the state, share companies, productive capitals. The accumulation is IN FACT here an accumulation of mere drafts on receipts which derive from productive capital. (For the revenue of the state can also be reduced to receipts of this kind, which are paid to it annually by the productive capitalists.) This discussion belongs actually to the credit system.⁶⁷ What is important here is that we should see how the £110 continues to suffice for the circulation, although £25 is *accumulated as latent money capital*. One can see from this the difference between actual (apparent) accumulation of money and the inflow of CURRENCY. What must be accumulated here in CURRENCY is nothing but the identical original £110, although the SHOP[keeper] annually withdraws £5 of this from circulation.

//Even if the SHOP[keeper] accumulates productively, and annually buys £5 more of commodities from the capitalist, the latter receives the extra amount from the BANKER in the same way. Yet in this case circulation increases by the whole amount of money the

SHOP[keeper] does not consume in commodity value, as his purchasing money. The capitalist must obtain from other sources the increased wages over and above this purchasing money.// The capitalist indeed owes the banker capital (value) to the value of £5 each time, for the £5 he withdraws annually in this way. Hence at the end of the 5th year £25. But this is definitely not the same as saying that he has as a result of this changed the figures in his account with the BANKER. If, e.g., he has increased his constant, without increasing his variable, capital, he will have more to receive from the BANKER (who administers his account for him) for the sale of his commodities. We do not say, therefore, that he borrows the £25. To be sure, he must lay out £5 more of his capital every year in money. But for this it is not necessary that the amount of CURRENCY he himself provides via the SHOP[keeper] be increased.

With regard to the MERCHANT (*épiciier*, SHOPKEEPER) who sells the means of subsistence to the workers—with regard to a part of the capital (part of the MERCANTILE CAPITAL)—we have seen, thus, how he constantly “extracts from circulation more money than he throws in”. He extracts a part of the “surplus value” in “commodity value”, but this must be a GENERAL LAW, since all those who live off profit //interest and rent// must expend a PART for their individual consumption. It is enough for the operation that the amount of money necessary to pay the worker his weekly wage should circulate, hence the amount necessary to pay for the commodity values the worker consumes. The money necessary for this circulation is provided (and forms a part of the capital) from the capital of the SHOPKEEPER himself for the most part (unless he is trading on credit from the MANUFACTURER). The part originally provided by the productive capitalist himself = the profit of the SHOPKEEPER, i.e. it is not equal to the annual profit on his capital, but = the part of the profit which falls on the weekly turnover. (In fact the excess contains not only profit but at the same time the depreciation of the capital laid out for the circulation costs.) Let us assume that the SHOP[keeper] circulates £1,000, which turn over 4 times in the year. And the profit (including costs, etc.) = 16%. Thus 4% in three months and $\frac{4}{3}\%$ in 1 month, and in one week $\frac{4}{12} = \frac{1}{3}\%$. (4% in 3 months on 1,000 = £40. And in 12 months = £160. And 16% annually on £1,000 = £160.) This would be a weekly addition of $\frac{1}{3}\%$ to 1,000. To £100 it is £ $\frac{1}{3}$. To £300 it is $3 \times \frac{1}{3} = \text{£}1$. To £900 it is £3. And to £1,000 it is £3 $\frac{1}{3}$ or £3 $6\frac{2}{3}s$. And this would be the amount the manufacturer had to add to the CURRENCY of £1,000. (Naturally all these amounts must

in reality be set somewhat higher, because the REFLEX movement does not proceed without friction. A part of the wage, for example, may run into other channels, may be HOARDED by the worker, etc. On the other hand, we are leaving almost entirely out of account compensations for credit.) We have seen how [XVII-1047] this amount *remains constant*, if on the one hand wages (and the number of workers employed) remain the same, and on the other hand the *épicier* consumes the whole of his profit in the commodities of the capitalist. It is not greatly modified when the SHOP[keeper] WITHDRAWS PART OF HIS PROFIT. If the *épicier* accumulates productively, i.e. expands his business, the prerequisite is that the variable capital employed by the capitalist should increase. In this case too, what the capitalist adds is only equal to the profit, or RATHER the *weekly expression of the profit*, of the tenant.^a A very small rate, therefore. *Incidentally, see the following*

//Note to p. 1044.^b

The calculation is wrong, because it is always only the part of the SHOPKEEPER'S money with which he operates as capital which is calculated, thus not the money he expends for his own consumption, the money he expends as income. Then matters proceed in this way:

Year I. SHOPKEEPER buys with £100 for his SHOP a commodity value of £110. Wages 110. The *capitalist* throws into circulation £10,=the profit of the SHOPKEEPER,=the 11th part of the circulation.

Year II. SHOPKEEPER expends £5 as income. Buys commodities for the SHOP for 105. He therefore expends the £110 he has received from the workers. For the £105 he receives commodities of $115\frac{1}{2}$. The capitalist has to pay wages of $£115\frac{1}{2}$. £110 of this has been thrown into circulation by the SHOP[keeper]. The capitalist now has to throw in $5\frac{1}{2}$.

Year III. SHOP[keeper] throws in $£115\frac{1}{2}$. Capitalist 121. Hence $5\frac{1}{2}$. Similarly in Years IV and V.

The calculation is thus correct after all. Besides this, the amount the capitalist throws in here as an increment is smaller than the amount he originally threw in by almost a half— $5\frac{1}{2}$ instead of 10.//

* At first view, it seems a puzzling question, how the capitalist shall be able perpetually to withdraw more money from circulation than he throws into it, the more so since he, in fact, throws all the

^a This seems to be a slip of the pen. It should probably be "shopkeeper".—Ed.

^b See this volume, p. 181.—Ed.

money into the circulation, or is the starting point as well as the returning point of the circulation?*

With the *épiciér* the capitalist has only to throw once and for all into circulation—if the reproduction process remains the same and the *épiciér* consumes the whole of his profit—the part—the weekly expression of the profit of the MERCANTILE capital of the *épiciér*. This addition to the capital thrown into circulation every week by the *épiciér* himself //we can look later at the differences which enter through the fact that the *épiciér* buys perhaps only once a month or once every 3 months, depending on the circumstances, and sells weekly//+the weekly monetary expression of this capital itself is then sufficient for the *épiciér* to be able to withdraw every week from circulation e.g. £10 more than he threw into it, although the weekly CURRENCY remains £110, as before. And what the capitalist has thrown in, ONCE and FOR ALL, is only $\frac{1}{11}$ of the weekly expression of his variable capital, hence, since the weekly variable capital = $\frac{1}{52}$ of the annual variable capital,

$\frac{1}{11}$ of this, $\frac{1}{52 \times 11} = \frac{1}{572}$ of the variable capital he has to lay out

annually. Whether I pay 1,200 thalers (value) all together at the end of the year, or 12 thalers a month or 3 thalers a week, changes nothing in the *amount of value* I have to pay for the whole year. In the first case, however, 1,200 thalers of money would be needed to realise the value. In the second, if the 3 thalers flow back, they may be sufficient to pay the 1,200 thalers. 3 thalers, turning over 400 times in the year, realise 1,200. But one sees at the same time that important as the above investigation is for the role played by mercantile capital in relation to the circulation of money proceeding during the reproduction process, the question is not thereby exhausted. This is so in two respects.

1) Since mercantile capital is itself PART and PARCEL OF THE CAPITAL, one should, to begin with, refer it to productive capital itself. The operation would then look like this: The capitalist pays out 110 in wages, the workers buy back from him commodities of 110, and the money thus flows back to him. This shows us indeed how a money capital of 110, laid out weekly (in money as CURRENCY, means of payment), is enough if he has to lay out a variable capital annually to the amount of £5,720. The workers receive from him in the course of the year a commodity value of £5,720. But the sum of £110 is sufficient to pay them this over the whole year. The simple circuit of the money is only that *the same* coin passes through different hands. In contrast to this, the REFLUX move-

ment—continuity—implies [XVII-1048] that the same coin or at least the same amount of money passes again and again through *the same* hands as means of purchase or payment. Hence the money capital the capitalist must have in order to pay his variable capital to the workers is in no way proportionate to the size of this variable capital itself. Although the weekly expression in money of the variable capital for the 2 variable capitals A and B is naturally proportionate to the magnitudes of A and B. If A is 50 times greater than B, its weekly expression in money is 50 times greater than that of B. In either case this is quite compatible with the MONETARY expression of A and B over the whole year never being, respectively, greater than $\frac{A}{52}$ and $\frac{B}{52}$. This is an important moment in the REFLEX movement, in order to grasp the mechanism of the circulation of money. But whether the capitalist pays out £110 at the end of the week or 5,720 at the end of the year, this movement does not explain how even a centime of profit flows back to him, hence also profit realised as money. For, reduced to a still simpler expression, the process comes down to this: He first pays out the amount in money; he then pays out the same amount of value in commodities and thus draws back the money. It is reduced to this, that every week he pays out a value of £110 to the workers. No advantage results from this process of payment. And not in the least from the fact that he first gives out the tokens (the money) and then draws them back and gives out the real commodity values.

2) *But secondly*, with regard to the MERCANTILE CAPITAL of the SHOPKEEPER, the matter can be reduced to this: His specific profit requires merely that the value of the commodity sold by him should be paid; and, since the workers are the buyers of his commodity, that the wage of labour should=the value of the commodities sold to them by him. But expressing this generally we find that the problem itself is only repeated (leaving aside the SPECIFIC NATURE OF MERCANTILE CAPITAL) IN ANOTHER FORM: Expressed generally this means nothing but: for the capitalist to draw from circulation more money than he has thrown into it nothing more is needed except that the value of his commodities should be paid for, or that enough money should be there to pay for the value of his commodities. Or that enough money should be available every week, i.e. that enough money should periodically circulate, to pay for the periodically circulating amount of commodities that he offers for sale. But since the value of his commodities includes surplus value (profit (interest, rent)), hence he has given out less money in order to buy the elements of the commodity, it means

that so much money is (periodically) in circulation as to enable him periodically to withdraw from circulation more money than he has thrown in. This solution of the QUESTION, generalised, is therefore nothing more than a repetition of the QUESTION itself.

We must above all endeavour TO REDUCE THE PROBLEM ITSELF TO ITS SIMPLEST EXPRESSION.

The fact that the capitalist receives back more value than he gives out is not what constitutes the question. For this would be the question of the origin of surplus value, which we have already solved. *Therefore, what is at stake here is the question of how this surplus value is realised in circulation.* In the first act of capital, $M-C$, it buys commodities to which, as shown above, surplus value is added in the production process, i.e. value the capitalist has not paid for but which he can sell. In the second process, $C-M$, in contrast, in the sale of the reproduced commodities, the capitalist in fact throws into circulation more value than he has withdrawn from it in $M-C$. The only requirement for the realisation of this higher value is that it should find an equivalent in circulation. We have discussed how this happens, in investigating the way in which, in the total reproduction process, the use values and values of the different capitals replace, pay for, and realise each other.¹³⁵ Hence this too is not the problem. In explaining that process we made abstraction from the circulation of money, or we considered money only as the expression of value, as money of account. The question was therefore then posed in this way: *Assuming the product is sold, how is it replaced? Or, on the other hand, who buys it, who possesses the values needed to replace it?* The question is now related to *the money* with which the purchase is conducted. Capital's extraction from the circulation process of a greater commodity value than it originally threw in is explained by the fact that it throws in the surplus in one form, before it extracts it in the other form. And the way it throws in the surplus in advance in the other form has been explained.

[XVII-1049] But the question here is: How is the surplus realised in money? How does the surplus value assume the form of a surplus of money? The money the capitalist lays out at the beginning of the process does not enter into the production process. The capitalist rather gives it away entirely. The fact that he has given it away is a condition for the initiation of the actual production process. Hence whatever increase of value occurs in the production process, the value which was originally represented by money increases, but this increase of value changes absolutely nothing in the quantity of money. It itself is present in circulation

in the same quantity, before and after the production process. It has changed hands. If now through the circuit of reproduction it flows back into the hands of the capitalist, how should it flow back in increased quantity? Let us say the total productive capital=1,000, and there were commodities of that amount in the hands of the MERCHANT. WELL. The commodities are now partly present in the productive process, and are partly being consumed by the workers. The £1,000, in contrast, is now in the hands of the MERCHANT. Once the production process has ended, commodities to the value of 1,100 ought to be found in the hands of the productive capitalist. How is the MERCHANT to buy commodities to the value of £1,100 with £1,000? It is of no assistance to shift the question from one foot to the other and to say: the MERCHANT sells the commodities to the consumers for £1,100. Who are the consumers? The industrial consumers and the individual consumers. Industrial consumers are the capitalist himself and the workers. But they only buy back when the £1,000 has been converted into 1,100. Individual consumers—profit (interest, rent) and RETAINERS. But this profit and its branches—interest, rent and the salaries of the unproductive workers—have first to be realised. They are contained precisely in the £100. One therefore says in fact that the capitalist pays the merchant the 100, so that the latter can pay him £1,100 for commodities of a value of 1,100, since the merchant only possesses £1,000 from the previous operation.

SO BROADLY PUT, the question answers itself. In the form in which the problem is posed, money is only considered in circulation, excluded from the production process. //We disregard here credit money, in which circulation itself functions as the workshop for the production of money.// And it is excluded, as money. But not as commodity. As the latter, it emerges itself from the production process. And the money (gold, silver) is at first a commodity—before it runs its course in circulation as money. Let us transfer gold and silver production from the gold and silver lands to the home country itself, so that the entry of foreign trade does not bring in superfluous incidental details in advance. TO WORK A GOLD OR SILVER MINE, the capitalist has to lay out constant and variable capital, as in every other branch of industry. But his constant capital consists only of fixed capital and *matières instrumentales*.^a Living labour forms a large proportion of the total outlay. Let us assume that when he lays out £100 in money, he gains £130. This £30 then forms the surplus value. ///((Profit and rent) The production

^a Instrumental materials.—Ed.

of gold and silver is distinguished from all other branches of production by the fact that here, rather than comparing the value of the product with the value of the outlay, we must compare the money value of the outlay, the EXPENSES MONETARILY EXPRESSED, with the *total amount* of the product. The outlay, £100, = A CERTAIN MASS OF GOLD. Its price of £100 is merely the expression in the language of money of account of the fact that the outlay = a certain quantity of gold. Hence if the product is 130, i.e. if it contains $\frac{3}{10}$ more gold than the outlay, the profit = 30%. The rate of profit (which here includes rent) is determined purely by the excess of the use value obtained (gold) over the outlay (similarly in gold), expressed in the same use value, gold. And this is entirely independent of the value of the gold. An equalisation of the profit can here only take place to the extent that if the rate of profit = 10% and the excess of gold = 30, this 30 may be split up into rent and profit. On the other hand, the outlay itself depends, to be sure, on the value of the gold, hence on the productivity of the labour employed in the production of gold and silver—a productivity which is determined by the natural level of yield of the mine, if the mode of production is given, and which depends on the mode of production if the natural level of yield is given. If the value of gold and silver stands high, because the mines yield little // We want to leave aside the mode of production here, although it is important for SURPLUS value, as in every other TRADE; the capitalist [XVII-1050] can extract more surplus labour if he employs division of labour, machinery, etc.// and therefore a large quantity of labour provides a meagre result, £20 may perhaps buy as much labour (i.e. means of subsistence for the workers), instruments and *matières instrumentales* as in another situation 100. If, therefore, £100 is invested and yields a SURPLUS PRODUCE of only £3, the rate of profit will admittedly only be 3%. But as much can be bought with this £3 as with £30 in the other case.///

Or the surplus labour is expressed in £30. Let us assume that the capital consists of 40 constant capital and 60 variable capital, i.e. £60 laid out in wages. In this case the £100 thrown into circulation comes out of the production process itself as gold and silver to the value of £130. The whole of the capital does not need first to be converted into gold or silver by the circulation process, but is converted into gold or silver *in natura*. The first metamorphosis here is not the conversion of the commodity into gold or silver (money) but inversely the conversion of gold and silver into commodity. Gold and silver are only realised as commodities and converted into money through their exchange

with other commodities. Our gold producer would *d'abord* have had to pay out $\frac{6}{13}$ of his product to the workers. The REFLUX of this $\frac{6}{13}$ or £60 would not take place with him. The workers buy from the SHOPKEEPER with it, but the SHOPKEEPER does not have to buy from the gold producer with the £60, which is gold. He rather expends £60 in order to buy commodities from the capitalist who produces means of subsistence. The £60 therefore flows towards the latter. (The profit of the SHOPKEEPER continues to consist in his receiving from the capitalist for the £60 a commodity value of say £66 (10%). Whereas he himself naturally only gives out commodities to the value of £60 for the £60.) And the £30 is reconverted by the gold producer into machinery, *matières instrumentales*, etc.; they therefore flow to the machine manufacturer, coal producer, etc. Finally, profit and rent of £30 is in part consumed, whether in means of subsistence and luxuries or by being handed to unproductive workers (the state, servants, etc.); and a part of it is destined for accumulation, therefore thrown onto the loan market. As long as it is not loaned out, it lies idle as a hoard. Once it is loaned out, it is itself again laid out in constant capital and variable capital and thus thrown into circulation. The gold which the gold producer has thus thrown into circulation flows back to him from circulation only in the form of the commodity; it returns to him (with surplus) out of his own sphere of production as gold and silver. Thus the £130 of new gold flow as money into circulation, partly in exchange for means of subsistence, it may be for the workers, it may be for the other classes, partly in exchange for machinery and *matières instrumentales*. This commodity, unlike all others, does not have to be converted into money, but becomes money through its conversion into a commodity; it therefore performs the opposite movement to that performed by the other commodities. If on the one hand a SURPLUS of commodity values is thrown into circulation, on the other hand a surplus of gold is thrown in. This is on the assumption that there exists a circulation adequate to begin the new cycle of the reproduction process. On the same assumption, all that needs to be circulated anew, is surplus value. From the other angle, the angle of gold production, it is not only the surplus (the £30), which is thrown into circulation but the whole product (with the exception of the accumulated gold, as long as it lies idle). Thus on the above assumption,^a if e.g. the capital consists of 1,000 and the profit of 100 (the total SURPLUS VALUE), all that needs to be thrown into

^a See this volume, pp. 189-91.— *Ed.*

circulation is gold for £100. Thus a capital of $71\frac{5}{13}$ would suffice for gold production. For the product equals 100. (Profit $28\frac{8}{13}$.) Relatively little capital suffices here because it is not the surplus of this capital but capital and profit—the total product in which it is reproduced—which is expended in paying for that surplus of commodity values.

The whole of the portion of annual production which is exchanged for gold or silver (this is how the matter presents itself when gold and silver are not produced within the country) or directly employed in the production of gold and silver, 1) represents more gold or silver than is expended to produce it; it represents SURPLUS value directly in gold or silver, as a surplus of gold and silver; 2) reproduces in gold or silver the whole of the capital laid out. This gold (let us leave out silver to simplify matters), in so far as it enters as a material into gold and silver manufacturing, is as we have seen^a also a form of hoard-formation, which we are not concerned with here. It replaces the constant capital of the jeweller, GOLDSMITH, watchmaker, etc. Another part enters the CURRENCY, whether to replace worn out, [XVII-1051] abraded coins, or because the realisation of the commodity values requires a greater QUANTITY OF CURRENCY. A third part becomes a hoard, and in this form it is either a mere hoard (capital lying idle) or a reserve fund for means of payment and purchase, or, finally, for the settlement of international balances, or a means of purchase abroad. As BULLION, gold can only serve as means of payment on the world market; within the country it must be converted into actual coin or at least transferred into money of account.

