

Notes on CAPITAL

Chapter 4 PART TWO: THE TRANSFORMATION OF MONEY INTO CAPITAL

Again, it is helpful not to skip the title page to Part Two because it is a guidepost to what can seem like more tedious going over the obvious. With the goal of transforming money into capital in our sights, Marx's step-by-step method need not be a source of impatience.

He takes us from C-M-C through M-C-M to M-C-M+

Chapters four, five and six in the Penguin and in the Moscow editions are sections of a single chapter 4 in the German, and in the Everyman.

Extracts from *Capital* are justified to the Left margin and my comments are indented.

chapter 4

The General Formula for Capital

Penguin, pp. 247-257; Everyman, pp.131-41; Moscow, pp. 146-55; Dietz, pp. 161-70.

From every point of view, the opening short paragraphs are crucial to our understanding of Marx's subject. How one interprets these few lines will be decisive for my pre-occupation with the 'revolution in capital'.

Is Marx saying that capitalism came into existence during the 16th century? Or is he saying no more than that certain pre-requisites for its appearance were starting to be laid then? It is, therefore, important to be cautious about how to translate these sentences – particularly their verbs – if we are to be sure about Marx thought had happened, and what needed to happen for the new mode to dominate.

For Marx's marginalising of merchants' and usurers' capitals, see pp. 266-7, and Part Four of volume III.

p. 247

The circulation of commodities is the starting-point of capital.

In which sense a 'starting point'? For capital in actual existence? Or for our understanding? For our understanding of individual and socialised capitals, or of social capital?

The next extract has alternative translations in square brackets.

The production of commodities and their circulation in its developed form, that is, trade [commerce],

form the historic presuppositions [pre-requisites] under which capital ['es'/it] arises [comes into being].

It might be better to use 'commerce' for *Handel* rather than 'trade' because trade is nowadays associated with international commerce, as with foreign trade/free trade etc. 'Commerce' also allows for a verbal shift to accompany the change from a home market to a world-wide one, *Welthandel*, in the next sentence:

World trade and the world market date from the sixteenth century, and from then on the modern history [*Lebensgeschichte*/life-story] of capital starts to unfold.

Marx is clear that capital-within-capitalism did not exist in the 1500s before a CMP was getting underway. This sentence does not tell us when capital-ism

arrives. Throughout the chapter, Marx gives strong hints that capital as self-valorising value does not happen until the Eighteenth century; see his third paragraph.

Note the distinction between 'material content' and 'economic forms', cf. bottom of p. 248.

... 'money': This ultimate product of commodity circulation is the first form of appearance [*Erscheinungsform*] of capital.

'appearance' has made its troubling appearance before, starting on the first page. *Erscheinungsform* is also 'phenomenon'.

Historically [*Historisch tritt*] speaking, capital invariably first confronts landed property in the form of money:

Given my research focus, I am intrigued by why Marx uses *Historisch tritt* rather than *Geschichte*; 'tritt' is the singular of the verb *treten*, to kick, step. Cf. in the fourth sentence where 'new capital ... steps [*betritt*] onto the stage ...'.

in the form of monetary wealth, merchants' capital and usurers' capital. However, we do not need to look back at the history (*Geschichte*) of capital's origins in order to recognise that money is its first form of appearance.

The big question: is usurer's capital or merchant's capital merely money or are they capital? and if they are self-valorising value, what does that tell us about capital? what kind of capital can they be in relation to capitalism as a mode of production and its social relations? The later discussion of the valorisation process will show why they are not capital, see chapter 7, and volume III, Part Four.

Every day the same story is played out before our eyes.

Even up to the present day, all new capital, in the first instance, steps onto the stage – i.e., the market, whether it is the commodity-market, the labour-market, or the money-market – in the shape of money, money which has to be transformed into capital by [*durch*/through] definite processes.

This discussion leads me back to my opening puzzle: of which capital is Marx speaking? Individual ones at any moment since the 1500s, or the social one that alone is capitalism sometime after 1780?

Also, 'through' is less determinist than 'by', and closer to the German *durch*.

The first distinction between money as money and money as capital is nothing more than a difference in their form of circulation.

I would replace 'first' with 'initial' because 'first' can carry the weight of prime importance and not the first one that we encounter, not temporal precedence in the real world. The Moscow had 'the first we encounter' but Everyman goes in the opposite direction to give 'The primary distinction ...'.

Again Marx is playing with words, punning: *unter-scheidne* (distinction) and *verschiedne* for 'difference'. Here is a distinction with a great potential difference.

