Notes on Marx's *Capital*, Volume 3, Part One: The Transformation of Surplus-Value into Profit, and of the Rate of Surplus-Value into the Rate of Profit

Chapter 1: Cost Price and Profit

- Volume 1 dealt with capitalist production, volume 2 dealt with capitalist circulation, and now we are dealing with the whole. Capitalism is "a unity of the production and circulation processes." This volume will deal with that, both in the form of the many competing capitals and their expressions in consciousness. (pg. 117)
- Value of a capitalistically produced commodity (C) = c + v + s, and ignoring s (surplus value) you have simple reproduction (what is necessary to replace the constant and variable capital invested in the commodity).
- The actual cost of producing the commodity includes the costs taken up by the worker in the form of surplus labour. However, the capitalist does not take on any of that cost and receives surplus value for free. Therefore, the cost price is represented by c + v and can be represented by a new variable, k.
- The worker in capitalism factors in as part of productive capital, and the capitalist is the real commodity producer. (pg. 118)
- Commodity value = cost price + surplus value (C = k + s)
- Capitalist cost price = expenditure of capital, actual cost price = expenditure of labour
- Cost price does not actually determine commodity value or capital valorization, but it does come across that way to capitalist-minded onlookers.
- Labour-power counts as value in the capital advanced and the creator of value in production (productive capital).

- All things remaining the same, a change in the cost-price of a commodity has no effect on the actual value of the commodity and instead merely changes the make-up/proportions of the forms in which that value is represented.
- Capital advanced is often larger than the cost price of the commodity. (X amount is put forward for production, etc, but only Y amount is put into the individual commodity.)
- Fixed capital enters into cost price only partially, while circulating capital enters completely.
- Variable capital is lumped in with constant capital (more specifically, circulating capital) and thus the role of labour power in production (valorization) is mystified.
- Surplus value is that part of the value of a commodity which goes beyond the cost price, but this division of surplus value versus cost price obscures the fact that it is only the variable component which provides surplus value. C = c + (v + s) is seen as C = (c + v) + s.
- Surplus value seemingly arises from the total capital advanced, and when taken as the product of that total capital is seen in the form of *profit*. "*A sum of value is therefore capital if it is invested in order to produce a profit, or alternatively profit arises because a sum of value is employed as capital.*" (pg. 126-127)
- Profit = p, C = c + v + s = k + s can be converted into C = k + p, or commodity value = cost price + profit
- Profit is, when we first see it, the same thing as surplus value, only in a mystified form.
- The capitalist can sell their commodity at a profit even if they do not sell it at its full value, so long as it is sold above its cost price.

- The basic law of capitalist competition depends on the difference between cost price and total value and the fact that commodities can be sold below the latter and still make a profit if sold above the former. Marx will outline this law later.
- The capitalist does not see the commodity as being sold above its cost price but not necessarily above its value when it makes a profit. Instead, thinking only of the commodity as what was put into it, the capitalist thinks they are selling above the value of the commodity. Surplus value was not added in production, for them, and instead they believe surplus value came from the sale itself.
- "*In a social order dominated by capitalist production, even the non-capitalist producer is dominated by capitalist ways of thinking.*" (pg. 130)

Chapter 2: The Rate of Profit

- Brilliant summary of many of the main findings of *Capital* so far. (pg. 132)
- Surplus value, or profit, consists of value which stands in excess to the capital advanced. However, while surplus value is explicitly an excess of variable capital, profit is an excess over the capital advanced. We then come to new formulas. The rate of surplus value, as has been discussed already, is represented by s / v. The *rate of profit*, however, is best represented as s / C, or, s / (c + v).
- "*the rate of surplus-value, as measured against the total capital, is known as the rate of profit*." (pg. 133-134)
- The rate of profit is a "visible surface phenomena," while the rate of surplus value is "the invisible essence to be investigated." (pg. 134)
- Since surplus value is only realized on the market, it seems to derive, in the form of profit, from circulation.
- Every aspect of capitalist production and circulation contributes to the production and realization of surplus value, and so the entire thing is mystified in the minds of the capitalist. (pg. 135-136)
- The capitalist is personified capital, and the worker is a commodity in the form of labour-power, and so the relationship between the subjects and objects of production is inverted.
- Because the amount of labour able to be extracted does not necessarily correlate to the value of the constant capital being consumed, there is no necessary relationship between surplus value and constant capital value, or even total capital value (c + v).

- "*In point of fact, profit is the form of appearance of surplus-value, and the latter can be sifted out from the former only by analysis. In surplus-value, the relationship between capital and labour is laid bare. In the relationship between capital and profit, i.e. between capital and surplus-value as it appears on the one hand as an excess over the cost price of the commodity realized in the circulation process and on the other hand as an excess determined more precisely by its relationship to the total capital, capital appears as a relationship to itself, a relationship in which it is distinguished, as an original sum of value, from another new value that it posits. It appears to consciousness as if capital creates this new value in the course of its movement through the production and circulation process. But how this happens is now mystified, and appears to derive from hidden qualities that are inherent in capital itself*." (pg. 139) (Easily my favorite paragraph of the book so far. Had to write the whole thing out.)