According to our assumption, gold production takes place within the country.

The gold producer has to exchange his product 1) for variable capital by means of the wage paid to the workers; 2) for constant capital, for machinery and *matières instrumentales*; 3) for means of subsistence, etc., in which PROFIT (RENT INCLUDED) IS SPENDED [expended]; 4) a part of the profit is accumulated. If this accumulation is not to be mere HOARDING, it must in turn be laid out as variable and constant capital.

Let us start from 4); the part of the newly produced gold which is accumulated as profit. It must either BE HOARDED, if there is no direct employment for it, or, if there is employment for it, it

^a K. Marx, *A Contribution to the Critique of Political Economy*. Part One (present edition, Vol. 29, pp. 359-70).—Ed.

replaces constant and variable capital. If the latter takes place, the gold producer may either invest it in his own business or loan it out as interest-bearing capital. As far as the first is concerned, the gold producer has it in common with all other producers whose SURPLUS is realised in money that it is initially a hoard which lies idle, latent money capital. As such it lies with the banker, and waits for its conversion into productive capital. The sole difference is that in the one case it can exist in the form of tokens of value (government stocks) or as banknotes or some other form of credit money, but here it exists itself as value, i.e. money. The second case is as follows: He accumulates, i.e. capitalises the profit existing as a SURPLUS of gold. This happens either through his investing it in his own business or loaning it out.

Let us assume that he invests it in his own business. Then, in this particular case, his accumulation will be different from that of the other capitalists. The other capitalists can only employ their own product again as a condition of production if it really enters as a condition of production into their own product. E.g. coal enters into coal production, machines enter into machine production, metal enters into metal production, corn enters into corn production. But they can never do more than reproduce it *in natura* as *constant capital*. One might refer to the producers of means of subsistence which can be stored; e.g. living cattle, corn, clothes, etc., are variable capital which is accumulated *in natura*. But cattle-breeders, FARMERS, CLOTHIERS, etc., must all first sell cattle, corn, clothes before they can pay the workers with them. The wage must be paid in money. They indeed accumulate, TO A CERTAIN DEGREE (no one produces means of subsistence to pile them up; the capitalist produces at most the excess quantity he THINKS TO BE ABLE TO SELL WITHIN THE YEAR, basing his calculations on THE GENERAL OVERPRODUCTION AS COMPARED WITH THE YEAR PAST), variable capital FOR THE SOCIETY, but not *directly* for themselves. Apart from this, every particular branch of production produces ONLY ONE ITEM OF THE VARIABLE CAPITAL, AND CAN ONLY BY ITS CONVERSION INTO MONEY BE RECONVERTED INTO ALL THE INGREDIENTS OF VARIABLE CAPITAL. The gold producer, in contrast, can never reproduce *in natura* any part of his constant capital. Gold is neither instrument, nor *matière instrumentale* for the production of gold. It does not enter into the production of gold *in natura*. But the gold producer, unlike the other producers, can directly reproduce his variable capital, i.e. the variable capital in its direct form, gold paid to the workers as wages. For the worker to be able to realise this gold there must admittedly be the commodities on the market into which, as means of subsistence, he

sinks his wages. (For society it is variable capital which the producers of variable capital can accumulate, i.e. a commodity; but not this commodity in the form in which it serves them themselves directly as variable capital. Conditions of production and commodities which belong to the consumption fund of society can BE ACCUMULATED, the former TO A GREATER, THE LATTER TO A SMALLER DEGREE.) This gold paid to the workers would go directly into circulation. The more workers were employed, the more gold could circulate, and more gold would have to circulate, SINCE THE WORKMEN ARE TO BE PAID CONTEMPORANEOUSLY AT A GIVEN PERIOD. But here A DIFFERENCE comes in. What he has to advance for CIRCULATION is the *weekly* MONETARY EXPRESSION OF THE NEW VARIABLE CAPITAL HE IS TO DISPENSE DURING THE YEAR. What he must pay is THAT MONETARY EXPRESSION OF ONE WEEK $\times 52$. The matter proceeds in this way. He employs e.g. 10 more workers a year, SAY = £520. THIS IS £1 WEEKLY per worker or £10 for 10 workers. [XVII-1052] But he has to lay out this £10 every week, since the outlay flows back to him not as money but as commodity. The *épiciier* receives the £10, buys a commodity from the manufacturer for it. If the circulation was previously 100—I mean this circulation between the manufacturer, *épiciier* and WORKMEN—it is now 110. The manufacturer continues to receive the £100 he EXPENDS FOR HIS OWN WORKMEN, REPLACED BY THE *épiciier*; he receives further, replaced by him, the £10 the gold producer SPENDS for his WORKMEN. The *épiciier* makes his profit on the £10 as on the 100. He sells the workers for £10 commodities of the value of £10, but they only cost him $\text{£}^{10}_{/11}$ or $18^2_{/11\text{s.}}$, if his profit on 100 = 10% (it is however much less on account of the turnover of the capital). The *épiciier* therefore pays the manufacturer 110 the first week. But the manufacturer only pays his workers 100. Hence the £10 the gold producer threw into circulation does not flow back into this circulation between worker and *épiciier*. But the *épiciier* must now buy £110 worth a week from the manufacturer. Every week he receives from the workers who produce gold this addition of £10 for circulation. Nevertheless only £110 circulates every week. Therefore, out of the £520 the gold producer has laid out in additional labour during the year, no more than £10 enters into the circulation between the manufacturer and the SHOPKEEPER. The basic sum of 510 is money which has replaced the capital of the manufacturer, i.e. commodities to this amount, in which capital and profit are both included. Assume that the SHOPKEEPER, who has to buy $\frac{1}{11}$ more from the manufacturer, bought in the 2nd week £110 worth, before he received the £10 from the gold producer's workers, that

he therefore advanced the £10 from his own capital. Thus the manufacturer lays aside £10 (within this circulation), since he only has to pay 100 to his own workers. In the 2nd week, the *épiciér* receives £110, 100 from the manufacturer's workers, 10 from the gold producer's workers. But he already possesses commodities for £110 (deducting what he keeps for himself). To the manufacturer's workers he gives £100 in commodities, and to the gold producer's workers he gives £10. He therefore once again has £110.

The only difference is this: If the *épiciér* has advanced the £10, so when the cycle is broken off he retains the £10 which flow to him from the gold producer's workers. If he paid the money from his receipts from the gold producer's workers, he has to hand over the £10 to the manufacturer.

In any case, £520 worth of the manufacturer's commodities are converted into money. The manufacturer pays the wage IN FACT only for the first week in money. Later he always pays it in commodities. For the money form of his commodities flows back to him from the 2nd week onwards from the *épiciér*. Every week the gold producer pays in gold. But this gold does not enter into this circulation, or only in his exchange with his workers. It only serves once as the workers' means of payment, and is then converted in the hands of the manufacturer into THE MONETARY EXPRESSION OF THAT PART OF HIS CAPITAL WHICH DOES NOT *in natura* ENTER INTO THE CONSUMPTION OF HIS WORKMEN. I.e. it is converted into the MONETARY EXPRESSION (AS FAR AS IT GOES) OF THAT PART OF ITS PRODUCT WHICH REPRESENTS HIS CONSTANT CAPITAL AND HIS PROFIT. $\frac{1}{52}$ of the variable capital of the gold producer enters into the circulating money capital of the SHOPKEEPER, and therefore functions as CURRENCY between the SHOP[keeper], the manufacturer and the WORKMEN, $\frac{51}{52}$, on the other hand, becomes the expression of the constant capital and profit of the manufacturer. (Here we disregard the PROFIT of the SHOPKEEPER, which receives its MONETARY EXPRESSION in the $\frac{51}{52}$.)

Let us assume that the capital the manufacturer has laid out is £700. Then the gold manufacturer's 10 workers replace £520 for him. The £100 of "circulation" his workers cost him are to be found in the circuit between him and the SHOP[keeper]. Therefore he only has to turn into money a commodity value of £170 [XVII-1053] in order to realise the whole of his capital, CAPITAL and profit. Since his constant capital=600, he replaces, with this 520, 600-520, the whole of his constant capital except £80. If the profit=10%, he therefore has to replace a further £80 for constant capital and £70 for profit,=£150.

His constant capital amounts to variable capital+profit for the producer of constant capital. If wages again form $\frac{1}{7}$, the variable capital amounts to $74\frac{2}{7}$. And profit= $445\frac{5}{7}$. If the whole of this is given out, £520 flows back to him for commodities, since he provides the means of subsistence. And he only has to sell an additional £150 worth of commodities.

This much is clear *d'abord*,^a that even the part of the gold producer's capital that he lays out in wages does not remain in circulation as COIN, but adds at most the MONETARY EXPRESSION OF ONE WEEK'S WAGES to this circulation. He pays this part as wages. This is the way in which he throws this part into circulation. But it does not remain in circulation for the payment of the wage. It is converted instead into the money capital of the productive capitalist. If, as a result of an increase in the production of gold (we do not mean a rise in the productivity of the mines, etc., but a growth in the labour and capital invested in gold production), the manufacturer increased his own production, hence e.g. in the above case^b employed 10 more workers (an incorrect proportion: if the gold producer employs 10 more workers the manufacturer will employ at most one more) the process would be as follows: he had to pay £100 in wages to 100 workers, and now he has to pay 110 for 110 workers. But on our assumption the SHOPKEEPER receives £10 a week from the workers of the gold producer. This would be the calculation, assuming that the production of the manufacturer provided enough commodities for 10 workers in addition to his own.

1st week. SHOPKEEPER receives £10 from gold producer's workers. 100 from manufacturer's workers. Buys for £110 from the manufacturer. Buys with this from the manufacturer commodities to the value of £110. Manufacturer pays £100 of this to his workers, uses the £10 in some other way. Only £100 flows to the *épiciér* from the manufacturer's workers, but 10 flows from the gold producer's workers. The first £100 circulates constantly within this sphere. The last £10 is constantly thrown afresh into this circulation every week, but does not return to it.

2nd week. Assume that the manufacturer increases his production by 10 workers as a result of new demand from the gold producer. He therefore pays a wage of £110. The SHOPKEEPER now sells for £110 to the manufacturer's workers, for 10 to the gold producer's workers. He buys for £120 from the manufacturer. But the manufacturer only needs £110 for wages. £10 therefore

^a At the outset.—*Ed.*

^b See this volume, pp. 194-96.—*Ed.*

flows back. Therefore if he increases his own variable capital as a result of an increase in gold production, he only increases—*quoad* circulation—the *weekly* expression of his addition to variable capital. The gold of the gold producer which flows to him afresh every week—BEYOND THIS POINT—does not flow back to *this* section of circulation.

Let us now take the part of the profit which the gold producer expends as INCOME. Apart from particular expenditures, he will sometimes buy commodities of greater value, sometimes of smaller. For example, some furniture, jewels, etc., horses, carriages, etc., may have a high price, so that much gold must be expended at one time in the sale. But we can take an average. For 10 weeks he throws into circulation perhaps £10, while for 2 weeks 100 each time. If that is right, he would have thrown into circulation in the 12 weeks gold to the value of £1,200. That makes £100 a week. Over the year he throws £1,200 in gold into circulation. But we can calculate the quantity, which remains constant in this circulation between him, his SHOPKEEPER and the MANUFACTURER and FARMER, AS ABOUT £100. The remainder, £1,100, goes into the pockets of the manufacturer and FARMER (in part into the SHOPKEEPER'S pockets), in order to serve in another *sector of circulation*, or it lies there as latent capital. If production is increased in this way, the *WEEKLY MONETARY EXPRESSION OF THE WAGES OF THE ADDITIONAL LABOURERS* must be added to this. The greater part of this gold is however withdrawn both from the circulation between SHOPKEEPER, WORKMEN and MANUFACTURER, and from the circulation between SHOPKEEPER, MANUFACTURER AND GOLD-PRODUCING [XVII-1054] capitalist.

The 3rd part of his product, finally, is exchanged for constant capital, where it again pays for wages (variable capital) and constant capital. Speaking of the former, what we said previously applies. Most of it is withdrawn from the sphere of circulation, into which it is thrown, and does not return there. Let us assume it is £110, and £10 of this represents the profit of the producer of the constant capital. Let $\frac{1}{5}$ of his outgoings of £100=labour,⁴³ hence £20. This £20 does not return to circulation (or only a small part of it for an increased outlay in labour). The £20 replaces $\frac{1}{4}$ of the constant capital in money, SINCE $\frac{80}{4}=20$. 70 remains to be replaced profit included. But the circulation which occurs within the sphere of circulation of the exchange of the constant capital is sufficient to realise the £80. Of the 20 paid for the variable capital, a half—10—is sufficient for the realisation of the profit. Of the £100 the producer of the constant capital

receives 90 is therefore superfluous for his circulation. (Or at least most of the 90, if he expands his business as a result of the demand from the gold producer.) What now happens to this £90? To the producer of the constant capital it represents not an equivalent for profit but an equivalent for capital. He receives back more of the equivalent for his capital in money, an excess quantity in money, which he needs in the natural form of his capital as RETURN.

Let the whole of the annual productive capital consist of 6 million, i.e. let this be the magnitude of the part of the capital which comes onto the market as a commodity and which therefore includes the annual depreciation of the constant capital. Assume that the variable part of this capital = $\frac{1}{6}$, = 1 million. Then all that

needs to be circulated for this in money is $\frac{1 \text{ million}}{52} = 19,230$.

This 19,230 in fact circulates 52 times its own value in commodities. There therefore remain to be realised 5 million + 19,230. Assume further that the profit (rent included) = 30%, hence 1,800,000 on the 6 million. Assume that this profit is completely consumed. If the capitalists, like the workers, were to spend their income roughly immediately in equal weekly portions, this would require $34,615\frac{5}{13}$ a week. However, on account of the larger occasional and periodic purchases let us say 100,000. Then we have ABOUT 119,230 for CURRENCY. For the CURRENCY which is expended as profit. This sum replaces not only the profit of the producers of the means of subsistence, but their variable *capital*; it replaces not only the profit of the producers of constant capital but at the same time their variable capital. Let us assume that the proportion of variable to constant capital is in general 1:5. This proportion is not displayed exactly in the division of the 6 million, because it is merely the depreciation of the fixed capital which enters into it, not the fixed capital itself. According to our previous calculation, 2,800,000 of this consists of means of subsistence (1 million for replacement of the total variable capital of the society, and 1,800,000 for the profit on the total capital) and this is circulated on our first calculation by £108,334. Since these commodities of 2,800,000 are the product of the capitalists who produce the means of subsistence, their total product = £2,800,000. This includes their capital advanced + a profit of 20%. Hence $\frac{1}{6}$ of this amount consists of their profit, and the remainder consists of capital advanced. Out of the £2,800,000, therefore, $466,666\frac{4}{6}$ is profit and 2,333,334 is capital

advanced. The profit these producers consume in their own reciprocal commodities, or rather this reciprocal consumption of their profit in their reciprocal commodities, may occur in three ways. They may buy simultaneously or on credit from each other. In both cases, there is at most a balance to be paid, now from one, now from another. Or one may buy today from the other in CASH, the other tomorrow in CASH from the former. In this CASE—the *most unfavourable* case for the reduction of the CASH present in CURRENCY—there takes place at all events a REFLUX movement of money and through this REFLUX movement a circulation of money. Here a definite sum of money circulates, and pays many times over in the same hands for different portions of commodity value. Let us say it passes through each pair of hands 10 times. Thus only $\frac{1}{10}$ is needed of the amount that would otherwise be necessary to circulate the above profit. Assume that the profit of 466,333 referred to= $\frac{1}{4}$ of the 1,800,000, of which it forms an aliquot PART. (It is more than $\frac{1}{4}$.) Then, if a circulation of £100,000 is required for £1,800,000, £25,000 is required for $\frac{1}{4}$ of that. But this 25,000 should be reduced to a tenth of that amount. There therefore remain 75,000+2,500, or £77,500, for the total circulation present in profit. Furthermore, if the proportion of variable to constant capital in [XVII-1055] this sphere of production=1:5, the capital of 2,333,334 will be divided into $\frac{1}{5}$ variable capital and $\frac{4}{5}$ constant. The variable=466,666 $\frac{4}{5}$, say 466,667, and the constant=1,866,667. £8,974 is required for the circulation of the variable capital, and this is already calculated in the circulation of the total variable capital. There remain £1,866,667, with which the producers of the means of subsistence pay for their constant capital, and with which the workers and capitalists employed in the manufacture of the constant capital replace their variable capital and realise their profit, in short expend wages and profit.

After deduction of the 2,333,334 which are employed in the production of the means of subsistence there remain 3,666,666 of the capital of 6 million. £533,333 of this is variable capital (since variable capital is 1 million altogether and 466,667 falls to the workers in sphere I, that of the production of the means of subsistence). There remains a constant capital of 3,133,333. This amount, with which the capitalists of sphere II realise their profits and their variable capital, is sufficient to allow class I to replace its constant capital. £2,500 for profit and £8,974 for wages is sufficient for class I (for the circulation within it). So there remains for circulation between class I and class II, etc.¹³⁶

The calculation SOMEWHAT ELSE TO TURN.

//We had a capital of 6 million. 20% profit=1,800,000. Hence the value of all the commodities in circulation=7,800,000. If 2,800,000 consist of means of subsistence, a constant capital of 5,000,000 remains over. (The proportion is greater here because only the part of the constant capital which enters as depreciation into the commodity enters into the *value* of the annually circulating commodity.)//

Hence I) £2,800,000. *Sphere of the capital employed in the production of the means of subsistence.*

Out of these commodities of the value of £2,800,000 20% represent profit—ABOUT 466,667—and the remainder, capital=2,333,333. 388,888 of this capital is variable capital. There remains a constant capital of 1,944,445.¹³⁷

There circulates within this sphere for the variable capital $\frac{388,888}{52}$, of which the weekly MONETARY expression=ABOUT 7,477

($7,476 \frac{36}{52}$ to be precise). And there circulates for the profit, which is on our assumption entirely consumed, say for all expenditure of income (which is not wages), $\frac{1}{10}$ of the total amount, which would be ABOUT 46,667. But since the consumers of the profit are reciprocally dealers in the commodities they consume, a REFLUX takes place here. The butcher buys from the baker, and with the same money the baker buys from the butcher and the butcher again from the baker. Through the REFLUX movement, therefore, *the same* sum of money passes through the same hands. Say this turnover takes place 10 times on the average. Then only $\frac{1}{10}$ of the previous amount is required to turn the profit into money. There therefore remains about £4,666, whereby we have not made any attempt to calculate how much of his own commodities the SHOPKEEPER, etc., gobbles up.

In this sphere, therefore, what is required for circulation within it is £7,477 for wages and £4,666 for profit. Taken together=£12,143 in money.