For once, Marx wrote a single-sentence paragraph, which only the Penguin translator merges into the next long paragraph. The abrupt version needs to be rescued because of the significance of what the sentence announces. Against bourgeois common sense and most learned commentary, Marx has proclaimed that money and capital need not be the same. He is putting into

practice his rejection of the claim that human activities might be universal, eternal or natural.

This distinction between money and capital is also at the root of the distinction between commercial capital (usurer's and/or merchant's capitals) and capital-within-capitalism.

The difference between money and capital is qualitative, not quantitative. For example, Midas did not become a capitalist because everything he touched turned to gold.

A real world example is more complex. Possession of a billion will not of itself make one into a capitalist – think the miser. Yet the possibility of accumulating so much money implies the existence of the capitalist mode of ceaseless expansion.

The direct form of the circulation of commodities is C-M-C, the transformation of commodities into money and the re-conversion of money into commodities: selling in order to buy.

248: Money which describes the latter course in its movement is transformed into capital, becomes capital, and, from the point of view of its function, already is capital.

... his money has described a characteristic and original path, quite different in kind from the path of simple circulation, as for instance is the case of the peasant who sells corn, and with the money thus set free buys clothes.

In a further instance of Marx's penetration of appearances to examine the reality, he sets 'formal distinctions' against 'difference in content'. (Underlining added.) cf. refer back to the bottom of p. 247 for the distinction between money and capital.

249: Marx elaborates on that difference/distinction: What however first and foremost distinguishes the two paths C-M-C and M-C-M from each other is the inverted order of succession of the two opposed phases of circulation.

That is, inverting the order of circulation from 'sale to purchase' to 'from purchase to sale'.

Should you be wondering why Marx drags us through this pedantry, recall the suggestion that his treatment is like a chemistry text. If we miss one line in the formula we risk losing track of the proof.

C-M-C means that the money in this transaction has been spent once and for all. By contrast in the M-C-M, the money is spent with the 'cunning intention of getting it back again'.

Marx is flirting with Hegel, (p. 103) on the 'cunning of reason', quoted p. 285, n. 2. The money therefore is not spent, it is merely advanced.

249: KEY SWITCH

Whilst in the simple circulation of commodities,

the twofold displacement of the same piece of money effects its definitive transfer from one hand into another,
 here the twofold displacement of the same commodity causes the money to flow back to its initial point of departure,

M-C-M is an enclosed movement but takes place within the ever expanding 'world of commodities'.

250:

This reflux of money to its starting-point does not depend on the commodity's being sold for more than was paid for it.

It is enough for it to be sold. This is why Marx writes M-C-M here, and not M-C-M+

KEY: Caps added ' ... A PALPABLE DIFFERENCE BETWEEN THE CIRCULATION OF MONEY AS CAPITAL, AND ITS CIRCULATION AS MERE MONEY'.

one difference is between repeating the simple circulation against a continuation of the processes with the original money.

... the reflux of the money is conditioned by the very manner in which it is expended.

'conditioned' *bedingt* [contrast with *bestimmender* as 'determined' see just below]. The choice between these verbs has become a dispute for interpreting the 'Preface' to *A Contribution to a Critique of Political Economy*. How determinist is Marx?

Without this reflux, the operation fails, or the process is interrupted and incomplete, owing to the absence of its complementary and final phase, the sale.

Again, this sentence is suggestive of a CRISIS. (see Appendix B)

My summaries:

C-M-C has the satisfaction of needs with consumption of a use-value as its final goal;

M-C-M is motivated by exchange-value as its 'determining (*bestimmender*) purpose';

however, M-C-M at first glance appears to lack any content and is tautological.

C-M-C would be the same were it not for the fact that the Cs differ from each other: linen to coats and brandy and bibles.

It would be absurd to change like for like.

The only difference is the amount of money at the end.

This claim does not make sense if we exchange one coat for two, or one threadbare coat for a new warm one.

Marx is about to say as much in regard to changing money for money in differing amounts.

His claim is valid because here he is thinking still in terms of M-C-M and not yet M-C-M+ . He makes that switch before the end of this page.

251: The process M-C-M does not therefore owe its content to any qualitative difference between its extremes,

for they are both money,

but solely to quantitative changes.

251:

M-C-M 'merely a roundabout way of exchanging money for money, the same for same, and appears to be an operation as purposeless as it is absurd.

One sum of money is distinguishable from another only by its amount.

The process M-C-M does not therefore owe its content to any qualitative difference between its extremes, for they are both money, but solely to quantitative changes.

Until now Marx has written about M-C-M. Now we encounter the first M-C-M+ : The complete form of this process is therefore M-C-M+, where $M+ = M + \Delta M$, i.e. the original sum advanced plus an increment.