The remaining £1,944,445 worth of commodities of class I are sold to class II, the manufacturers of constant capital.

So now to class II. Its capital, with profit,=a commodity value of £50,000,000. Of this, profit=somewhat more than 833,333. Out of the 5 million, the 1,944,445 replace the part of the product which consists of wages and profit; wages thus=1,111,112. In order to pay these wages, $\frac{1,111,112}{52}$ is needed,=£21,367. And to pay the profit say $\frac{1}{10}$ of the amount is needed, hence 83,333. Thus the

total amount of money that has to circulate [XVII-1056] = $83,333 + \pounds 21,367 = \pounds 104,700$. With this $\pounds 104,700$ the capitalists and workers of class II buy their means of subsistence from class I, and class I buys the replacement of its constant capital *in natura* from class II. A REFLUX takes place. Class II buys e.g. means of subsistence from class I for $\pounds 100$; class I uses the same $\pounds 100$ to buy constant capital from class II. It is like a wagon which travels backwards and forwards, first taking A's load to B and then on the return journey taking B's freight to A. With this money, therefore, a commodity value not of $\pounds 1,944,445$ is realised, but one of $2 \times \pounds 1,944,445 = \pounds 3,888,890$. The same amount of money realises the constant capital of I, and the variable capital and profit of class II. There therefore remains of the 5 million of class II:

III) $\pounds 5 \text{ million} - \pounds 1,944,445 = \pounds 3,055,555$. Let us assume that only $\frac{1}{10}$ of this is replaced *in natura*, which as regards agriculture is much too little. This part does not enter into circulation at all, and does not need to be turned into gold. ABOUT 305,555 should be deducted from the amount to be realised. There remain: $\pounds 2,750,000$ worth of commodities. This 2nd circulation in class II is a mere reciprocal TRANSFER of capital, an exchange mediated through money. The iron producer buys coal from the coal producer, the latter in turn buys machines from the machine-builder, he in turn buys iron from the iron producer, etc. The money here will for the most part circulate as means of payment and only balances will be paid in money. But even if it circulates itself, at most $\frac{1}{20}$ is required. $\frac{2,750,000}{20} = 137,500$.

What is required altogether, therefore, to realise the capital of 6 million as well as a profit of 1,800,000 (wrong again, should be 1,200,000, for this is $\frac{1}{5}$ of 6 million or 20%, BUT NEVER MIND), to realise commodities of the value of 6 million plus profit of 1,200,000, or $\pounds 7,200,000$ worth, is the following:

$\pounds 12,143$ circulating in class I;
 $\pounds 104,700$ between class I and class II;
 $\pounds 137,500$ in class II. Makes together: $\pounds 254,343$ in money.

Sum total: 254,343.

We have assumed in this connection that out of the capital of 6 million, variable capital = $388,888 + 1,111,112 = 1,500,000$, hence the variable capital = $\frac{1}{4}$ of the capital advanced. This is somewhat more than $\frac{1}{6}$ of the capital advanced in wages. The adjustment of

balances and credit, etc., has not been brought into the calculation. Hence if the gold producer only provided enough gold to realise $\frac{1}{6}$ of the capital laid out in wages, or, what is the same thing, if enough of the commodity was exported to return gold from the mining countries, etc., this would be sufficient to provide the whole CURRENCY. And once this had been imported, it would be enough (deducting wear and tear on the money) as long as the mode of production remained the same.

What is in general needed to enable the capitalist to withdraw more money from circulation than he throws into it is nothing more than this: enough money must circulate in order to convert into money the commodity values which are circulating. It is not yet necessary for this purpose that $\frac{1}{6}$ of the capital should be available as money; this is the annual amount of money which has to be paid out in wages alone. The amount which is needed, however, is provided by the part of capital which is exchanged directly for gold, i.e. the commodities which are sold to the producers of gold and silver, and bring back BULLION in RETURN. But a part of the capital is accumulated as hoard, under its various aspects. Thus one part always lies idle. Assume that the capital which circulates annually in commodities = £110. And $\frac{1}{10}$ is required to convert it into gold, hence £10. If then £10 worth of commodities are exported and exchanged for gold, this is divided up among the whole class which produces the £110 worth of commodities.

[XVII-1057] Just as the producers of the means of consumption replace the variable capital and the part of the production of all classes expended as income, so these gold importing elements (THE SAME AS GOLD PRODUCING PART) of the COMMUNITY replace the money needed for the circulation of the whole of the capital.

After what we have developed so far, the following two points should first be made:

Firstly: The turnovers of the same amount of money effected by the REFLUX are always accompanied by turnovers of the same *monetary individuals*, while the number of different turnovers performed by the same monetary individuals by no means includes the REFLUX. E.g. £100 from the SHOPKEEPER to the manufacturer, from the manufacturer to the worker, from the worker back to the SHOPKEEPER. Here the same money makes 3 turnovers. At any rate 2, from the manufacturer to the workers, from the workers to the SHOPKEEPER. In addition to this, the REFLUX includes the repetition of this cycle, for *the same amount of money*, whether this consists of the same identical pieces of money or not.

A piece of money, on the other hand, may turn over 10 times in one day without expressing a REFLUX. I buy a commodity for 5s., the SHOPKEEPER gives the 5s. to another buyer in the change for £1, who in turn pays a worker with it, the worker makes a purchase with it, etc. The mere rapidity of turnover of *the same* piece of money—mostly in inverse proportion to its magnitude—is different from the rapidity with which the cycle passes through its phases and is repeated.

Secondly. Where money as *coin* appears in $C—M—C$ in the first conception, i.e. the conversion of the commodity into means of subsistence for its producer or owner, it only functions, first as paid out *wages*, $W—M—C$; second where profit, interest, rent, etc. (also the wages of the unproductive) are spent as income. For here the M that they expend represents the exchange value form of a sold commodity, to be subsequently resolved into means of subsistence. $C—M—C$. The fact that the money expended in this way simultaneously replaces a capital (capital+profit) does not alter the situation at all. On the other hand, all other functions in which money appears *in circulation* are always forms in which it constitutes a phase of capitalist reproduction, which either does not proceed as far as RETAIL at all (as the EXCHANGE OF CONSTANT CAPITAL FOR CONSTANT CAPITAL), or is, at least, a PREVIOUS PROCESS. As long as it circulates in this way it is money capital. For the RETAILER, the income taken from the other is admittedly also money capital. But this is not reciprocal. Here the money does not derive from the metamorphosis of *capital as such*, but from incomes which have arisen from it and become separated off.

We have examined the cycle performed by the same amount of money between SHOPKEEPER, manufacturer and worker; which is IN FACT—if we leave aside the mediating SHOPKEEPER—the circulation of *the same* amount of money between manufacturer and worker. The manufacturer buys with *the same* money labour⁴⁹ which is always new, and the worker buys with the same money *commodities that are always new*. The manufacturer (if we leave aside the SHOP[keeper]) originally throws this money into circulation. He must therefore have originally received it from circulation; but from the circulation with the gold producer. Or this process took place earlier and he possesses this money as a part of his capital accumulated in money form, just as he possesses another part in machinery. If the weekly value of his commodity=£600 (including £100 of profit, or 20% [of the capital advanced]) and the wage to be paid every week=£100, he must sell $\frac{1}{6}$ of his commodity to the gold producer. He then has once and for all the £100 he needs

for the weekly payment of the wage. Suppose that the whole of his capital is 1,500, of which 1,000 is fixed capital, 398 a week *matière brute et instrumentale*,^a 100 a week wages. Suppose the fixed capital is used up over a cycle of 10 years. Then he needs £100 a year for depreciation. And £2 a week (we shall reckon 50 weeks of labour a year). He therefore has a depreciation of £2 a week. 398 *matière brute* and *instrumentale* and 100 wages=an advance of £500, on which there is 20[%] profit=100. He perhaps has to replace the depreciation of £100 only once in the year (probably less often). The first week he takes in £600, of which 100 are not exchanged for commodities but for money. He has therefore converted the whole of his profit into money. Or he brought £100 more, apart from the WORKING CAPITAL. (This is IN FACT advanced by the SHOPKEEPER.) Or he can consume none of his profit in the first week. For he possesses $\frac{1}{6}$ of the commodity in gold, his workers consume $\frac{1}{6}$, and $\frac{4}{6}$ replace his constant capital. In the next week he does not need to buy gold from the gold producer with any part of his commodity in order to be able to pay the wages. But in the 1ST WEEK he needs a part of his capital twice over. Firstly in the form of the commodity, the $\frac{1}{6}$ that the workers will consume, secondly in the form of gold, so as to enable the workers [XVII-1058] to buy their $\frac{1}{6}$ from him. During this week, therefore, he must have currency in reserve for his own consumption, money which does not flow to him from the business but which he has inherited, etc., or he must live by borrowing, which is likely if he starts his production with £500.

In the 2nd week he does not need to possess $\frac{1}{6}$ of his commodity in dual form as commodity and as money; for the £100 of wages flow back to him from the worker in payment for the commodity.

Hence in order to maintain this circulation between himself and the worker in existence he only needs to buy gold from the gold producer with $\frac{1}{6}$ of the product of a week.

There is always the question of who *first* throws into circulation the part of the money present therein. The answer is: it is always the capitalist, whether he be producer or MERCHANT; never the worker or the recipient of interest or rent. He who loans out at interest throws capital into circulation, i.e. TRANSFERS IT TO THE PRODUCTIVE CAPITALIST; but it is the latter who first throws it really into circulation.

The *recipient of rent* receives his money in part from the FARMING

^a Raw material and instrumental material.—Ed.

CAPITALIST, in part from the INDUSTRIAL CAPITALIST (who works MINES, etc., and for buildings) (and the rent of houses); further, he receives it from the worker. (Part of the rent of land, and the rent of his house.) In so far as rent is provided in currency by the *workers*, this part of ITS MONETARY EXPRESSION (just as with the SHOPKEEPER who sells means of subsistence to the workers) is drawn from the circulation between capitalist and workers, hence contained in the CURRENCY which circulates for wages. Admittedly this part does not flow back as quickly (if the manufacturer is not himself the LANDLORD or the FARMER, which is very often the CASE) as the part of the wages given out for the means of subsistence. Yet this latter CASE is a peculiar one. The same money which the MANUFACTURER or FARMER here gives out as a wage realises for him the rent he takes as LANDLORD, or the rental he takes as a letter of houses, leaving aside the fact that it replaces for him the depreciation of his commodities. The worker receives the value, namely the house, which he rents by the week. But a part of this value can be reduced to house- and ground-rent. And what the manufacturer pays as manufacturer simultaneously turns into money for him his revenue as LANDLORD and house-letting capitalist. He himself has advanced the CURRENCY for this in the purchase of labour.⁴⁵ But the worker pays back to him ground- and house-rent.

He makes 2 transactions with the worker. He buys his labour with money, and secondly he sells him housing and receives back for it a part of this money. But the value he sells here to the worker is not entirely paid by him; it contains unpaid labour. By paying this to him, the worker pays him ground- and house-rent. There is therefore no contradiction in the fact that in drawing back the money he himself has thrown into circulation he draws back more money than he threw into circulation, i.e. more money than the paid value he threw in. For all LANDLORDS and house-letters, in so far as their ground- and house-rent is paid by the workers (just as with the taxes), the same money circulates the wage and realises a part of the rent and the interest on capital, hence monetises a part of the surplus value. All that is needed to monetise the whole of this part of surplus value, which can be reduced to the rent and interest on houses^a paid by the worker, is the CURRENCY necessary for the payment of wages. The same is true of the profit of the SHOPKEEPER who trades with the workers.

The ground-rent of buildings, etc., forms part of the costs of fixed capital. Therefore a part of the CURRENCY which the

^a See present edition, Vol. 31, p. 572; Vol. 32, p. 18.—*Ed.*

productive capitalists advance for the fixed capital simultaneously monetises a part of the SURPLUS VALUE, namely the rent of land.

Rent on private houses, etc., forms part of the expenditure through which the capitalist SPENDS HIS PROFITS; the actual rent paid by the FARMER, MINING CAPITALIST, etc., forms a part of the surplus value of their products.

With the money he receives for rent the LANDLORD buys commodities from the manufacturer and FARMER, or he buys them from the SHOPKEEPER, who pays the manufacturer and FARMER with it. Therefore once this part of the CURRENCY exists, it flows back continuously to the productive capitalists, just as the money for wages does, although they must again withdraw it from circulation by means of commodities. But it is enough to enable them to pay the rent in the form of money over and over again, in order to receive the money back for commodities. But more flows back to them, namely the part of the rent which the workers pay to the LANDLORD AS rent of their houses or the part the MANUFACTURER has paid as rent for buildings. Therefore the CURRENCY which monetises the rent is sufficient not only to pay it over and over again, but to pay the part of the wage which is resolved into rent, and the part of the costs of fixed capital which is resolved into rent. But it is only the part of the rent which does not always flow [from] wages or fixed capital that necessitates its own circulation of money, A SPECIFIC SUM OF CURRENCY OF ITS OWN.

[XVII-1059] What is true of rent (to the LANDLORD) and interest (to the money-lender) is true of profit itself (*whether interest be paid to another person or not, whether or not, consequently, it be included in the revenue of the producing capitalist), as far as the productive capitalist spends it, and spend it he must, in some part, since he lives upon it.* The money given out in THE SPENDING OF PROFIT, money thrown into circulation, *contributes as well as the money spent in the realisation of rent and interest to provide the monetary means for paying the capitalist.

The monetary expression of rent, interest, profit, as far as they buy commodities for individual consumption,* must flow back to the PRODUCTIVE CAPITALIST as means of purchase or payment just as much as does the MONETARY EXPRESSION OF WAGES. The profit, RENT, INTEREST HAVE BEEN SPENT DURING LAST YEAR; the money given out for them is no longer in the hands of the LANDLORD, rentier, PRODUCER, but in those of the *épiciér*, who pays the WHOLESALE DEALER with it, who in turn pays the PRODUCTIVE CAPITALIST. In the same measure as this money flows back to the SHOPKEEPER, HIS STORE HAS BECOME EMPTIED AND WANTS REFILLING. The money therefore performs in reverse the same

course as it performed *d'abord* in a forward direction. Since it thereby realises the commodity values of the PRODUCTIVE CAPITALIST, the latter is able to pay RENT and interest with the same money and TO EXPEND FOR HIS OWN USE another part of the surplus value.

For the productive capitalist to withdraw from circulation more money than he threw into it nothing more is necessary than that enough money should circulate in order to pay the commodity values. If BARTER were to occur, one would find nothing mysterious in the fact that the capitalist withdraws more commodity value from circulation at the end of the cycle than he threw in in the form of money. For at the end of the cycle he has a greater commodity value to exchange. The origin of the whole PERPLEXED QUESTION is therefore that one does not see where the CURRENCY is to come from, the REAL MONETARY EXPRESSION OF THAT ENHANCED VALUE. WHAT PUZZLES is that more is withdrawn from circulation by the capitalist than is thrown in, which is the more PUZZLING in that he himself—as a class—IN FACT possesses the whole of the monetary wealth (*possesses it* because he directly owns the whole of the surplus value, whatever he may have to give up of this). But *il faut distinguer*.^a As capitalist he throws his capital alone into circulation (i.e. THE MONETARY EXPRESSION OF IT), but as a fellow who has realised profit (or if he has not yet realised any he must possess OTHER MEANS), he throws PART OF THE MONETARY EXPRESSION OF HIS SURPLUS VALUE into circulation, just as THE MONETARY EXPRESSION OF THE OTHER PART OF THAT SURPLUS VALUE—OF RENT AND INTEREST—IS CONTINUALLY THROWN INTO CIRCULATION by the LANDLORD and the *rentier* and lastly the MONETARY EXPRESSION OF WAGES is thrown in BY THE WORKMEN. If a capitalist has thrown into circulation £1,000, i.e. employed it reproductively, and at the same time consumed £200 (*sub specie* of profit), and if his profit=20%, he has thrown into circulation exactly as much money as is necessary in order to give monetary expression to his commodity,=1,200, his capital+his surplus value. He has not made a gift to circulation, either with the £1,000 or with the £200; he has withdrawn commodity values in return for this money, for the 200 he has withdrawn as much as he threw in, for the 1,000 he has withdrawn 20% more. Nevertheless, he has provided the MONETARY EXPRESSION with which the commodity value of £1,200 can be paid to him, and, if we view the capitalist as one person with the PARTNERS IN THE SURPLUS VALUE ABSORBED BY HIM // *The Times* for November 19, 1862 [p. 9] calls the Lancashire manufacturers

^a One must make distinctions.—Ed.

"WEALTH ABSORBERS" and their workers "WEALTH-WINNERS" *//, he has in fact himself provided the money with which he is paid; but he has provided it IN EXCHANGE FOR COMMODITIES and (AS FAR AS IT IS GOLD, etc.) himself ORIGINALLY RECEIVED it IN EXCHANGE FOR THE LABOUR OF HIS MEN.

The first class of productive capitalists consists of those who produce the means of subsistence in their final form, in the form in which they enter into individual consumption. The value of their annual product consists of two parts: [The first part is] *constant capital*, which contains the depreciation of the fixed capital, this depreciation entering annually into the product. The other part, which remains unconsumed, has nothing to do with the value of the product (although, in the AVERAGE RATE OF PROFIT, profit and interest on this part of the capital advanced are reckoned just as much as on any other part. But even in this case the fixed capital only enters here as an ANNUITY, depreciation+profit on top, as with the second class of capitalist. We leave out the profit here as we are separating the surplus value). It consists secondly of raw material and *matière instrumentale*, which *in natura* in part, and in value every time, entirely enter into the product, because they are entirely consumed in the production process. *Secondly: variable capital*. In the hands of the capitalist this exists as money; once it is realised it exists as labour. For the worker who provides the commodity in which this part of the capital is realised, it exists as WAGES. Finally the 3rd part of the product. *Surplus value*, which can be resolved into profit (interest) and in part into rent.