We have gone nearly five pages before the first M+ and we shall go a further five pages without one. Marx uses M-C-M thirteen times and M-C-M+ only five times and three of those are in the last two paragraphs. This tally includes the missing one at the start of the second last paragraph. ΔM is not the same as M+. ΔM is the difference between M and M+. ΔM makes the + possible.

This increment or excess over the original value I call 'surplus-value'. *Mehrwert*

n4. 'Hence trade is advantageously contrasted with gambling', Corbet, 1841)

M-M is the characteristic form of circulation, not only of merchants' capital, but of all capital,

this form is common to gambling, and thus the distinction between speculation and trade vanishes.

WARNING: We need to distinguish these remarks from Marx on the labour theory of value. Otherwise, he appears to endorse the view that value is added by selling dear and buying cheap, so that value is only another name for price. That Marx can draw this connection at this point in his analysis is another reminder that he is leading us forward from M-C-M to M-C-M+.

252:

The value originally advanced, therefore, not only remains intact while in circulation, but increases its magnitude,

adds to itself a surplus-value,

or is valorised [*verwertet sich*] and this movement converts it into capital.

The 'it' is the value advanced, i.e., the M.

In to order to approach the meaning of 'valorisation', let's unpick the German for 'self-valorised' which is *verwerten sich*; *verwerten* is to use, exploit; *Wert* is value; -en is the verbal form; *sich* is itself.

Thus, literally, valorisation is not just the adding of value but is capital expanding itself. By exploiting one of its forms – variable capital, i.e., units of labour-time as will be explained in chapters 6 and 7. We need to recall that 'capital-within-capitalism' always includes variable capital, i.e. labour power, which alone can provide surplus value.

No magic or hocus-pocus is involved. Suspend disbelief about how anything can make itself bigger.

Yet, for this particular form of circulation, such differences in value are purely accidental.

The fact that the corn and the clothes are equivalents does not deprive the process of all sense and meaning, as it does in M-C-M.

The equivalence of their values is rather a necessary condition of its normal course.

The point is not well put by the translator because the possessive pronouns do not relate to the nearest nouns: their and its.

Marx's meaning becomes clearer if we shift 'as it does in M-C-M' to the end of the paragraph and into a new sentence:

'By contrast, M-C-M has no sense if the two Ms are equivalents.'

The 'their' is now linked to the coat and the corn as equivalents, while the 'its' is attached to 'the process'.

The German avoids this confusion:

Ihr Gleichwert ist hier vielmehr Bedingung

Its equivalent value is here rather a requirement [condition] *des normalen Verlaufs.*

of its normal course [process].

The Everyman takes a different but unambiguous path:

The process does not lose all meaning here because its extremes, wheat and clothing, are equivalents,

as the process M-C-M loses all meaning when the money at the start and at the finish are the same amount.

Indeed, in C-M-C an equivalence of values is rather a necessary condition to the normality of the circuit. (p.136.)

To grasp what is distinctive about M-C-M, it helps to make a paragraph break is made between 'of definite needs.' and 'But in buying ...'

The movement of any particular capital – unlike social capital – is not necessarily endless because:

If the £110 is now spent as money, it ceases to play its part.

It is no longer capital.

£110 is now like the miser's hoard in that it cannot – at least for the moment - contribute to its further expansion.

If, then, we are concerned with the valorisation of value, the value of the £110 has the same need for valorisation as the value of the £100, for they are both limited expressions of exchange-value, and therefore both have the same vocation, to approach, by quantitative increase, as near as possible to absolute wealth.

See Marx's discussion on this point on page 241.

The choice of 'need' calls for some elaboration to avoid activating a category.

Is that danger removed by saying that the money needs to valorise itself in order to remain capital? Or is that answer truly a tautology?

This prospect that value might 'approach ... absolute wealth' is one more sign of Marx's fascination with the calculus as a way of thinking about the infinitesimal changes that lead to a qualitative leap.¹

253:

The simple circulation of commodities – selling in order to buy – is a means to a final goal, which lies outside circulation, namely the appropriation of use-values, the satisfaction of needs.

As against this, [AGAIN NB what follows]

the circulation of money as capital is an end in itself,

for the valorisation of value takes place only within this constantly renewed movement, the movement of capital is therefore limitless. [Refer back again to page 241.]

What are the teleological implications? Is some external goal implied?

Is it some need of capital which is limitless, or does Marx assume that its needs can indeed go on and on and on? If so, what are the environmental implications for natural resources?

Ceaseless movement is not the same as uninterrupted expansion. Expansion of capital-within-capitalism generates its own obstacles that lead to crises, which in turn, clear the way for a renewed bout of expansion. Even during a crisis, capital continues to move, that is, to shift between its forms as money, production commodities and vendible ones.