The whole of the annual product of this class, in so far as it enters into annual consumption, enters into individual consumption. Here we are leaving accumulation entirely to one side, for the moment, and only examining simple reproduction. A part of this product [XVII-1060] is bought by the workers of this class I, hence paid back with the money which is given them in WAGES by the capitalists. Or the money in which the variable capital of this class is paid out buys back an appropriate part of the value of the product. This money thereby flows back to the productive capitalist. This is not a *replacement* of the part of the capital

* In a LEADER occasioned by the Manchester DISTRESS,¹³⁸ where the Manch[ester] men went begging to the whole of England FOR "THEIR POOR WORKMEN", but nervously buttoned up their own purses, and, as Mr. Cobden says, QUITE JUST SO. Of course. If alms are given by those who do not directly participate in the exploitation of these particular workers, that is philanthropic. But for the capitalists themselves to be compelled to pay tribute instead of WAGES [XVII-1060] to their own workers once they cease to be able to exploit them, would be "AGAINST THE SOUND PRINCIPLES OF POLITICAL ECONOMY" and "WOULD", AS *The Morning Star* INSINUATED, "SMACK OF SOCIALIST PERVERSION".¹³⁹

consumed by the workers; it is however the REFLEX to the productive capitalist of the CURRENCY in which he has paid the workers and with which he buys them afresh. The more or less small part of the surplus value which is consumed *in natura* in this class does not need any monetary expression, since it is appropriated by the producer in its natural form and does not enter into circulation. AS TO THE OTHER PART, the rent, interest, profit, which were paid the previous year (or, if the business is in progress, *au fur et à mesure* of the reproduction (AS TO THE PRODUCTIVE CAPITALIST)) (or, if the business is *begun afresh*, from the currency reserve of the productive capitalist), are used to buy back the appropriate part of the value of the total product of class I. In this way the CURRENCY in which the productive capitalist pays rent and interest flows back to him. Not as a replacement for what he has paid; but for the commodities he is selling afresh for the money he himself has provided. It is not a replacement for the interest, rent, etc., paid the previous year, but a REFLEX to productive capital of the CURRENCY in which he has paid the LANDLORD and the rentier and in which he will pay them afresh. He will give them back the same tokens as a claim on the aliquot part owing to them of the commodity SURPLUS, which represents their share in the surplus value of these commodities. Finally, if e.g. capitalist A, a member of this class, which can be divided into an immense number of particular spheres—as numerous as the means of subsistence themselves—buys means of subsistence from B, C, D, E, he thereby enables them to realise in money the aliquot PART, consumed by him, of the product A—the part consumed by the productive capitalist himself. They in turn enable him to realise his own product in money, until everyone has drawn from someone else's pocket the MONETARY EXPRESSION of the consumed part of his product. Thus the CURRENCY with which each of them has bought, and will buy again, the commodity of the other, flows back to each one. The part of the value of product I which consists of variable capital and surplus value (profit, interest, RENT) is thus entirely realised in money.

But as far the other part of capital I is concerned, constant capital, this must be replaced *in natura*, reconverted from the form of the FINAL commodity into its elements of production, raw material, machinery, *matière instrumentale*, etc. (We consider the part of these products which enters again into their own reproduction as a condition of production, such as corn, coal, etc., as belonging to 2 from this point of view. By the way, corn is not directly a means of subsistence, at most flour is. Fruit, eggs, etc.,

poultry, etc., are though.) Or this part of capital I must be bought by class II. We therefore come now to the circulation of money between these two classes.

Second class. Its product consists similarly of *constant capital* (raw material, *matière instrumentale* and depreciation of the fixed capital), *variable capital* and *surplus value*, which is in turn divided in the form of profit (interest) and rent. But the product of this class does not enter into individual consumption (one might deduct dwellings, which enter into both individual and productive consumption. But this division is necessary for clarity) (or in so far as it does enter, it is class I, the section of class I whose product is simultaneously an element of variable and of constant capital). Neither the money which represents the variable capital of this class, nor the surplus value which is realised in its product, can BE SPENT IN THE PRODUCE OF THIS CLASS.

In order now to determine the circulation between these 2 classes, we start with the MOST EVIDENT POINT.

Class II pays its variable capital out in money, as does class I, but this money does not flow back *directly* to the productive capitalist, as was the case *under I*). The worker buys his means of subsistence from class I. The WHOLE MONETARY EXPRESSION OF THE VARIABLE CAPITAL OF CLASS II therefore flows to the productive capitalists of class I. With it they buy from the productive capitalists of II a product value—i.e. constant capital, raw material, etc.—which is equal to the value of the variable capital of II. By this *detour* the CURRENCY originally given out by the capitalists of II and needed by them *for the payment of wages* flows back to them. At the same time they have by this detour sold the part of their product which equals the value of the variable capital to class I, and the latter class has TO THAT AMOUNT RECONVERTED ITS PRODUCE INTO THE ELEMENTARY CONSTITUENTS OF THAT PRODUCE. //This mediation must occur with class I as well, in the case of those who produce means of subsistence which do not enter into the workers' consumption. Their workers buy from the other capitalists of I and thus provide them with the money with which they in part give monetary expression to interest, rent, profit and use this to buy (as SPENDING of income) from the capitalists of I who do not produce means of subsistence for the workers. They thereby replace for the latter the CURRENCY needed for their variable capital. At the same time this CURRENCY serves for them as the monetary expression of a part of the profit, etc.// //Once banks have developed, the money [XVII-1061] for wages IN FACT returns every week to the productive capitalist, and it is a matter of indifference whether it would otherwise only have

returned to him by detour.// In any case we see here how the same sum of money circulates between a productive capitalist and his workers, is then paid out by these workers to another class of productive capitalists, and is laid out by these as capital in the purchase of the commodities of the first productive capitalist and thus returns to him. The purchase of constant capital on the part of class I occurs—since it is a conversion of capital into its elements, not a conversion of income into the means of subsistence—at longer intervals of time and in larger amounts, corresponding to the scale on which production takes place and to the conditions of reproduction of capital in each of the particular spheres of I. The money paid out in wages therefore does not flow back every week to class II, but at greater intervals and in greater quantities, so that one cannot tell at all by looking at this money where it comes from. In agriculture too, by the way, and in certain urban trades, even if wages are paid by the week, a great deal of labour is employed at certain times, hence a lot of wages is paid, while at other periods in the year little is employed and little paid. The reflux therefore does not take place as smoothly as CLOCKWORK. But all that is needed here is to grasp the *essential* movement. Its further course should first be developed under the *credit system*⁶⁷; but to understand this, PREVIOUS KNOWLEDGE OF THIS ESSENTIAL MOVEMENT is necessary. The exchange of the part of the product of class II which represents its surplus value for the constant capital of class I, which exists in means of subsistence, is tangibly demonstrated on the world market, e.g. in the exchange of English CALICOES for cotton, or the exchange of English machinery and yarn for foreign wheat, etc.

Finally, as far as concerns the income which can be utilised in this sphere in the form of profit (interest, rent), its monetised existence of the previous year, etc., is consumed in the last remaining part of the product of class I. There thus flows to class I the money with which it buys back from class II the part of its constant capital which is still missing. The money for its surplus value thus flows back to this class.

In this way the productive capitalists of I and II, apart from the fact that their fund for income is established in the form of money, are [able] to pay interest and rent in money to the lenders of capital and the LANDLORDS, whereupon the whole process begins again. It must be noted here, once more, that a reproduction of capital for class I is a realisation of surplus value in money for class II; and, further, that the *way in which the money flows from II to I*, precisely because this is in the form of daily expenditure or

occasionally (irregularly) more important expenditures—since it is the expenditure of income and therefore corresponds to the needs and whims of individual consumption—must differ from the way and form in which the same sum of money flows back from I to II, since this is a reconversion of capital existing as money into productive capital; and the quantities in which purchases are made here, ditto the intervals [of payment], must correspond to the conditions of production of both capitals.

It is clear that if the capitalist SPENDS £200 IN REVENUE and throws £1,000 into circulation as capital, but withdraws £1,200, he has withdrawn from circulation more money than he threw into it, for as capitalist he has only thrown £1,000 into circulation. He has spent the £200 on means of subsistence of equal value, which have passed into his consumption fund. In short, as mere money-owner, and spender, not as capitalist.

Class I has now replaced the whole of its constant capital *in natura*, its variable capital in money, and similarly its income fund in money (profit (interest, rent)) and it has nothing further to buy from class II, nothing further to pay to it (since we are for the moment not speaking of accumulation here). That part of agriculture, as for example the cultivation of corn, etc., the breeding of cattle, etc., belongs at the same time to class II, i.e. is at the same time a producer of constant capital, does not alter this situation. To the extent that agriculture does belong to class II, what we shall now develop further in relation to class II applies to it as well.

We showed previously—presupposing reproduction on the same scale—that the new labour added during the year, or the value produced during the year, = the variable capital reproduced + the surplus value, cannot buy any more or pay for any more than what has just been discussed, i.e. the annual product of the articles which enter into individual consumption (class I) and the part of the *product* of the producers of constant capital which represents the variable capital and the incomes of class II.

Adam Smith would have been entirely correct if he had said that this part of the annual product resolves itself into mere income, which is paid by wages, profit (interest), rent. He would nevertheless have had to add here too that this total income replaces the total constant capital of class I. But Smith is wrong in asserting this of the totality of the annual product, and in having the constant capital of class II replaced by its income and that of class I. It is therefore also incorrect when Smith says the following.

Beforehand [XVII-1062] one further remark: under "DEALER" Smith includes all capitalists who participate in the production process and the circulation process,¹⁴⁰ under "CONSUMERS" he includes the workers and the capitalists, LANDLORDS, ETC., and their RETAINERS, AS FAR AS THEY SPEND REVENUE.

He says:

*"The circulation of every country may be considered as divided into two different branches—the *circulation of the dealers with one another, and the circulation between the dealers and consumers*. Though the same pieces of money, whether paper or metal, may be employed sometimes in the one circulation and sometimes in the other, *yet as both are constantly going on at the same time*, each requires a certain kind of money of one kind or another to carry it on. *The value of the goods circulated between the different dealers with one another never can exceed the value of those circulated between the dealers and the consumers, whatever is bought by the dealers being ultimately destined to be sold to the consumers*" (*Wealth of Nations*, McCulloch's edition* [Vol. II, pp. 79-80]).

This corresponds to Smith's incorrect analysis of the value of the commodity into WAGES, PROFIT and RENT. On this see our earlier remarks.^a And this incorrect view itself rests in turn on the fact that the accumulated capital—including the constant capital—in the capitalist mode of production originally flows from surplus labour, i.e. profit is converted into capital, from which it nevertheless by no means follows that the profit once converted into capital consists of "profit".

THE VALUE OF THE GOODS CIRCULATED BETWEEN THE DIFFERENT DEALERS is always greater than the VALUE OF THE GOODS CIRCULATED BETWEEN THE DEALERS AND CONSUMERS, because the first circulation includes an EXCHANGE of the natural components of constant capital, which replaces a part of the value of the capital which the CONSUMER never pays. The *simultaneous* parallel course of the movements—and every successive moment of metamorphosis and reproduction appears at the same time as occurring simultaneously and in parallel—prevented Smith from seeing the movement itself. He would otherwise have found in the monetary circulation of capital a refutation rather than a confirmation of his proposition, which is derived from an incorrect analysis of the natural price.¹⁴¹ The phrase "DEALER" and "CONSUMER" is also disturbing, since the DEALERS—the productive capitalists—appear in that EXCHANGE simultaneously as the final "CONSUMERS", even if industrial CONSUMERS, not individual.

Tooke remarks as follows on the above passage from Adam Smith, which he makes into one of the basic foundations of his theory of money:

^a See present edition, Vol. 30, pp. 398-408 and Vol. 31, p. 106.—Ed.

*“All the transactions between dealers and dealers, by which are to be understood all sales from the producer or importer, through all the stages of intermediate processes of manufacture or otherwise to the retail dealer or the exporting merchant, are *resolvable* into *movements or transfers of capital*. Now transfers of capital do not necessarily suppose, nor do actually as a matter of fact entail, in the great majority of transactions, a passing of money, that is, bank notes or coin—I mean bodily, and not by fiction—at the time of the transfer. All the movements of capital may be, and the great majority are, effected by the operations of banking and credit without the intervention of actual payment in coin or bank notes, that is, actual, visible, and tangible bank notes, not suppositions bank notes, issued with one hand and received back by the other, or, more properly speaking, entered on one side of the ledger with a counter-entry on the other. *And there is the further important consideration, that the total amount of the transactions between dealers and dealers must, in the last resort, be determined and limited by the amount of those between dealers and consumers*” (Th. Tooke, *An Inquiry into the Currency Principle*,* London, 1844, [pp.] 35-36).

In the concluding sentence, Tooke repeats Adam Smith's proposition, with the crudeness peculiar to him as a practitioner, in the process depriving it of its theoretical teeth. That the “TOTAL AMOUNT” of the “TRANSACTIONS BETWEEN DEALERS AND DEALERS” must be determined “IN THE LAST RESORT” by the AMOUNT of the TRANSACTIONS BETWEEN DEALERS and CONSUMERS is not subject to any doubt and is a trivality. The capital of the whole class that is employed in production at all depends in the “LAST RESORT” upon, and is therefore determined by, the amount of the product which the producer can sell, for it is only from the product he sells that he derives his profit. But Adam Smith, whose proposition Tooke thinks he is repeating, was not talking about this. Smith says: * “the *value* of the goods circulated between dealers and dealers” = “the *value* of those circulated between dealers and consumers”.* Tooke is exclusively concerned in the above-mentioned pamphlet with the struggle against the CURRENCY PRINCIPLE.¹⁴² The [XVII-1063] phrase that the CIRCULATION BETWEEN DEALERS and DEALERS can be resolved into “MOVEMENTS OR TRANSFERS OF CAPITAL” //he is only interested here, vis-à-vis his opponents, in the question of *how* the reciprocal obligations arising out of the circulation of capitals in the reproduction process are *settled*, a question which is theoretically entirely subordinate// shows the crudeness of the whole conception. “MOVEMENTS OF CAPITAL.” What was required was to determine and analyse precisely these MOVEMENTS. What underlies this is that he *means* the MOVEMENTS of capital in *the sphere of circulation*, for which reason he always understands under capital here money or commodity capital. “TRANSFERS OF CAPITAL” are very different from MOVEMENTS OF CAPITAL, although they are MOVEMENTS. They only apply in fact to mercantil-

ist capital, and they mean in fact nothing more than that the different phases, in which capital passes from the hands of one buyer to the next, are IN POINT OF FACT *only the movement of its own circulation*. The “MOVEMENTS” of capital, however, are qualitatively distinct phases of the reproduction process. “TRANSFER” OF CAPITAL also takes place when variable capital passes into the hands of the workers as wages, thus being converted into “CURRENCY”. The long and short of the story is simply that in the movements of capital as such—before its definitive exchange as commodity with the consumers—the money only circulates as means of payment, hence functions in part exclusively as money of account, in part exclusively as balance, IF THERE BE ANY. Tooke concludes from this that the distinction between these two functions of money is a distinction between “CAPITAL” and “CURRENCY”. In general he firstly confuses money and commodity with money and commodity as modes of existence of capital, with money and commodity capital, and secondly regards the particular money form in which the capital is circulated as a distinction between “capital” and “coin”.

The following point by Tooke is a good one:

*“The business of bankers, setting aside the issue of promissory notes on demand, may be divided into two branches, corresponding with the distinction pointed out by Dr. Smith of the transactions between dealers and dealers, and between dealers and consumers. One branch of the banker’s business is to collect capital from those who have not immediate employment for it, and to distribute or transfer it to those who have. The other branch is to receive deposits of the incomes of their customers, and to pay out the amount, as it is wanted for expenditure, by the latter in the objects of their consumption. The former may be considered as the business behind the counter, and the latter before or over the counter: the former being a *circulation of capital*, the latter of *currency*” * [l.c., p. 36].

(I.e. the first circulation of money capital. This is not actual *circulation*, but *TRANSFER*. Real circulation always includes an objective moment of the reproduction process of capital. *TRANSFER*, as with MERCANTILE CAPITAL, puts one person in place of another; but the capital continues to be in the same phase as before. There is each time a transfer of money—or titles to property—from one to the other (or also a transfer of commodity), without the money’s having undergone any metamorphosis. This is even truer of the *TRANSFER* of MONETARY CAPITAL BY LOANS, etc., by the MEDIUM OF THE BANKER. The same is true of the *TRANSFER* by which the capitalist distributes the monetary expression of his surplus value in part to the rentier, in part to the LANDLORD. In the latter case it is distribution of income; in the former, distribution of capital. Only the *TRANSFER* of

MERCANTILE CAPITAL from ONE SORT OF MERCHANT TO THE OTHER brings commodity capital itself closer to its conversion into money.)

*“The distinction or separation in reasoning of *that branch* of banking which relates to the *concentration of capital* on the one hand and the *distribution of it on the other*, from *that branch* which is employed in administering the *circulation** for *local purposes of the district, is so important, etc.”* (l.c., [pp.] 36-37).

In class II as in class I the total product can be divided into 3 parts.

//Here it may be remarked incidentally: *capital*, as opposed to profit, is the name of the *amount of value advanced*. But it is not an amount of value. It is *capital* and therefore implies in this form a relation to profit. As long as the surplus value is not realised, hence the movement of capital as capital has not yet come to an end, the total product (surplus value included) is called capital; it is pregnant with surplus value, but the latter has not yet [XVII-1064] attained an independent position in relation to capital. It is still self-realising capital, HENCE capital absolutely.//

1)

2)

3)

Constant capital—Variable capital. Surplus value. (Profit, rent, interest.)

We have seen how 2) and 3) have been realised and have circulated in the exchange with 1). We have now to consider the first part, constant capital.

It consists a) of the *unconsumed* part of the fixed capital, which does not enter into the value of the product, and therefore does not come into consideration.

b) Secondly, however, it is necessary to replace the part of the value which represents the depreciation of the fixed capital and *matière instrumentale* and *matière brute, s'il y en a*.^a

Just as in class I the part of the product which consists of profit—or which is expended as income—is realised through the consumption of the product *in natura* on the part of production or by exchange within the different spheres of production of this same class, so in class II the same takes place for the constant capital, whether through replacement *in natura* in its own sphere of production, or through exchange with products between the different spheres of this same class. The products here re-enter as condition of production into their own production (as corn enters as seed, breeding cattle, etc.) or the product of sphere A e.g. enters into the product of sphere B as condition of production,

^a Instrumental material and raw material, if any.—Ed.

and the product of sphere B enters into the product of sphere A, as iron into machine production or machines into iron production. The product of sphere A may enter into sphere B, that of B into C, and that of C into A. This intertwining—the GENERAL BALANCE of these spheres, without any need for an exact balance between any two spheres—makes no difference to the situation. It lies in the nature of the situation that here money will develop as means of payment and therefore the movement without money will be compensated for by SETOFFS. Yet since the period in which product A enters B may differ from the period in which B enters A, etc., here too circulation of money can take place, and will do so *plus ou moins*,^a particularly before capitalist production is completely developed. It is in any case important to consider it so here.

Since there in fact takes place here EXCHANGE of constant capital for constant capital, and the products merely change their place in the production process reciprocally, the money constantly flows back to the person who expends it. E.g. when the machine manufacturer buys iron in order to replace his machine-building machine, there enters into this: 1) the depreciation of the machine-building machine itself; he advances this himself; 2) iron, etc. He buys this from the iron manufacturer; the iron manufacturer buys machines from him in order to replace the depreciation of his own machinery and thus the money flows back to the machine-builder.

Even where the product enters directly into its own reproduction, there may take place, in consequence of the division of labour, a circulation of money; the reproduction of capital may be accompanied by a circulation of money. A FARMER may sell all his corn and buy the seed from another farmer. But then the latter must grow seed both for himself and for the other. To the one farmer a part of the value of the corn represents the purchase price for the replacement of the seed, to the other it represents his variable capital+surplus value. In this case the money does not flow back between the two of them directly. Yet the seed man must expend the money in order to buy means of subsistence, corn among other things. He pays his workers with the money and expends it as his own income. The money of the farmer's workers flows back to him in part. They belong to the public who enable him to sell his corn as a whole. And so it is with cattle-breeding. One farmer may only fatten up the cattle to sell them as means of

^a More or less.—*Ed.*

subsistence; but the other may produce breeding cattle, to replace the constant capital of the farmer who fattens for slaughter.

This part—resolving into constant capital—of the product of the productive capitalists who produce constant capital for class I, is just as much the product of the year's labour as every other part of the product, i.e. it is only reproduced by passing through the labour process. But its *value* is the result of past labour, labour of the previous year, etc. And as such value it buys back the part of the product which is required for its reproduction. The more developed capitalist production is, the more, consequently, the result of past labour enters as *agens* into production, the greater is this part of the product, which falls to the share of production and never leaves that sphere. And the greater the value component of the product which goes to replace the constant part of the constant capital. But the labour is more productive to that degree. This value itself is dependent not on the labour it cost but the labour its reproduction costs. It is therefore on the one hand constantly piled up with the progress of capitalist production, and on the other hand constantly depreciated over shorter or longer periods. Its value only remains constant as long as the mode of production does not alter.

[XVII-1065] We have still to consider the following:

- 1) Accumulation, specially in respect of money.
- 2) *The simultaneity* of the movements.
- 3) *The gold and silver producer.*
- 4) The whole movement of *mercantile capital.*

First of all, as far as concerns 4), *MERCANTILE CAPITAL*, we have already elucidated its movement with the example of the *SHOPKEEPER* who sells means of subsistence to the workers. Put in the place of this *MERCHANT A*¹⁴³ the whole class of these *SHOPKEEPERS*. Their business is, as before, to sell the producer's commodity to the workers, and to take back from them *MONEY WAGES* in return. Their capital is replaced *IN MONEY* and their *profit is realised* by the same money as originally existed as variable capital and is then paid to the workers as *MONEY REVENUE* and in turn paid back by the workers as *COIN* to the *SHOPKEEPER*, in order to realise the share of the total product which belongs to the workers in aliquot parts of that product. The *MONEY CAPITAL* of the *SHOPKEEPER* himself, in so far as it is *NOT INVESTED IN COSTS OF CIRCULATION*, consists of his circulating money capital. If he buys for £200 *AT EVERY PERIOD* in which he makes a purchase, 100 for credit, 100 from his own pocket, he has advanced £100 of the money capital constantly present in circulation. If this £200 turns over 40 times he successively buys

commodities of a value of £8,000 with it. It changes nothing in the situation that a SHOPKEEPER from this sphere A buys from 50 different producers, and 50 SHOPKEEPERS from this sphere in their turn buy from 1 producer. Just as little is anything changed by the fact that this SHOPKEEPER consumes his profit in part in his own commodities, and in part buys commodities with it from other SHOPKEEPERS, who in turn buy from him again in accordance with the division of labour, so that the money which realises the profit of this class passes in turn through an intermediate circulation (SPENDING OF REVENUE) among the different agents of this class. What he consumes through purchasing from others realises their profit, and what others consume from him realises his profit. But each of them must thereby buy back from the producer with this money (in which their profit is realised) a part of the commodities, in order to renew this consumption. E.g. if SHOPKEEPER A of this class buys for £100 from producers and receives commodities for £110, in return for which he receives £110 from the workers, he has a profit of 10%. But if he buys for £110 and consumes for £10, he continues to sell to the workers for 100 and receives 110. But the 10 return to the PRODUCER in payment for the commodities consumed by the shopkeeper. He therefore receives the full value of the commodities for 10. If the profit is 10% he receives commodities for $£10^{1/10}$, but he consumes these. If in contrast he buys with £10 from another SHOP[keeper], B, the latter realises his profit in this transaction, but must return $£9^{10/11}$ to his producer, in order to replace the commodity. And if B buys from A for £10, the same thing is true of him.

Assume that the whole of the product which producer class I (the section *which* produces means of subsistence, and indeed that part of them which is sold to the workers) sells to this SHOPKEEPER class A = £500,000.

Assume that there are 5 WHOLESALE DEALERS who buy this 500,000; but that their capital turns over 5 times. Every fifth of a year they buy 100,000 between them. Each of the 5 buys 20,000 worth. Therewith each buys 100,000 worth over the whole year, thus 500,000 taken together. Assume their profit is 10%. Then the profit on the 20,000 each year = £2,000, and in each $1/5$ of a year = £400.

The capitalist therefore sells *in appearance* to each of the 5 £20,400 worth of commodities every fifth of the year for £20,000. These 5 WHOLESALE DEALERS sell to the SHOPKEEPERS, RETAILERS of class A, in the course of every fifth of a year. Let there be 100 of these retailers. They sell by the day and by the hour, but buy at smaller

intervals from the WHOLESALE DEALERS, perhaps only every fifth of a year or every month. Let the price supplement of these SHOPKEEPERS be 20%, namely 10% profit and 10% to replace their circulation costs (which also have to be deducted for the 5 WHOLESALE dealers; to simplify matters we have not done this). The commodity value 1 WHOLESALE DEALER has in hand = £20,400. And the commodity value 5 have in hand is £102,000 (since this is for $\frac{1}{5}$ of a year, over the whole year this = £510,000 worth of commodities). Of this £102,000 each SHOPKEEPER has to buy £1,020. 20 of these shopkeepers correspond to 1 WHOLESALE DEALER, but $\frac{1}{20}$ of £20,400 = £1,020. 10% on this £1,020 makes 102. But let us assume this SHOPKEEPER makes his purchases 10 times a year. He then needs only £510 to buy £1,020 over a fifth of a year.¹⁴⁴

[XVII-1065a] Assume that the complete wage bill for classes I and II is £550,000. This is therefore the commodity value which the SHOPKEEPER class A sells to the workers. For the SHOPKEEPER to gain 10[%] he must have paid $\frac{1}{11}$ less for £550,000 than is contained therein. This = £50,000. So that he would only have paid £500,000 for the commodity value of £550,000. Only assuming that the SHOPKEEPER turns over his capital 10 times in the year, or renews his purchases 10 times, twice every fifth of a year. Thus he only has to advance a capital of £55,000. And on this there is an annual profit of 10% = £5,500. And this makes £1,100 every $\frac{1}{5}$ of a year. Assume there are 100 SHOPKEEPERS; then each of them advances a capital of only £550. And every 5th of a year each of them receives a profit of 11%.^a But each of them sells to the workers every 5th of a year for £1,100. Over the year this amounts to 5,500 for 1 SHOPKEEPER and 550,000 for the 100 SHOPKEEPERS. On this £1,100 he adds a profit of £11. The commodity therefore costs him only £1,089. And 5,445 annually. And 544,500 for the 100. So that the producer would have sold him commodities of the value of 550,000 for 544,500. But there is further to be deducted the profit the SHOPKEEPER makes on the capital invested in the costs of circulation, the shop, etc., the depreciation of this capital; finally the part of the price supplement which falls to the capital invested in the productive labour of RETAILING: COSTS and profit. Assume that all of this comes to as much as the profit on the capital constantly circulating in purchases. Hence another £11 every fifth of a year. Thus 11 must be deducted from the £1,089, which brings it to 1,078. But in order to simplify matters let us assume that this second £11 is a price supplement which includes

^a Thus in the original. It should be "£11".—Ed.

the costs (of circulation and production) and profit on the productive part of the capital. £11 per year comes to £55 for each SHOP[keeper], and 5,500 for the 100. We therefore deduct this 5,500, as not contained in the value of the purchased commodity, but added to it by the SHOP[keeper]. There remain 544,500. This is the *real commodity value* which the SHOP[keepers] buy annually from the producers. There must further be deducted 5,500 for profit. There remain 539,000. The SHOP[keeper] therefore pays 539,000 a year to the producer, and for this he receives a commodity value of 544,500 from him, adding 5,500, partly in circulation costs, partly in production costs (which however include the profit he himself makes as a capitalist producer). So we now have:

The workers buying commodities for 550,000 every year.

100 SHOPKEEPERS selling to them every year for 550,000; costs them 539,000 (whereby a value of 5,500 is added by them themselves). And they obtain from the producers a commodity value of 544,500 for the 539,000.

Each of the 100 SHOPKEEPERS sells every year for £5,500, every 10th of a year for £550, and every 5th of a year for £1,100. A value of £11 is deducted from this £1,100, added by the SHOP[keeper]. £1,089 remains (every 5th of a year). This £1,089 costs the shopkeeper 1,078 (every 5th of a year) and over the whole year 5,390, and it costs the 100 SHOPKEEPERS 107,800 every 5th of a year, over the whole year 539,000. 20 of these fellows therefore buy for 21,560 every 5th of a year, receiving in return a commodity value of $1,089 \times 20 = \text{£}21,780$.

[XVIII-1066]¹⁴⁵ One more point on the question of interest on interest⁶⁰:

The notion of capital as a self-reproducing entity—BY VIRTUE OF ITS INNATE QUALITY AS A PERENNIAL ANNUALLY GROWING VALUE—led to the wondrous ideas of Dr. Price, which left the fantasies of the alchemists far behind them. Pitt seriously believed in these ideas and made them pillars of his financial wisdom in his laws on the SINKING FUND¹⁴⁶:

* "Money bearing compound interest increases at first slowly. But, the rate of increase being continually accelerated, it becomes in some time so rapid, as to mock all the powers of imagination. One Penny, put out at our Saviour's birth to 5% compound interest would before this time have increased to a greater sum, than would be contained in a 150 millions of Earths, all solid gold. But if put out to simple interest, it would in the same time, have amounted to no more than 7 sh. 4 $\frac{1}{2}$ d. Our government has hitherto *chosen* to improve money in the *last* rather than the first of those ways" (Richard Price, *An Appeal to the Public, on the Subject of the National Debt*, London, 1772, 2nd ed.* [pp. 18-19]).

(His trick: the government should borrow at simple interest and put out the borrowed money at compound interest.) In his:

Observations on Reversionary Payments etc., London, 1772, he flies still higher:

“A shilling put out to 6% compound interest at our Saviour’s birth would ... have increased to a greater sum than the whole solar system could hold, supposing it a sphere equal in diameter to the diameter of Saturn’s orbit” (l.c., XIII, note). *“A state need never, therefore, be under any difficulties; for, with the *smallest* savings, it may, in as little time as its interest can require, pay off the *largest* debt”* (l.c., [XIII]/XIV, p. 136).

What fine principles emerged from this for the credulous Pitt!

Price WAS SIMPLY DAZZLED BY THE ENORMOUS QUANTITIES RESULTING FROM THE GEOMETRICAL PROGRESSION OF NUMBERS. Since he regarded capital as A SELFFACTING THING, WITHOUT ANY REGARD TO THE CONDITIONS OF REPRODUCTION OF LABOUR, *merely as a self-increasing number* (just as Malthus regarded MAN in his GEOMETRICAL progression^a), he could believe he had found the laws of its growth in that formula. The formula: $S=c(1+i)^n$. (In this formula, S =the sum of capital and interest to be calculated; c =the capital advanced; i =the rate of interest (ALIQOT PART OF 100) and n =the number of years during which the process takes place.) In a speech of 1792, proposing to increase the sum of money devoted to the SINKING FUND,¹⁴⁷ Pitt takes Dr. Price’s mystification entirely seriously.

“The House of Commons resolved in 1786” (see Lauderdale¹⁴⁸) “that the *consentement unanime* was that 1 million pounds sterling be raised for the public benefit” (Lauderdale, l.c., p. 175).

According to Price, who was believed by Pitt, nothing was better, of course, than to tax the people in order to “accumulate” the sum of money raised by the tax and thereby to spirit away the STATE DEBT through the mystery of COMPOUND INTEREST. Taxes for “SINKING FUND” or amortisation fund.

“That resolution was soon followed by a law—of which Pitt was the author—which ordained the accumulation of $\frac{1}{4}$ million pounds sterling, until the time when the annuities fell due and the fund increased to £4 million per year” [p. 176] (CH. XXXI of the ACT of the 26th Year of the Reign of George III).^b

In his speech of 1792, in which he proposed increasing the sum devoted to the SINKING FUND, Pitt included machinery, credit, etc., among the reasons for England’s commercial pre-eminence. But

“the most extensive and long-lasting reason is *accumulation*. This principle is developed fully and explained adequately in Smith’s work alone, that genius, etc. ... This accumulation of capitals operates by reserving at least a part of the annual profit in order to increase the principal sum, which must then be employed in the

^a [Th. R. Malthus,] *An Essay on the Principle of Population...*, London, 1798, pp. 25-26.—*Ed.*

^b Marx quotes partly in German and partly in French.—*Ed.*

same manner in the next year, thereby providing a continuous profit" [pp. 178-79].^a

Pitt considered Price's interest on interest—COMPOUND INTEREST—calculation, to be identical with *Adam Smith's theory of accumulation*. This is important.

[XVIII-1067] Child, the ancestor of the London banking system, was incidentally an enemy of the "monopoly" of the usurers, in exactly the same sense as Moses and Son in its bulletins declares its opposition to the "monopoly prices" of the small tailors.

We already find with *Josiah Child* (father of the London banking system) (*Traité sur le commerce et sur les avantages qui résultent de la réduction de l'intérêt de l'argent*, by Jos. Child (written in 1669), etc., translated from the English, Amsterdam and Berlin, 1754) that

"£100 at 10% would produce 102,400 pounds sterling in 70 years, if interest is added on the interest"^a ([p.] 115).

The first notion of ACCUMULATION is that of HOARDING, just as the first notion of CAPITAL is AS MERCANTILE capital. The second notion is that of COMPOUND INTEREST, just as interest-bearing capital, or money lent out at interest, is the second historical form of capital. Political economy SOMETIMES becomes perplexed when the antediluvian expressions of the relations peculiar to capitalist production again assert themselves as expressions of the latter, as with interest on interest for the accumulation OF CAPITAL.

How Price's notion is unthinkingly allowed to slip into the works of modern, and relatively critical, economists is shown e.g. by the following passage from *The Economist*:

"If there be any cases in England in which land, with all its rights and privileges, has not been bought and sold over and over again"* (and hence, as he very wisely concludes, "has become merely the representative of the money paid for it") *—"which we doubt—we do ... not doubt ... that every sixpence of rent is the representative of capital, saved by the landlord and reinvested by the land, in those cases where land has not been sold... Capital, with compound interest on every portion of capital saved, is so all engrossing, that all the wealth in the world from which income is derived has long ago become the interest on capital. Although land be more valuable in some places than in others, all rent is now the payment of interest on capital previously invested in the land" (*Economist*, July 19, 1851).^{*b}

The Economist could say, based on the same incredible notion, *that all the labour that may in myriads of ages be realised, will only represent interest due to capital till now accumulated.* I cite

^a Marx quotes partly in German and partly in French.—*Ed.*

^b *The Economist*, No. 412, July 19, 1851, p. 796.—*Ed.*

the passage merely on account of the incredible notion that accumulation=interest on interest. Otherwise, by the by, and *en passant*, *The Economist* remarks, l.c., *that the community as such

“as a corporate body ... claims the land (as common property), and never gives up that claim”.*

He who expends capital in the purchase of land

*“does in fact forfeit and give up to the community some of the advantages which belong to property *strictly and exclusively personal*” (l.c.).

Finally there is the following rubbish from the “romantic” Müller:

“Dr. Price’s colossal increase in compound interest, or the self-accelerating forces of the human being, presupposes an undivided, unbroken, and uniform order over many centuries, if it is to bring about these incalculable effects. As soon as the capital is divided, cut up, into a number of separate branches, growing on their own account, the whole process of the accumulation of forces begins again. Nature has divided the progression of force into a series of courses of roughly 20 to 25 years, which are allotted to each *individual worker* on an average. After this period of time has expired, the worker leaves his course and must now transfer the capital gained through the compound interest of labour to a new worker; for the most part he must divide it among several workers or children. They have first to animate and learn to employ the capital which falls to them, before they can draw from it actual compound interest. An immense amount of capital gained by civil society is, even in the most dynamic communities, piled up gradually, over long years, and is not employed in the direct extension of labour, being rather transferred to another individual, a worker, a bank, the state, under the name of a *loan*, as soon as a considerable sum has been brought together. The recipient then sets the capital really into motion, and accordingly draws *from it compound interest*, and [XVIII-1068] can easily pledge himself to pay the giver simple interest. Finally the law of consumption, greed, waste reacts against that immense progression in which the forces of man and their product would tend to increase, if the law of production or frugality alone were to hold sway” (A. Müller, *Die Elemente der Staatskunst*, Berlin, 1809, Part III, [pp.] 147-49).

It would be impossible within a few lines to jumble together more hair-raising and self-contradictory nonsense. We do not mention the ludicrous confusion of worker and capitalist, of value of labour capacity and interest on capital, etc.—let us just mention the assertion that the decline in compound interest is due, among other things, to the fact that capital is “lent out”, whereupon it “*then*” brings “compound interest”. The extraordinary shallowness of this “profundity” or RATHER “stupidity”, this for example:

“In determining the *price* of things *time* is not an issue; in determining interest it is time which chiefly comes into consideration” (l.c., [pp.] 137-38).

Müller is speaking here of *circulation time*. Since he *sees* circulation time as determining in the case of *interest*, but *does not see* this in the case of the price of the commodity, the profundity

consists in holding fast to the *semblance* and reasoning forth on this basis. The same fellow tells us:

“Urban production is bound to the cycle of days; rural production in contrast to the cycle of years” (l.c., [p.] 178).

By “urban production” he means manufacture in contrast to agriculture. Agriculture which is not run in the capitalist fashion—and this is what he refers to—is of course bound to the annual cycle. Large-scale manufacturing on the other hand (IN CONSEQUENCE OF THE FIXED CAPITAL EMPLOYED) is bound to the cycle of 12 to 15, in some branches of the transport industry (railways, etc.) 20 years. Our Müller’s procedure is characteristic of Romanticism in all its manifestations. Its content consists of the most vulgar everyday prejudices, trivialities created from superficial appearances. This false and trivial content then has to be “heightened” and made poetical by a mystificatory mode of expression.

[XVIII-1068] Assume that there are 5 WHOLESALE DEALERS for the 100 SHOPKEEPERS. They have therefore to sell to the shopkeepers every year 544,500 worth of value, and in $\frac{1}{5}$ of a year 108,900 worth of commodity value. For which they, however, only receive a payment of 107,800 from the SHOPKEEPERS.

Each of the 5 WHOLESALE DEALERS has in $\frac{1}{5}$ of a year to sell to 20 RETAILERS. I.e. each has to sell a commodity value of £21,780, for which he receives 21,560 in money. But for this 21,560 each WHOLESALE dealer must *d’abord* receive from the PRODUCER a commodity value of £21,780. Indeed, he must receive more than this, since he also has to make his profit. Assume that his capital circulates 5 times in the year. All 5 buy over the year from the PRODUCER for 539,000. But they do this with a capital of 107,800. 10% on this makes £10,780 over the year. And over a fifth of a year this makes £2,156. The profit for each of the 5 WHOLESALE DEALERS every $\frac{1}{5}$ of a year is therefore £431 $\frac{1}{5}$. Each of the WHOLESALE DEALERS therefore buys from the capitalist every $\frac{1}{5}$ of a year commodities to the value of £21,780 for £21,560 money minus £431 $\frac{1}{5}$. He therefore pays £21,128 $\frac{4}{5}$ for the commodities, or 5 pay 105,644 every $\frac{1}{5}$ of a year, and 528,220 over the whole year. The producer therefore has in fact to provide a commodity value of 544,500 for 528,220—if we disregard the value addition made by the RETAILER—the difference thus does not come even to 3 $\frac{1}{2}$ % of the commodity value provided by the capitalist.