254:

The objective content of the circulation we have been discussing

- the valorisation of value –

is his [the capitalist's] subjective purpose,

and it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist

i.e. as capital personified and endowed with consciousness and a will.

Marx is giving a richer account of his view of capitalists as the personifications of capital, who can choose to put the profits that derive from surplus-value on pleasure or reinvestment.

Use-values must therefore never be treated as the immediate aim of the capitalist; nor must the profit on any single transaction.

His aim is rather the unceasing movement of profit-making.

Profit-taking can be 'unceasing' only if some of it is reinvested.

Now we meet the miser whom we foreshadowed when discussing the previous chapter:

This boundless drive for enrichment, this passionate chase after value, is common to the capitalist and the miser;

but while the miser is merely a capitalist gone mad, the capitalist is a rational miser.

(Emphasis added)

The ceaseless augmentation of value,

¹ C. Smith, 'Hegel, Marx and the Calculus', Karl Marx, *Mathematical Manuscripts*, New Park, London, 1983, pp. 260-2; H.C. Kennedy, 'Karl Marx and the Foundations of Differential Calculus', *Historia Mathematica*, 4 (3), August 1977, pp. 309-12. On receipt of some of Marx's jottings on calculus, Engels replied: 'The thing has taken such a hold of me that it not only goes round my head all day, but last week in a dream I gave a chap my shirt-buttons to differentiate, and he ran off with them', Engels to Marx, 10 August 1881, Marx, *Mathematical Manuscripts*, p. xxviii.

which the miser seeks to attain by saving his money from circulation, is achieved by the more acute capitalist by means of throwing his money again and again into circulation.

Fn 9. refers to crises from over-production.

255

... in simple circulation, the value of commodities does nothing but mediate the exchange of commodities,
and it vanishes in the final result of that movement.
On the other hand, in the circulation M-C-M both the money and commodity function only as different modes of existence of value itself,
the money as its general mode of existence,
the commodity as its particular or,
so to speak, disguised mode.
It [value] is constantly changing from one form into the other,
without becoming lost in this movement;
it [value] thus becomes transformed into an automatic subject.

'automatic' –² does not need to have life breathed into it from outside itself.
Variable capital performs that function for the constant capitals of machinery and production commodities.

CAUTIONARY NOTE

We are about to encounter the most demanding of Marx's concepts: capital as self-valorising value.

One reason is that his words seem to be saying what they are not saying. Value cannot puff itself up like Mr Toad. Right from the start it has to be stressed that the surplus-value is 'added'. It is added by labour-power. No more value can be transferred from the 'dead labour' of equipment, raw materials and ancillaries than goes into their production. That is why Marx calls them constant capital. Once bought and sold, labour-power is variable capital because it can vary the outcome in value.

Our understanding is not helped by his manner of exposition. Yet we lose what is crucial to the concept if we iron out the metaphors that Marx chooses to present the metamorphoses of the forms/shapes taken by capital in the processes of its expansion.

A failure to absorb pages 255 to 257 means a failure to understand *Capital*, and hence, of the capitalist mode of production.

The best advice I can offer is to slow down; to transcribe them by long-hand; to ponder the pages over and over; to refer back to them again and again as you move further through the volumes; and to discuss them line by line with someone else who is prepared to study them as intensely. Do not move more than thirty pages forward into the four volumes without taking a sighting on these two pages to make sure you are still on track to the 'luminous summits' (p. 104) Do not re-read any of the chapters without first revisiting these pages.

² 'In what sense then are automata 'machines'? First, we should not let ourselves be misled by the term 'automaton', which in seventeenth-century usage meant little more than a 'self-moving thing'; ...', Stephen Gaukrodger, *Descartes, An Intellectual Biography*, OUP, Oxford, 1995, pp. 287-90.

If we pin down the specific forms of appearance assumed in turn by self-valorising value in the course of its life, we reach the following elucidation: capital is money, capital is commodities.

In truth, however, value is here the subject of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorizes itself independently.

For the movement in the course of which it adds surplus-value is its own movement, its valorisation is therefore self-valorisation.

By virtue of its being value, it has acquired the occult ability to add value to itself. It brings forth living offspring, or at least lays golden eggs.

What can Marx – the materialist – intend by ‘occult ability’?

Other instances of Marx’s fondness for pagan as well as Judeo-Christian imagery when disparaging bourgeois ideology are ‘all the magic and necromancy’, p. 169; ‘to make disappear’ (*verschwindlet*) as in prestidigitation rather than a swindle (p. 221, n. 31); ‘as if by magic’, p. 258; ‘hocus-pocus’ p. 259; and the quotations from *Faust*.