The only thing of importance here is that the interposition of the WHOLESALERS in no way alters the circuit, described above,

between the *épiciier*, the producer and the worker; except that here the workers are not only workers of class I, who produce means of subsistence for the WORKMEN. The RETAILER [XVIII-1069] does not put in his pocket the whole of the reduction in the price at which the PRODUCER sells him the commodity; instead this reduction is divided between WHOLESALER and RETAILER. In other words, what is divided is the part of the surplus value which amounts to MERCANTILE PROFIT. Instead of the MONEY WAGES PAID BY ONE CAPITALIST TO HIS OWN WORKMEN [being] RETURNED TO HIM BY THE SHOPKEEPER (but now for the re-purchase not only of wages in commodities, but of the profit of the SHOPKEEPER) the MONEY WAGES of all WORKMEN of classes I and II flow back to the producers of class I through the SHOPKEEPER and the WHOLESALERS (in the re-purchase of the commodities falling to the share of the workers+the realisation in commodities of the profit of the WHOLESALERS and RETAILERS). With part of this reflux the producers of class I replace in money their variable capital, and with the other part they buy constant capital from class II, who with this money again obtain the MONEY fund from which they pay wages.

The situation for shopkeepers and wholesalers B, who sell means of subsistence to the owners and consumers of the SURPLUS, is the same as for SHOPKEEPERS and WHOLESALERS A.

We saw that the product of the producers of class I, however many of them there might be, was collected in 5 WHOLESALE reservoirs, and then divided into 100 RETAIL reservoirs, then entered PIECEMEAL, by the day and by the hour, into the circulation between RETAILER and CONSUMER. With the REFLUX of the money, on the other hand, no such constantly increasing subdivision takes place as with the circulation of the commodity. On the contrary. The workers' money is concentrated in the 100 RETAILERS, then collected into 5 reservoirs at the WHOLESALERS, and is only re-divided once it returns to the individual producers.

In the case of the circulation of the commodity there is a mere TRANSFER from PRODUCER to WHOLESALER, from WHOLESALER to RETAILER, and it is the last who sells it definitively. Similarly in the reverse direction, with the REFLUX, TRANSFER, of the money which flows back to the capitalist (REFLUX of capital, when he sells on credit, but REFLUX of MONEY and indeed as means of purchase or REFLUX of the MONEY FORM of his capital when he sells for CASH) from the RETAILER to the WHOLESALER, from the WHOLESALER to the producer.

The situation is entirely the same with the MERCHANTS who mediate the purchase and sale of constant capital, i.e. buy and sell for industrial consumption. Here too the profit derives from the

fact that they buy the commodity below its value and sell it at its value, thus receiving their share in its surplus value. This circulation in itself has no particular significance. E.g. the WHOLESALE buys yarn from the spinner, sells it to the weaver, or buys flax from the FARMER and sells it to the linen yarn manufacturer. In fact it is the weaver who pays the spinner. The circulation of these particular mercantile capitals, through their constant sale of a particular commodity, conceals the real movement, the real connection. Everything e.g. which appears in the circulation between flax producer, MERCHANT and spinner is nothing but a constant buying by the spinner from the flax producer. Every individual act of the reproduction process thus appears divided and in an independent shape.

We now come to *accumulation*.

//But first still one more point. It is very important in estimating the GENERAL SURPLUS VALUE to include *mercantile profit*, because a part of the SURPLUS VALUE is concealed here and appears to arise out of a *specific sphere of production*!!

But now back to p. 1065, Notebook XVII, 1) and 3) (accumulation and the gold producer).^a We have in the reproduction process

1) *the class of producers who produce means of subsistence*, the elements into which the variable capital and the part of the product produced as surplus value and expended as income are resolved,

2) *the class of producers who produce the constant capital* for the first class. This consists in the final analysis of the classes which provide the latter with elements of constant capital, hence raw materials, seeds (whether corn or breeding cattle. In the animal kingdom the seed is the cattle itself, in the vegetable kingdom it is the actual seeds), and produce the machines, containers and tools (we see even in agriculture how seed production, whether in the animal or the plant kingdom, can split away from production for consumption as an independent sphere of production).

[XVIII-1070] A house can of course serve as constant capital or enter into individual consumption, or both at once. Coal, wood, a horse, a wagon, a mass of small instruments and containers enter as *constant parts* of consumption, as tools of consumption. This makes no difference. In so far as the producers sell to individual consumers they belong to class I, in so far as they sell to producers, to class II. In one category things apply to them which pertain to that category; in the other, things which pertain to the other.

^a See this volume, p. 219.—*Ed.*

Alongside these classes the producer of the commodities which function as money, the producer of the precious metals, forms a category *sui generis*.^a For the sake of simplification, we only speak of the gold producer as the producer of the material of money. For the sake of simplification (since the countries which produce the precious metals have peculiar characteristics which are irrelevant to this general investigation) we place the gold producers in the middle of the country of capitalist production itself.

Incidentally, we have excluded foreign trade for the same reason¹⁴⁹; exporter and importer are themselves merely categories of WHOLESALE DEALERS. The exporter exports means of subsistence which enter in finished form into consumption: in this case he belongs to the WHOLESALE DEALERS, who do nothing in the reproduction process but mediate the TRANSFER to the RETAILERS of the product, which then flows directly into the sphere of consumption. Or he exports raw materials, semi-manufactures, instrumental materials, machines, instruments of labour. In this case he mediates the exchange between the producers themselves. In the one case it is $C-M$, in the other case $M-C$, the conversion of commodity capital into money, or of money capital into commodities. There is therefore no essential difference between these and the two main categories of WHOLESALE DEALERS. But the importer is the same as the exporter. The exporter of one country is the importer for the other one, and the importer of one country is the exporter for another one. There are of course exporters and importers in one single country, e.g. England. But the exporter imports into other countries, and the importer exports out of other countries.

Gold enters as raw material and *matière instrumentale* into a series of luxury products. In so far as the gold producer sells his gold to the producers of these articles, he belongs to class II, which sells and produces the elements of constant capital.

Every part of the product equally contains a portion of surplus value. Every individual commodity or portion of a commodity considered in itself. (Nevertheless, our distinction also appears in practice. If 2 thirds of the product consist of costs, $\frac{1}{3}$ of SURPLUS, and the capitalist only sold $\frac{1}{3}$, he would only have replaced his variable capital; if he sold $\frac{2}{3}$ he would have replaced his variable and constant capital, and would have realised no profit, although every part of the commodity, and every individual commodity,

^a In its own right.—*Ed.*

would have been equally sold at its production price, hence would have realised a part of the SURPLUS VALUE.) The gold producer realises just as much profit on this part as on every other part; because unpaid labour is contained in the gold and he realises this *pro rata*. But only formally. For he receives no other commodity. But instead converts the gold from the form of bars into the money form, which he could also do by sending it to the mint. (There is of course a difference for him between places where it is coined free of charge, as in England, and where *seigneurage* is charged as in France.) It emerges clearly in his case that the surplus value arises not from circulation but from production, because in production it already possesses the form in which it is capable of circulation. But this circulation between the gold producer and the gold consuming producer is important on account of one point. In this TRADE the gold producer withdraws money from circulation instead of throwing it in; for the gold that he throws in does not enter into circulation as money but as an element of production.

Therefore in a country where gold mines, etc., are located, we find AVERAGE productive consumption of gold, just as of all other commodities which form the object or the *matière instrumentale* of other commodities. If in this case this consumption were so large as to cover the wages [of the workers] of the gold producer and his profit (hence the part he spends as income) two things could be said:

1) The whole of this part of the annual gold production does not enter circulation as money; it neither enters as CURRENCY into the circulation between RETAILER and INDIVIDUAL CONSUMER (COIN) nor does it enter as money capital into the TRANSACTIONS between the productive consumers. //The difference between coin and money exists here in SO FAR as the money capital is paid out to the worker in coin, because it has to circulate in the circulation between RETAILER and DEFINITIVE CONSUMER; whereas in the spheres in which it moves between the productive consumers, i.e. the productive capitalists, it does not enter into this circulation, serves chiefly as means of payment and in their hands ceases to represent capital, which is what it does do in the HANDS of the DEFINITIVE CONSUMERS. The simultaneity and parallel course of the different successive phases of circulation, which at the same time represent opposite phases for different capitals, brings about the difference between the kinds of money, in which capital circulates on the one hand and income on the other. The transition from one kind of money to the other is mediated through exchange.//

[XVIII-1071] 2) There takes place here a REFLUX of money (from circulation) to the gold producer, and this REFLUX repeats itself. If e.g. the gold CONSUMER (GOLDSMITH, etc.) pays him 4 times a year, or buys from him every quarter, here in the case we have supposed this is money flowing from circulation itself for the payment of wages. The gold producer would only need to have in reserve in coin the expression of wages for a quarter of a year, since the same amount flows back to him again from circulation every quarter. The GOLDSMITH, etc., in contrast, replaces his money capital, which he laid out in the purchase of gold, with the money which comes from the SPENDERS OF REVENUE, to whom the gold producer would himself in part belong. If this consumption of gold amounted to a sufficiently considerable part, it would provide for the gold producer not only the money for wages, but also for the INCOME PART (what is SPENT AS INCOME) OF THE PRODUCER'S PROFIT (RENT). Here it must be borne in mind that the gold producer, like every other capitalist, needs ONLY AN ALIQUOT PART, AND A RELATIVELY SMALL PART, of the YEARLY MONEY EXPRESSION of the WAGES, in order to pay them, and that in spending his own income he also only needs A MUCH SMALLER MONEY EXPRESSION OF ITS YEARLY VALUE, since the same money flows back and performs the service anew.

Assume that the GOLD PRODUCER has to pay his workers £12,000 annually. This makes £1,000 a month, and say £240 a week, if 50 weeks are worked in the year. Assume that this producer advances the money weekly at the beginning of the first quarter, and, since it does not flow back to him, for the whole of the quarter. At the end of the quarter he makes a sale for £3,000 (if the year=50 weeks, the quarter=12½ weeks and the week=£240). To the goldsmith, etc. In the second quarter, therefore, he no longer has to increase the CURRENCY by a further £3,000, but instead he retains this £3,000 in his own possession or with his BANKER, and allows £240 of it to flow back into circulation every week. There is no doubt that this would be the case in an industrial country. Only a small part of the product would be necessary, and this would be sold to the productive consumers of gold so that in this way there would be a constant reflux of the wage from circulation. For this part of the gold producer's capital, therefore, and, depending on the circumstances, also for the MONETARY EXPRESSION OF HIS REVENUE, he adds nothing to circulation, in so far as its movement is between INDIVIDUAL CONSUMERS and PRODUCERS. This circumstance is entirely overlooked by Ricardo in a hypothesis he bases on the assumption that the gold mine is to be found in the country of capitalist production itself, e.g. England.¹⁵⁰

A money REFLEX would take place for this part of the gold producer's product, because he sells the gold as a commodity, does not buy with it, does not spend it as money.

//Within capitalist production *cost price*¹⁵¹ never=value. *Production price* can=value, if the coincidence occurs that 1) the capital which gives the commodity its final form, and 2) the capital which provides the machine and the raw material, both have the AVERAGE ORGANIC COMPOSITION. Just as the production prices of the commodities which form the *variable* capital may always vary in their value, the *amount* of these commodities, which forms the wage, always=the labour time (ON AN AVERAGE) the worker needs to reproduce this amount,=the value of the labour capacity for which the variable part of the capital is exchanged. This part, whatever its price,=its value. It is therefore sufficient for the other two parts—surplus value and constant capital—to possess the AVERAGE COMPOSITION, for the production price of the commodity to be equal to its value.//

In what follows, therefore, we entirely leave *à part* the part of the gold which enters as raw material into the production of other commodities, hence into the constant capital of other spheres of production.

As far as concerns the position of the gold producer for gold production (THUS CIRCUMSCRIBED), this is *sui generis*. The product, the commodity he has produced, cannot enter as an element either into the constant or into the variable capital of other spheres of production, and it therefore does not enter into the real reproduction process as considered above. Nor does it enter into his own constant or variable capital. Just as little does it enter into the category of commodities in which income IS IMMEDIATELY SPENT. On the other hand, however, this commodity directly possesses the form in which it can enter into the world market as money, just as it can be converted into national money through a merely technical transformation. It may function directly as money, i.e. buy. The converted form of the commodity is its primitive form. And it therefore also directly possesses the absolute form of circulating capital, the form of money capital.

The gold producer can therefore buy directly, without having to sell. HIS COMMODITY IS IMMEDIATELY CONVERTIBLE INTO EVERY OTHER COMMODITY, WITHOUT ANY REGARD *to its relation to the productive conditions of existence of the commodities* for which it [XVIII-1072] is exchanged; the commodities it buys.

We have transferred the gold producer to a country of capitalist production. What applies to every other sphere of capitalist

production applies to this one: it can only absorb its proportional part of capital and labour, if the rate of profit is not to fall below the AVERAGE PROFIT. In other spheres of production, where surplus value can be resolved into profit and rent, a relative oversupply of the sphere with capital would initially affect rent alone; the turn of profit would come when the relative oversupply of the sphere with capital and labour persisted, even after profit had swallowed up the rent. Assume that the capital invested in gold production yielded 30%, 10 PROFIT and 20 rent. If a given amount more of capital and labour were applied to this sphere, and correspondingly more withdrawn from the other spheres, the means of subsistence and the constant capital of the gold producer (i.e. the machines, etc., he must buy) would rise for instance from 100 to 120. This 120 would as before express numerically the same physical amount of means of production, i.e. the same amount of labour, and the same ratio as previously of machinery, etc., to this given amount of labour. The product would be as before 130, whether the capital laid out=100, 110, or 120. If we take the last figure, not only would the rent have disappeared, but also nearly 20% of the profit. For $120:10=100:8\frac{1}{3}$. Thus the rent of 20 would have vanished and the profit would have fallen from 10 to $8\frac{1}{3}\%$. The capital and labour employed in gold production therefore stands in a certain proportion to the amount of capital employed in all other spheres of production, or is brought back to this through the equalisation of the rate of profit.

The producer of the gold can buy what he wants with it (i.e. what commodities he finds on the market); hence means of subsistence on the one hand; instruments of production on the other. He can consume, in this form, the part of his gold product which represents surplus value (profit, rent), IN FACT HOARD WITH A VIEW TO CONVERT IT AT A LATER PERIOD EITHER INTO REVENUE OR INTO CAPITAL. In so far as he does this, the gold producer accumulates a part of his product in natural form, just as the peasant or the machine manufacturer does.

As regards the part he exchanged for means of subsistence or instruments of production, the part of the product sold to him by the producers of those commodities now exists entirely in gold, i.e. in a form in which the reproduction process of their commodities cannot be renewed. If they are to reproduce at the same level, the same part of their product (assuming that NO CHANGE has occurred in the value of the ingredients of their production) must be converted back into raw materials, machinery, etc. For example, those who sell the means of subsistence, i.e. commodities in their

final form, the form in which they enter into individual consumption, cannot use gold either as a raw material (semi-manufactured material), or as a *matière instrumentale* (for this has already been withdrawn for GOLDSMITHS, etc.), or to replace their means of production. It is implied, furthermore, that the circulation is already sufficiently FULL TO REPLACE BY ITS FLUX AND REFLUX ALL VARIABLE CAPITAL IN THE FORM OF MONEY, etc.; similarly the part of the circulating capital which must circulate as money capital. From the means of subsistence this class has sold to the gold producer, and IN RETURN for which it now possesses gold, it can accumulate in gold the surplus value contained in these commodities; it can hold onto the gold as the form of the surplus value; it can store up, preserve, retain this surplus value in the form of gold. But it must replace the raw material, machinery (it is assumed that the production of gold for luxury consumption replaces the CURRENCY for the gold PRODUCER, without his having to throw other money into circulation to achieve this; but the part of the commodity that he consumes—and, apart from this, the part of the labour that is contained in the commodity consumed by him—must be replaced by its producers through the purchase of new labour⁴³); for we assume that the previous circulation was sufficient to pay out the variable capital in money. The producer of the means of subsistence therefore buys with the part of the gold which he has obtained—the part he keeps as the direct form of his surplus value (profit)—semi-manufactured material, *matières instrumentales*, MACHINERY, etc. The producers of these commodities are all in the same position. Each one can only retain a portion of the gold—a part of his profit or surplus value in general. With the other part he replaces the raw material, etc. For this last part of the gold, which comes to the original producer, they sell their whole commodity, *pro toto*, with deduction of exchanges between the original producers, and they cannot again split up this part into a PART CONSISTING OF SURPLUS VALUE and a PART CONSISTING OF PRODUCTIVE CAPITAL. For them this gold therefore represents nothing but the part of their surplus value accumulated in gold. And the commodities they thus sell indirectly to the gold producer constitute a part of the part of their product in which surplus value is realised.

We have observed the course of events where the gold producer buys means of subsistence. THE SAME CASE AS FAR AS HE BUYS INSTRUMENTS OF PRODUCTION AND *matières instrumentales*. [XVIII-1073] Hence the whole annual product of the gold producer // we are deliberately leaving foreign trade out of the picture here// can be resolved into

the expression of surplus value in gold; it is a part of the SURPLUS LABOUR of the WHOLE SOCIETY which is directly incarnated in gold, converted into gold. For the gold producer, as for any other capitalist, his total product consists of 1) a part which reproduces the constant capital; 2) a part which replaces the variable capital; and 3) a third part which represents the SURPLUS VALUE. But in relation to the whole society it is merely the incarnation of SURPLUS VALUE and SURPLUS LABOUR. To the extent that this SURPLUS VALUE comes into consideration, the gold producer is distinguished from the others only in that for him it is a form emerging directly from the process of production, whereas for the others it is mediated through exchange, through circulation. The other producers—whether of means of subsistence or of constant capital—exchange, out of the part of their product which represents surplus value, a part for the gold of the gold producer; they thus replace his capital for him and he gives them the commodity in which they realise a part of their surplus value. The relation of the gold producer to classes I and II is therefore exactly the same as the relation of classes I and II to each other. That is, the whole of his annual product can be resolved into income, i.e. it is exchanged for a part of the means of subsistence and means of production which represent income for their producers, i.e. *realisation of SURPLUS LABOUR*. Just as class I realised a part of its SURPLUS VALUE in its own products, so also can the gold producer. But he can realise only a part. He must consume a part of his SURPLUS VALUE. The others, in contrast, must *not* consume a part of their SURPLUS VALUE, if they want to possess it in the form of gold. Therefore, in so far as this form of replacement comes into consideration, the exchange between the gold producer and the other classes does not represent a new phenomenon. But it is a new phenomenon in so far as a part of the SURPLUS VALUE is here directly converted into the material of money and thereby the simple reproduction process assumes the special feature that the valorisation of the commodity presents itself directly as accumulation of gold, hence as accumulation of latent money capital.