[Value] alternatively assumes and loses the form of money and the form of commodities, but preserves and expands itself through all these changes, value requires above all an independent form by means of which its identity with itself may be asserted. Only in the shape of money does it possess this form. Money therefore forms the starting-point and the conclusion of every valorisation process.

Chapter 7 explains how the ‘valorisation process’ relates to the ‘labour process’.

256:

It was £100, now it is £110 etc
But the money itself is only one of the two forms of value.
Unless it takes the form of some commodity, it does not become capital.
There is no antagonism, as in the case of hoarding, between the money and commodities.

Capital is also some kind of THING and not just a process or a relationship. Rather than being just one of them, capital is a movement –sometimes disrupted - through all three.³

However, Marx's claims about 'tattered' or 'how badly they may smell' are not quite right; see his example of stale fruit and flowers going to market and being rejected. *Capital*, II, p. 222.

Yet valorisation proceeds when commodities are sold beneath their value; an effort must be made to realise at last some of the surplus-value as profit. This need is unlike that when the objective is their use-value, then, consumption, when they must be used. See above.

256; 'circumscribed jews' ,

I can only guess that its significance is like the Jews who convert on the outside but remain Jews inside. Marx perhaps felt that his father had been in this situation when he got himself baptized in 1816-7, a year before Karl's birth in 1818. Jews get baptised but are also covertly circumcised?⁴ See mention above of 'disguised', p. 255.

'... making still more money out of money'

- repeats point above. Anyway, some value has to be realised through sale.

... value suddenly presents itself as a self-moving substance which passes through a process of its own, for which commodities and money are both mere forms.

But there is more to come:

instead of simply representing the relations of commodities, it now enters into a private relationship with itself, it differentiates itself as original value from itself as surplus-value.

For only by the surplus-value of £10 does the £100 originally advanced become capital, and, as soon as this has happened ... the difference vanishes again, and both become one, £110.

The fun that Marx has with the Trinity leaves out the Holy Ghost who is the link between the persons of father and son. The doctrine of the Trinity gave rise to enough heresies without our pursuing it further.

In volume three, Marx attacks Smith and Ricardo for what he calls 'the Trinity Formula' in which value is supposed to come from land, money and labour to be rewarded respectively by rent, interest and wages. Marx will show how all three express surplus-value from labour.

Value therefore now becomes value in process, money in process, and, as such, capital.

But capital is not just any old process:

It comes out of circulation, enters into it again, preserves and multiplies itself within circulation,

emerges from it with an increased size, and starts the same cycle again and again.

³ see my 'The "massiness" of capital', *Journal of Australian Political Economy*, 70, Summer 2012/13, pp. 25-46.

⁴ Since Marx was not baptised until he was six years old, it seems likely that he had been circumcised, Maximilien Rubel, *Marx Without Myth*, Basil Blackwell, Oxford, 1975, p. 10..

Is it capital money which begets money, as the Mercantilists put it, or is it money which becomes capital, M, through begetting more capital, ΔM ?
Is selling dearer peculiar to merchants' capital?

Correction to the Penguin: on page 256, the M-C-M at the start of the final paragraph should be M-C-M+ .

But industrial⁵ capital too is money which has been changed into commodities, and reconverted into more money by the sale of these commodities. Events which take place outside the sphere of circulation, in the interval between buying and selling, do not affect the form of this movement.

Lastly, in the case of interest-bearing capital, the circulation M-C-M+ presents itself in abridged form, in its final result and without any intermediate stage, in a concise style, so to speak, as M-M+ , that is, money which is worth more money, value which is greater than itself.

Note the qualifications that Marx places on both merchants' and usurers' capital. These distinctions need spotlighting to avoid the belief – hope? - that value can be added by swindles. [cf. vol 2, p. 137, Engels comments on a giddy desire to make money out of money without the fuss and bother of producing and circulating commodities.]

The paragraphs are important in terms of whether merchants' capital and usurers' capital are capital in the sense that Marx is advancing here. We shall soon see why they are not, pp. 262ff., and in greater detail in v. III, Part Four

257:

M-C-M+ is in fact therefore the general formula for capital, in the form in which it appears directly in the sphere of circulation.

'appears' to whom?; Does 'appears' meaning 'seems to operate'?, or 'occurs'? Why only in circulation?

Above all, note the switch to M-C-M+, no longer M-C-M. Money is on its way to becoming capital, but not for three more chapters.

⁵ Agriculture is industrial, p. 914, n. 1.