If we leave aside the form of capitalist production, it is clear that the producers must exchange a part of their products with each other, in part for individual consumption, in part for productive consumption. This part (and it forms BY FAR THE GREATEST PART OF THEIR PRODUCE) can ON AN AVERAGE be regarded as given, particularly in static conditions, such as were normal *before* the capitalist mode of production. They can only exchange the SURPLUS with the product of the gold or silver producer. And in fact their *hoards* are formed

in this manner, and in general the basis is laid for the circulation of metallic money. The situation that only this *surplus* can be converted into gold remains the same in capitalist production.

In so far as the gold producer and the other producers now convert their [surplus] into capital anew as money (in addition to the money otherwise circulating amongst them), the question is not specific. The same conditions are needed as are required in general for the conversion of money into capital.

So far, therefore, we merely have this: The accumulation of money—as identical with new gold production—requires that a part of the surplus labour of the country should be invested in the production of gold.

But now let us pose the question in a different form, in which the production of new gold is entirely left on one side. It is known that during a considerable period of time, roughly from 1808 to 1830, the newly added gold and silver were exactly sufficient to replace the abrasion, etc., the WEAR AND TEAR, of the money capital of Europe. The capitalist accumulation process must also be considered in itself—precisely with regard to money—without bringing in the production of gold and silver at all.

The question that concerns us here is not the same as the one considered previously, in dealing with reproduction: how surplus value existing as money, OR RATHER the part of the surplus value which is not consumed, can be converted back into *productive capital*. The question is rather how, and UNDER WHAT CONDITIONS, a part of the surplus value, INSTEAD OF BEING SPENT, MAY BE ACCUMULATED AS MONEY, AND THIS WITHOUT ANY REGARD TO THE EXCHANGE WITH THE GOLD OR SILVER PRODUCING CAPITALIST?

Let us consider the different classes:

class I, which produces means of subsistence;

class II, which produces the constant capital for those means of subsistence and the constant capital for this constant capital;

class III, THE MERCANTILE AND MONIED CAPITAL, WHO ONLY INTERMEDIATE THE MOVEMENTS AMONGST THE TWO FIRST CLASSES.

[XVIII-1074] On class I. This class has to replace its constant and variable capital. It replaces the latter through its own products, it buys the former through exchange for its products.

As regards the surplus value, class I must itself *consume* a part of it; but its whole product, *surplus value as well as capital, exists in the form of commodities destined for immediate consumption, or destined, at least, to fall into the funds of consumption, and, thereby, to be got rid of in the sphere of circulation. It must be sold, before any part of it exists in the form of money; and the

sale of it means its being bought for consumption.* This is what the part of the product which represents SURPLUS VALUE has in common with the part which represents capital. *If, therefore, that class need only consume part of its surplus produce itself, the whole surplus produce must be consumed—and, therefore, sold to consumers. If not, it will encumber their warehouses in the form of not consumed and unvendible commodities.*

According to our presupposition, class I exchanges with class II only the part of its product which represents its constant capital, hence NO PART OF REVENUE. When dealing with this question, therefore, the exchange with this class must *be left out of consideration altogether, as far as class I is concerned. We are thrown back upon [class I] itself.

Within class I itself, the exchange with the workmen must be also eliminated. The workmen of class II are already included in the exchange of class I with II, which exchange, we say, is to be eliminated. Their own workmen only pay them back in money the value of the capital paid out to them in commodities. This exchange has nothing at all to do with the *realisation* of the surplus value, but only with the variable capital advanced.

We are then forced to consider the parties of class I itself, which *share in the surplus value produced in it*, and who by their exchanges return to the producing capitalist the monetary value partly of his capital advanced, partly of his profit. Neither the exchange with class II, nor the payment of the variable capital within class I, has anything to do with the question thus put.*

We have seen how a part of the capital can accumulate as money capital, in SO FAR AS not only the part of income which the gold producer consumes *in natura*, but the part of his product (gold) which he must give *in natura* in exchange, in order to replace his capital (leaving aside the part of this product that he sells as raw material to other branches of production), both constitute a part of the income of the other producers, a part which is retained directly in the shape of gold, is initially HOARDED gold, and can then function as money capital in reality, i.e. enter directly into the accumulation process of capital.

The question we now pose is this: Leaving aside this part of the SURPLUS VALUE, which is accumulated through exchange with the gold producer in the shape of gold, how is it possible at all for productive capital initially to pocket as gold a part of its income, instead of spending it, and then to accumulate this part as money capital?

The capitalist has laid out £100. His commodity=110. In our

presentation so far, where the surplus value of 10 BEYOND THE CAPITAL BECOMES MONETISED, we assumed that the income was entirely eaten up; SO THAT IN FACT THE MONEY SPENT IN THE CONSUMPTION OF THE REVENUE monetises the surplus value, PAYS IT BACK. But if the capitalist (and EACH CAPITALIST, for the matter must be conceived in a general way; as a process *of* capital, NOT OF ONE SINGLE CAPITALIST AT THE EXPENSE OF OTHERS, so that e.g. the sale by one capitalist of 110, of which he only SPENDS 105, is not explained by saying THAT ANOTHER IS UNABLE TO SELL PART OF HIS PRODUCE) replaces 100, SPENDS 5 AND ACCUMULATES 5, HOW IS THIS TO BE MANAGED ON A GENERAL SCALE? THAT IS THE QUESTION TO BE PUT AND TO BE ANSWERED.

Just as a part of the produce of particular spheres of production enters into them again as a condition [of production], this consideration would be important if we were to examine a specific sphere of production of class I. But here it is not important. Let 100 represent the total capital of this class and 10 its total profit. It must consume a part *in natura* (i.e. in the product of this class itself *in natura*). Say 5. The question is thus: under what conditions can this class keep back 5 as money, FIRST conditions for the reconversion of income into capital? The first condition is that it sells for 105. The 100—replacement of the capital—is explained, and therefore does not come into consideration any further here. The question is, to whom are the commodities to the value of £5 sold? They consist of commodities which in part merely enter into the income of the higher classes, in part enter into the consumption of the workers, productive or unproductive.

THE FURTHER ELUCIDATION OF THIS POINT TO BE POSTPONED.

[XVIII-1075] * MERCANTILE * CAPITAL [CONTINUED]

On the DISTRIBUTION OF CAPITAL AMONG THE DIFFERENT EMPLOYMENTS ¹⁵²:

"CAPITAL IS DIRECTED TO DIFFERENT EMPLOYMENTS BY THE RATE OF PROFITS. This GENERAL PRINCIPLE is modified by: * 1) the difficulties connected with a change of investment; 2) the risk which attends different investments. Risk of losses* determined by the INSURANCE SOCIETIES. But there is also *the risk of success. Should we take into account the many losses sustained by the community of merchants, the number of failures, as well as the instances of uncommon success, it would be found, that the average rate of profit in commerce, does not differ from that of capital, when vested in other branches of production" (S. P. Newman, *Elements of Political Economy*, Andover and New York, 1835, [pp.] 83-85).

"In the existing economical arrangements of society, the very act, which is performed by the merchant, of standing between the producer and consumer, advancing to the former capital and receiving products in return, and then handing over these products to the latter, receiving back capital in return, is a transaction, which both facilitates the economical processes of the community, and adds value to the products in relation to which it is performed"* (l.c., [p.] 174).

"Time is saved for the MANUFACTURER and the CONSUMER by his intervention and money. This *service requires an outlay of capital and labour* and must, *since it adds value to products, for the same products in the hands of consumers are worth more than in the hands of producers*" [p. 175],

// this is *absolutely wrong*. The use value of a commodity is greater IN THE HAND OF THE CONSUMER THAN IN THAT OF THE PRODUCER, because it is only then that it is REALISED at all. *The value in use of the commodity only becomes realised by passing into the sphere of consumption. In the hand of the producer it exists in a latent form only. But I do not pay a commodity twice over, first its value in exchange, and secondly its value in use. By paying its value in exchange, I appropriate its value in use. Its *value in exchange* is not augmented by passing from the producer to the consumer*//,

"STRICTLY BE CONSIDERED AN ACT OF PRODUCTION." //This is wrong.// (l.c., [p.] 175.)

"Let us say that trade is useful, but let us not say: trade is productive" (F. Vidal, *De la répartition des richesses etc.*, Paris, 1846, [p.] 198).^a

A very good work on mercantile capital is: Corbet (Thomas), *An Inquiry into the Causes and Modes of the Wealth of Individuals; or the Principles of Trade and Speculation Explained*, London, 1841.

Corbet does not pretend to give the GENERAL PRINCIPLES OF POLITICAL ECONOMY here. He conceives mercantile capital as something specific, and he describes its specific mode of operation. The connection between mercantile capital and the GENERAL PRINCIPLES IS RATHER LOOSELY more hinted at than developed. Yet, this is not the task Corbet sets himself. He leaves it to the GENERAL ECONOMIST. We shall now go through some of Corbet's main points.

*"All trade consists in the *exchange* of things of *different kinds*; and the advantage arises out of this *difference*. To exchange a pound of bread against a pound of bread ... would be attended with no advantage ... hence trade is advantageously contrasted with *gambling*, which consists in the mere exchange of money for money"* (l.c., [p.] 5).

With $C-M-C'$ the ADVANTAGE arises from the difference between C and C' , i.e. the use values exchanged. The commodities are only *realised* as use values through this exchange, by passing out of the hand in which they are merely repositories of exchange value into the hand in which they are really use values. Exchange value appears as a mere form for the mediation of this process, and no alteration in the exchange value is IMPLIED IN IT. The whole movement of [XVIII-1076] capital $M-C-M'$, on the other hand, IMPLIES THE QUALITATIVE IDENTITY OF THE EXTREMES M and M' . *If no alteration were implied in the *quantity* of the extremes, the operation would be tautological, silly and useless. And in fact, suppose a merchant has bought commodities for £100 and the state of the market forces him to again sell them for £100. It is the same as if he had kept the original £100 in his hands, as far as he is concerned or his £100 are concerned. If he were forced to sell them for less, [which] may happen, the operation implies a positive loss, which can never be its purpose or its aim.* This is the general formula for capital, whether INDUSTRIAL OR MERCANTILE. And whether the trade is in commodities or money. It is always buying in order to sell; hence, if we leave aside the CHANGE IN THE QUANTITY OF M' , AS COMPARED WITH M , *it is the exchange of money for money, of value in exchange for value in exchange. There is no *difference* in the *kinds* of the commodities exchanged. Hence no advantage arising out of that difference.* Thus according to *Corbet*

^a Marx quotes from Vidal in French.—Ed.

every MOVEMENT of capital would be * *gambling*, and the difference between *gambling* properly so called and other kinds of capitalistic gambling would amount to this: In the one case //but this is also the case with all the operations of the monied capital properly so called// the exchange of money for money is concealed by intermediate movements; in the other case it is not. The gambler directly (and he shares this with the capital-lending capitalist, the banker, etc.) puts out money to gain more money or to lose the money put out. The productive capitalist, whether industrial or commercial, first exchanges his money for the commodity, to afterwards exchange the commodity for money. In the one instance the exchange of money for money is undisguised, direct, *sans phrase*. In the other instances it is concealed by intermediate movements, but does always appear as the result of the complex movements.* If Corbet therefore calls GAMBLING GAMBLING because it IS EXCHANGE OF MONEY FOR MONEY, EVERY MOVEMENT OF CAPITAL RESOLVES INTO GAMBLING. This is why e.g. Pinto regards trade as “*un jeu*”.^a But since this *jeu* would soon have to come to an end if this operation were to continue, if only one side gained, an alternation would have to take place: now one side, now the other, would have to be THE LOSING OR THE WINNING PARTY. This only expresses the contradiction that profit UPON ALIENATION¹⁷ implies loss on one side, and therefore cannot be a continuous, general relation of production. Pinto says:

“Trade is a game; and nothing can be won from beggars. If one won everything from everybody for a long time, it would be necessary to give back the greater part of the profit voluntarily, in order to begin the game again. This devouring trade would destroy itself” (*Traité de la circulation et du crédit*, edit. Pinto, Amsterdam, 1771, p. 231).^b

And our friend M'Culloch in fact finds himself unable to distinguish in any way at all the principle of speculation, i.e. of GAMBLING, from that of trade and the movement of capitalism—buying in order to sell. He says:

“Every transaction in which an individual buys produce in order to sell it again, is, in fact, a speculation” (*A Dictionary, Practical etc., of Commerce etc.*, London, 1847, [p.] 1056 sqq.).

Note which is to be made on the division of labour.

Corbet establishes a very important new principle of the *division of labour* WITHIN THE SAME SPHERE OF PRODUCTION. However, this principle of the division of labour cannot be developed here, where we are speaking OF ITS GENERAL NATURE, because it already presupposes the

^a A game.—*Ed.*

^b Marx quotes in French.—*Ed.*

real movement of capital.¹⁵³ The principle is the equalisation of the prices of commodities, WITHIN A LONGER PERIOD OF YEARS, TO THEIR PRICE OF PRODUCTION. In industry proper it is already the peculiar circulation of fixed capital WHICH FASTENS THE PRODUCER NOT ONLY TO A PECULIAR SPHERE OF PRODUCTION, BUT TO A GIVEN SUBDIVISION OF THAT SPHERE. In trade (WHOLESALE) the same SUBSUMPTION TO A SPECIAL KIND OF TRADE, AND TO A PARTICULAR SUBDIVISION OF THAT KIND, IS PRODUCED by the cycle of equalisation of commodity prices [XVIII-1077], i.e. market prices, which stretches out over a number of years. In general Corbet emphasises very well how the AVERAGE PRICE, which appears AT FIRST VIEW as an abstraction,

- 1) appears as a principle regulating the division of labour;
- 2) how in turn particular TRADES—SPHERES OF EMPLOYMENT OF CAPITAL—are formed, which are only founded on AVERAGES.¹⁵⁴

*“The third principle of trade is, to deal always in the *same commodity*, or set of commodities” (p. 12). * “This is in part founded on and *aided by the necessity of *equalising the fluctuation of trade*” (l.c.). “Hence when trade has made its greatest advances, and comes the next to perfection, such *divisions of the professions*, as the Russian merchant, the American, the Dutch merchant, the timber merchant, the fruit merchant, etc.” ([p.] 14).

“*Profit*, on the general principle, is *always the same*, whatever be [the] price; keeping its place like an incumbent body on the swelling or sinking tide. As, therefore, prices rise, a tradesman raises prices; as prices fall, a tradesman lowers price, i.e. as they are raised or lowered to him, he raises or lowers them to his customers” * (l.c., [p.] 20).

In this *superficial* and *upside down* form it appears to the TRADESMAN THAT PROFIT DOES NOT RESULT FROM A SURCHARGE OF PRICE, BUT THAT IT FORMS PART AND PARCEL OF THE VALUE OF THE COMMODITY. It appears to him rather in the inverted form that “PROFIT” is always A SURCHARGE OVER AND ABOVE THE REAL VALUE OR PRICE OF THE PRODUCE.

The equalisation of profits (along with the AVERAGE story we have just noted) is well presented in the following:

*“Every necessary trade must or does yield profit, and when trade ceases to do so it ceases to be necessary” (l.c., [p.] 22). “One business not more profitable than another” (l.c.). “*One business not more hazardous than another*” * ([p.] 24). “E.g. shipping: With regard to the trade in general, *the freight must compensate or pay for all hazards, and so far as the individual is concerned, they are covered or reduced to nothing by *insurance; a device by which the loss is spread over all*,” *

//it would be just as foolish to say *that this loss *ceases to exist*, because *it is spread over all*, as it would be to say that the diminution of profits resulting from the diminishing proportion of variable to constant capital, or from the longer revolutions of fixed capital or the later returns of some sorts of circulating capital, or of any of the circumstances, regulating the equalisation of profits between different spheres of production—and the hazard, the risk

of loss, greater or smaller in different spheres, fully enters into those regulating circumstances—does take away the diminution of the general profit of capital caused by those circumstances//,

“or the whole trade is made to contribute to the loss of each individual member, with a fair remuneration for those who take the charge and run the risk of equalising the business, i.e. the underwriters”* (l.c.). “It can be assumed THAT ALL THE SHIPS BELONGING TO GREAT BRITAIN are lost (by force or through DECAY) in 17 years” ([p.] 26). “INSURANCE against loss by fire would seem a very hazardous TRADE, if one compares the SMALLNESS OF THE PREMIUM RECEIVED with the GREAT SUMS THE INSURERS are called upon to pay.... But owing to THE GREAT EXTENT OF THE BUSINESS and to the AVERAGE which that *extent establishes, it is reduced to a business of very equal tenor, yielding always a fair profit or percentage on capital, and no more; wonderfully exact and uniform indeed considering the extremes to which it is subjected”* ([p.] 27). “When we say that one business is not more profitable than another, *this is to be understood of business in general; and taken along with the fact that each individual business is at one time more or less profitable, or pays better or worse than at another. That, indeed, a variation of profit as well as of price, to a certain extent, perpetually takes place or is in constant operation in each and all businesses, is beyond question.* It arises out of *adjusting the supply to the demand” ([p.] 33). “Fluctuations compensate each other” ([p.] 35). “Fluctuations, ebbs and flows, or oscillations continually happen or are constantly taking place, to a greater or [XVIII-1078] less extent, in each and all businesses”* ([p.] 36).

With regard to competition:

“FOR COMPETITION the following general principles apply: THE MINIMUM OF PRICE OF ANY COMMODITY REGULATES THE MARKET PRICE OF THAT COMMODITY. Secondly: IT IS NOT THE MAJORITY, BUT THE MINORITY OF PERSONS, who regulate competition. Thirdly: *it is capitalists, i.e. the greater or chief capitalists, who fix price. In this manner there is only one company in England for the manufacture of plate glass of any size, viz. the British Plate Glass Company at Ravenhead in Lancashire, all others having been found unable to compete with it; and the great thread manufacturers at Shrewsbury, oblige all other thread manufacturers in the kingdom to do as they do, as all the Ironfounders in Scotland are regulated by and follow steadily in the rear of the great Carron company*” (l.c., pp. 42-44). “LETTING e.g. of LANDS AND HOUSES is a CONDITIONAL SALE, OR SALE OF THE USE OF A THING FOR A LIMITED TIME” (l.c., p. 81).

Businesses ON AVERAGE:

“The great principle on which all insurance proceeds, whether sea, life, or fire, is average, the spreading of the general loss over the whole insured; or the uncertainty of individual events, and the certainty of general or cumulative. E.g. *the duration of the life of any one person is very uncertain, but the average duration or term of human life is very certain or well established. So also in sea or fire insurance, the destruction of any individual or particular property is a matter of uncertainty, but the average amount or value of the property destroyed, or that will be destroyed, within a given time, is a thing pretty well ascertained or settled. It follows, therefore, that the less the risks (i.e. each individual risk) in amount, and the greater the number of them undertaken, the more nearly is the business reduced to a perfect average, and the better conducted” (l.c., [pp.] 100-01).

“Business is at all times overdone” (p. 115 sqq.). “However great the appetite or desire of the public for any thing, the food administered, the supply furnished,

goes always beyond the demand. Like the Malthusian principle of propagation, the talent in society is always in advance, redundant, superabundant* (e.g. in the writing of newspapers). ...Nowhere is this more conspicuous than in towns. A town is always *OVERBUILT*; THERE BEING ALWAYS MORE HOUSES THAN ARE WANTED, particularly in the *OUTSKIRTS OR SUBURBS*, where they *never pay, but seem as if built for the public good or the dignity or honour of the place—with but a far distant or prospective view to profit*" ([pp.] 115-17).

An important circumstance in the *circulation* and *reproduction* of capital is this: *Time* passes between the outlay and the *RETURN* of the capital, *EVEN IF IT RETURNS*. This interval, in proportion to its size, has a dual impact. *Firstly on the use value*. Time destroys use value absolutely; i.e. *every thing, in a certain period, deteriorates, and is at last corrupted, spoilt and bereft of the qualities which constitute its value in use; some articles sooner, some later. Some must be sold very quickly, not to deteriorate or to be altogether spoiled; some may stand a longer time. All are ruined, more or less, if, beyond a certain time, they do not enter into consumption, or, what is the same, prolong their existence as vendible commodities, instead of being used as values in use. This, then, is the *first risk* a commodity runs, in fact capital runs, by being converted from money into the shape of commodities, whether destined for individual or industrial consumption. Besides, the *conservation* of [XVIII-1079] commodities, so far as they are values in use or articles, requests spending upon them of capital and labour, in some instances less, in others more. Into their *mercantile price*, there can only enter the *average* cost which the conservation of a given article, during the interval that it finds itself upon the market, necessitates. That average cost, for a given article, is determined by the average time it is fixed in this *interval* between production and consumption, or its average *stay* as a commodity upon the market. For *different* articles this cost of conservation is evidently determined, not only by the *average time* they stay upon the market, but also by the average deterioration or cost of preventing that deterioration, according to the nature of different articles, *during the same time*. If the average time is given, the cost of conservation depends for different articles upon their specific qualities as values in use. If the cost, resulting from the different nature of the articles, is given, it exclusively depends upon their different *averages* of return, or the different averages during which they encumber the market, find themselves upon the market in the state of *commodities* (vendible commodities is only a tautology). This then constitutes *one item of the costs of circulation*. But it is evident, that this item, instead of adding to the value of the general production, can in no case be anything but a *deduction*

from it. Suppose, that the average time, during which all articles stay upon the market, be the same; suppose in the second instance, that their deterioration and the costs to counteract it be the same; that, therefore, the *unavoidable dechet*^a during the identical time of circulation and, moreover, the cost to prevent extra-*dechet* or deterioration, be the same for every sort of produce; then it is clear, that this unavoidable *dechet* on the one part, and the cost of limiting it to its minimum, is a deduction from the value of exchange of the article (at least its *surplus value*), firstly because in a given time so much percentage of the whole production is simply lost, and, secondly, because so much *faux frais de production*^b are incurred, incurred not in creating surplus value, but in the task of realising it. It would never do to say that the consumer must pay this. But, from what source is he to pay it? His source for paying is *his product*, or the co-property in the product of another person. It is then clear, that his produce has been diminished, and that his costs of production have been augmented. Out of a diminished fund of production and of increased costs of production, he is positively unable to compensate another producer for the same loss incurred by that other producer. It is, therefore, clear, that as far as this item enters into price, it does not change the relation of prices of commodities, so far as the *ratio of those costs of circulation* is identical for them, and that, so far as it changes the relation of prices, and even of profits, this can only constitute a compensation for the greater loss incurred by particular branches of business, which exceptional loss, inherent to the nature of the business, is spread, by the equalisation of profits, over the whole sphere of employment of capital.*

[XVIII-1080] *The second effect of time* (disregarding the general effect of the RETURN, TO ENABLE THE PRODUCER TO ENTER UPON REPRODUCTION) within the circulation process * affects not the *value in use* (and the value in exchange only secondarily, so far as it *exists* only in the value of use), but the *value of exchange* directly, without any regard to the changes the article itself, or the value in use of a commodity, may incur during its intermediate stay between production and consumption, or during its sojourn on the market. We shall not speak here of the changes in the market price of commodities, since we always are reasoning here upon the

^a Wear and tear.—*Ed.*

^b Overhead costs of production.—*Ed.*

supposition that commodities are selling at a price corresponding to their real values.

But the real value of commodities changes during a certain interval of time, and the greater the time, the larger the field, the opportunity for such changes of value. We do not take into consideration the mercantile capital. Although it has bought the article beneath its value, the value of the article may fall before it sells it, and in this case the difference between buying and selling price may either diminish, altogether vanish, or even the selling price may fall beneath the buying price according to an intermediate change having taken place in the value of the article.

But, as said, it is not worth while to consider here the mercantile capital in particular.

The process of circulation of the capital dissolves into two parts, epochs or phases—first, the conversion of commodity into money, and, secondly, the reconversion of money into commodities, viz. those commodities which constitute the ingredients entering into the production or formation of the first commodity; productive ingredients, as we shall call them for abbreviation's sake. Now we shall inquire how far any *variation or change in value* may affect price and profit; any variation taking place in one or the other of these two phases. We shall commence with the latter, the reconversion of money into the productive ingredient.

Be the commodity produced cotton twist. The twist has been sold, converted into money, the surplus value contained in its price has been realised, and it is now about being reconverted into its productive ingredients.

It must be converted into cotton, and *matières instrumentales*, such as coal, soap, tallow, etc. It must, furthermore, be converted into labour, by paying anew wages out of the funds realised. The value of cotton, like all other raw produce, depends, independently of the will of man, or the capital expended, on the seasons. The same quantity of labour may, according to the favour of the season, as far as the old cotton fields are concerned, or to the fertility of the soil, as far as new fields for the production of cotton have been broken up, yield very different quantities of cotton. Consequently, the *same quantity* of cotton, say a cwt or a lb, may represent very different values. Suppose now that the value of cotton had risen, either because of bad weather, or because the additional demand for cotton was supplied from less fertile soils. In this case, to replace that part of his capital, which must replace cotton, the spinner has to make a greater outlay of the money realised. [XVIII-1081] This enhancement in the value of cotton

may absorb or surpass the whole profit made in the first revolution of his capital. Then the price of labour may rise, because the value of necessary. He must again pay [the] greater part of his return, to replace that part of his capital which resolves into wages. If both these circumstances occur at the same time, it is probable that, even if he employs the whole money return—capital and profit—he will be unable // without recurrence to loan, not falling under our consideration now// to recommence his operations on the same scale of production. At all events, he will be unable to do so with *the same amount of capital* originally advanced. His operation may be a losing one, if we contemplate not one, but both consecutive revolutions of his capital. Suppose that, during the first turn, he advanced £100 and had returned to him 120. Suppose that in the second turn, the outlay for a less quantity of constant capital having augmented, and ditto the variable capital having risen in value, but diminished in quantity (the quantity of labour employed), so that his profits were only 5 p.c. He has won 5 p.c. or $5^{15}/_{21}$ in the second revolution. But he has advanced £120, not only the capital but the profit of the first revolution. Thus he has lost $£14^{6}/_{21}$; because this part of his profit realised in the first turn has vanished. In both cases he has realised surplus value; but part of the surplus value realised in the first turn has been lost in the second. In the second turn, considered for itself, he has lost, because he had £100 capital and 20 profit, and has now 120 capital and only $5^{15}/_{21}$ profit. It is evident that his average profit must be determined by the *equalisation* of these fluctuations during the different turns. Hence he must stay to the same business, to get the *average rate of profit*.

There may also take place a *change of value* in the ingredients of his fixed capital. If coal, or iron, would have risen in value, the *dechet* may be impossible to be replaced at the same price, at which it originally entered into the process of production. The cost of its replacement may be higher than its original cost value amounted to. Besides, apart from this part of the fixed capital—the *dechet* of the last year to be replaced—the value of the whole machinery, instruments, etc., may have sunk by a fall in its cost of reproduction, or by a fall in its *new* value. In fact, if the *dechet* costs more to replace, the unconsumed part of the machinery will also rise in value; if the value of the whole machinery sinks, the cost of replacing its *dechet* will also sink.

We come now to * *C—M*, *the *phasis* during which the produce circulates, waiting to be changed into money. We do not speak of any fall or rise of market price originating from changes in the

relative forces of demand and supply. Because we suppose prices=values. If in the preceding example the price of x lbs twist= $\pounds 120$ (including cost= $\pounds 100$, of which say $\pounds 80$ for raw material, i.e. *cotton* + $\pounds 20$ surplus value), and if the value of cotton fell suddenly, from an extraordinary harvest, by 60 p.c., then the cotton worked up in the twist floating upon the market would sink as well as the cotton in its raw state. Hence the price of the x lbs would be reduced from $\pounds 120$ to $\pounds 88$ (the cotton contained in it sinking from $\pounds 80$ to 48). The spinner would have incurred a positive loss of $\pounds 12$, although he had realised a profit of $\pounds 20$, or a profit of [XVIII-1082] 20 p.c. which, in fact, may be a surplus value of 50 p.c. and more. But it would for him be the same as if he had bought x lbs [of] cotton for $\pounds 80$ in order to sell them for 48. If there was not the surplus value sold in his twist, his return would be only= $48+20=\pounds 68$. Consequently of $\pounds 20$ more than it is now in consequence of the surplus value realised. In fact, if cotton continued on the same low scale of price, the manufacturer, in the new turn of reproduction, might lay out only $\pounds 48$ in cotton, $\pounds 20$ for the other expenses, and continue on the same scale of production. And he might act with the $\pounds 20$ profit as before. (In regard to the capital laid out, the rate of profit would even have risen.) But on a full or an approximate return of the former cotton prices, he would not possess sufficient capital for a reproduction on the old scale. If he had debts to pay (interest for instance for $\pounds 100$ borrowed or bills of exchange on the suppliers of the old cotton, coal, etc.) he might be bankrupt. And, at all events, the *monetary value of his capital* would have depreciated, although no depreciation would have taken place in the *value of money*— $\pounds 88$ would at all events represent a smaller capital than would 100 (120 with the profit) before. The effect would be, of course, the reverse, if the price of cotton, etc., had risen instead of having fallen.*

Such a CHANGE OF VALUE directly depreciates the capital (productive), IF THE CHANGE HAPPENS DURING THE FIRST PHASIS $C-M$; IT CRIPPLES REPRODUCTION AND DIMINISHES PROFIT, IF IT OCCURS DURING THE SECOND PHASE—: $M-C$.

But since the capital is always in both phases simultaneously— (newly invested capital, OR ADDITIONAL CAPITAL, IS, OF COURSE, ONLY AFFECTED BY THE CHANGES OF VALUE WORKING ON $M-C$)—, A CHANGE OF VALUE will thus WORK IN A CONTRARY DIRECTION UPON THE PART OF THE CAPITAL CIRCULATING AS CAPITAL (in $C-M$) and *the part of the capital reconverted from the form of money into that of the productive ingredients. For instance, if the value of cotton falls, the twists and cottons upon

the market will be depreciated, but the capital of the spinner, etc., reconverted into cotton will yield higher profits than before and may enable him to enlarge his scale of production. (It will of course damage him, if he possesses great provisions of raw cotton, before the change of value took place. This will be depreciated like the cotton already worked up in twist, etc., and still more immediately.) On the other hand, if the value of cotton rises, the price (hence the profit, since the cost remains the same) of the circulating twist, etc., in short of all goods into which cotton has entered, will rise, and so the capital returned far exceed the capital advanced (the same will be the case with productive capital already invested in cotton = provisions) while the capital *to be* reconverted into cotton* ($M - C$) *will yield lower profit and may necessitate either a contraction of production (should wages not have fallen simultaneously) or the employment of additional capital, to yield the same quantity of produce and to absorb the same quantity, as before, of surplus labour. It is only with overstocked markets (be it that the markets are overstocked with yarns, goods, etc., be it that large accumulations of cotton of the former harvest still encumber the warehouses of the merchant or fill those of the manufacturer) that a fall in the price of cotton (or any other productive ingredient) can harm the productive capitalist to any degree. But an enhancement in the value of cotton, etc., will always check reproduction to a high degree, while only with markets overstocked can it bring him any profit.*

AT ALL EVENTS, these RISKS, arising out of the *change of value in the productive ingredients of commodities, and, therefore, affecting commodities in the interval between production and sale, or between their monetary form and their reconversion into the productive elements,* can never enter into the *costs of circulation* [XVIII-1083], THAT IS TO SAY, SUCH COSTS OF CIRCULATION AS ARE COMPENSATED FOR IN THE PRICE OF THE PRODUCE. It is clear so far that the AVERAGE RISKS FROM SUCH CHANGES OF VALUE AS ARE COMMON TO ALL SPHERES OF PRODUCTION CAN GIVE NO TITLE OF COMPENSATION FOR ANY PECULIAR SPHERE OF PRODUCTION. SECONDLY, the commodities which ARE EXCEPTIONALLY EXPOSED TO SUCH SUDDEN FLUCTUATIONS OF VALUE (e.g. all those into which the annual produce of the earth enters, as opposed to those into which a specific mining product enters) *if they incur the risk of extraordinary losses, run the chance of extraordinary gains. And thus this becomes equalised.*

The contemporary COTTON crisis resulting from the American Civil War¹⁵⁵ has demonstrated both of these things. On the one hand, the greatest misery in the MANUFACTURING DISTRICTS and a

standstill OF THE MILLS ON THE LARGEST SCALE. On the other hand, since the markets have since 1860 been oversupplied, an increase in the prices of the YARNS and GOODS available on the market, and therefore a rise in profits for the manufacturers to whom these GOODS belong. But particularly for those who possessed a STOCK OF COTTON, and are speculating with it in Liverpool.

Now back to Corbet.

* "Time produces a *difference of price*. Now the principles of trade suppose a constant selling with one hand as a buying takes place with the other, so as that a person *shall never have any stock on hand on which time can operate or produce an effect*.* This is never literally the case, even with a GROCER, much less with a CLOTHIER. THE EFFECT OF A RISE OR FALL OF PRICE HERE APPLIES especially TO THE MANUFACTURER, with whom, in many cases, a considerable time often elapses between the time when he buys the raw material and that at which he is *able to bring it to market worked up and finished ... while all must be affected to the extent of their stock on hand when they come out of business, according to the difference of price at that period as compared with what it was when they went in" ([p.] 121). "With regard to the profit of the shopkeeper, or the value of the labour laid out on a raw material by a manufacturer, if in either case a person can replace his stock at a price by as much less as the amount of that profit or the value of such labour, he is secure and safe whatever other difference may exist between the price of the commodity when purchased and when sold.* E.g. *shall he produce £100 worth of goods, if he sell them for £85 and replace his stock or raw material at £80, or sell them only for £80 and replace his stock or raw materials at £75, in either case he comes out of the transaction with a clear gain, profit or return on capital or stock of 5%; and he can never be placed in any better situation by an advance of price, because if in that case he has much to receive, he has as much to pay when he returns to the market. It will thus be seen *that the profit on stock has nothing to do with, and is altogether distinct from the rise or fall of price*"* ([p.] 121).

But in any case his capital is depreciated. Incidentally, it is only correct to say that he then always makes a profit of £5, but it is wrong to say that he always makes a profit of 5%. 5 on 100=5%; 5 on 80=6¹/₄% and 5 on 75=6²/₃%. If in consequence of the VARIATION OF VALUE there is a fall in THE VALUE OF CAPITAL, the *rate of profit* will rise, provided that the AMOUNT OF PROFIT remains the same; if the VALUE OF CAPITAL rises in the given manner, the *rate of profit* will fall, provided that THE AMOUNT OF PROFIT REMAINS THE SAME. This point is purely formal with the MERCHANT, who always adds e.g. 5%, *whatever the price of the commodity. The same does not hold true with the producing capitalist. The *rate of profit* must rise with him in the one case, and fall in the other, in as much as he sells the same surplus labour as before.*

It is clear from the above that it is necessary to *distinguish between one revolution of capital, and the set of revolutions or repeated number of revolutions which a capital describes in an *economic cycle of reproduction*.* If we consider ONE SINGLE REVOLUTION, the profit=the *ratio of the surplus to the capital advanced. And

if he sells his commodity under cost price, it is a clear loss. Here we have in fact only the difference between the buying price (or what is the same to the producing capitalist, the cost price) and the selling price (or production price); the difference between the value of the capital originally advanced, and the value to which the capital worked up into the commodity is sold. However, the thing is different, if we consider not only one productive [XVIII-1084] revolution, but the process of continual reproduction during an economic cycle encompassing several years.* Just as important here, *not only for the profit realised, but for the value of the original capital to be [re]placed, [is] the concatenation of, or the ratio between, the different single revolutions; in one word the difference between the original value of the capital at the beginning of a turn and its *replacing value* at the second turn and so forth. For instance, if the capital=100, and profit=10 at the end of the first turn, and the *replacing value* at the beginning of the second turn=110, profit=0. And the reproduction would be commenced under worse circumstances; since only the same mass of surplus labour would be absorbed, although the capital advanced would have been augmented. The cost price would have increased, and the rate of profit decreased. These fluctuations are equalised in the whole cycle (even if the capital be depreciated finally, it will be made up by profit) which comprises a set of turns.*

*“The fall of prices, however, acts as a great discouragement to trade; because although the capitalist does not in effect, at least considered as a *merchant*, lose by it, he seems to do so, and the noncapitalist is *ruined*. Thus, supposing a person without capital to have purchased £100 worth of goods, and to have given his bill for that amount, if he is obliged to sell them for £80, or can sell them for no more, he is minus £20, and so cannot meet the demands on him, and is obliged to stop. As is commonly the case, the first bill of a person in such circumstances will be paid by selling below prime cost, and so may the second; but it is obvious that such an expedient must soon tell, and bring matters to a crisis.* The NON-CAPITALIST is always EXPOSED to this *fatality, and his situation very much resembles a time bargain between gamblers in the stocks; with this distinction that he wants the funds necessary to pay his differences when the day of settlement arrives, if the same shall be against him” ([p.] 122).

“Should we admit that the value of manufactured goods is affected by an *alteration in the value of the raw material*, some, particularly woollen goods, vary considerably, and consequently a person may gain or lose by having a stock of such on hand* ... for the essence of speculation lies after all in the **raw material*, without seeming to do so, and would be properly carried into effect only in the coarser or plainer sorts, standing clear of fashion and the expense of manufacture as much as possible” ([p.] 128 sqq).

“*Accumulation of stocks or non-exchange ... overproduction*” ([p.] 104).

“A bushel of grain or a yard of cloth has, properly considered, no *progressive value*; is fixed and unalterable in its nature; and can be affected only by an

alteration in other things, which may be either for or against according to circumstances" ([p.] 204).

"... *time bargains* in the funds ... this is branded with the name of gambling; because *the one seems to lose exactly what the other gains*.. And gambling it certainly is" ([pp.] 207-08).

"With regard to the latter"* (the morality of this gambling with FUNDS)
* "indeed, we can see nothing in them different from what takes place in *all speculation, which*, so far as it goes upon the difference of price between one time and another, futurity and contingency, *may equally come under the denomination of gambling*; and in point of fact, there are bargains for commodities which proceed upon the stipulation of delivery at a future period or the payment of a difference in lieu of it"* ([p.] 209).