Chapter 3: The Relationship between Rate of Profit and Rate of Surplus-Value

- C = total capital

  c = constant capital

  v = variable capital

  s = surplus value

  p = profit

  s' = rate of surplus value

  p' = rate of profit

  s / v = s', or s'v = s

  p' = s / C, which = s / (c + v), or, p' = s'v / C = s'v / (c + v)

  Or, simplified into the form of a proportion, p':s' = v:C, rate of profit is to rate of surplus-value as variable capital is to total capital.

- If the rate of profit is assumed to stay in a stable proportion to the rate of surplus value, any increase in the rate of surplus value will also lead to an increase in the rate of surplus value. If the costs of variable capital fall or the amount of labour actually exerted in production rises, the rates of surplus value and profit both rise. If the opposite happens, then the opposite happens.
- On page 144, Marx makes clear that the value of variable capital is not the same as the value of the labour done in exchange for it. Wages do not represent the actual labour of the worker being paid.

- Assuming the rate of surplus value does not change, the rate of profit changes in proportion to the variable capital as a component of the total capital.

  p' = s'v / C, then p' = s' (v1 / C1)

  20 = 50*40 / 100, then 30 = 50*60/100

  To simplify, p':p'1 = v:v1
- Percentage forms may be convenient for comparing capitals and making examples, they lose much of the concreteness necessary to track changes in a capital overtime.
- For v to change and C to stay the same, c must make the opposite movement of v.
- Assuming s' and C remain the same, a change in v is met by a proportional change in p'.

  A rise in v = a rise in p', a fall in v = a fall in p'.

  0.2(p') = 0.5(s')*40(v) / 100(C), rate of profit 20%

  Fall in v: 0.1 = 0.5*20 / 100, rate of profit 10%

  Rise in v: 0.3 = 0.5*60 / 100, rate of profit 30%
- Assuming a change in v is followed by a change in C (ie, that c does not compensate for the change), the rate of profit changes in proportion to both v and C.

  Fall in v and fall in C: 0.125 = 0.5*20 / 80, rate of profit 12.5%

  Rise in v and rise in C: 0.25 = 0.5*60 / 120, rate of profit 25%
- "*With the same rate of surplus-value and the same variable capital, the profit rate stands in inverse proportion to the total capital*." (pg. 152)
- "*A saving in constant capital both increases the rate of profit and releases capital as well, and this is important for the capitalist.*" (pg. 153)

- Assuming the rate of surplus value stays the same, a simultaneous change in v and c which results in a change in C involves the changes we've just talked about acting as counter-tendencies to each other. The rate of profit falls if total capital increases faster than variable capital increases. The rate of profit rises if variable capital increases faster than total capital.
- We have proven by now that a change in v, c, or C can only go so far before a change in s' is initiated. (Marx specifically uses the language of a 'limit' which is crossed, which will be interesting to those interested in dialectics.)
- "*The rates of profit for two capitals of the same compositions are in direct proportion to their respective rates of surplus-value.*" (pg. 156)
- Even if the percentage composition of capital remains the same, the rate of surplus value can change if wages, the length of the working day, and the intensity of labour (etc) are altered.
- "*A rise or fall in wages thus effects an opposite change in the rate of surplus-value, while a rise or fall in the intensity of labour, or an extension or reduction of the working day, both effect a change in the same direction, and with v / C constant, the rate of profit is therefore similarly affected.*" (pg. 158)
- The rate of surplus value may change simultaneously with variable capital, total capital staying the same, and in this case the two may either counter-act, balance out, or propel each other.
- A change in s', v, and C presents no new phenomena. It is just a mix of things already discussed.

- A summary is provided on pages 160 through 162.
- A falling, rising, or stable rate of profit can correspond to a falling, rising, or stable rate of surplus value. All combinations are possible.
- "*The rate of profit is thus determined by two major factors: the rate of surplus-value and the value composition of capital*." (pg. 161)
- The rates of profit of two different capitals (or one capital at two different points in time) are the same if they have the same percentage composition of capital and rate of surplus value or if a difference in one is matched by a proportional and inverse difference in the other.
- The rates of profit of two different capitals (or once capital at two different points in time) are different if there are differences between their percentage compositions and rates of surplus value that are not compensated for counter-movements or differences.

Chapter 4: The Effect of the Turnover on the Rate of Profit

- The same rules that govern the relationship between turnover time and surplus value (discussed in Volume 2), govern the relationship of turnover time and profit.
- "*The rate of profit simply expresses the ratio of the mass of surplus-value produced to the total capital engaged in producing it.*" (pg. 163)
- Decreases in turnover time, by a decrease in production time (through improvements in labour intensity, etc) or circulation time (through improved means of communication, etc), result in increases in the rate of profit.
- The formula p' = s'v/C or p' = s'(v / c + v) can only work if we assume a single turnover of the (variable) capital. To get an annual rate of profit, we must factor in the number of turnovers, represented by the variable n. The formula for the annual rate of profit then becomes p' = s'n (v / C). This could also be expressed as p' = S'(v / c + v). You could also multiply the v contained in C (c + v) by n. (pg. 167)
- "*The capitalist himself does not know in most cases how much variable capital he employs in his business. We have already seen. . . that the only distinction within his capital that impresses itself on the capitalist as fundamental is the distinction between fixed and circulating capital.*" (pg. 167-168)

Chapter 5: Economy in the Use of Constant Capital

1. General Considerations

- An increase in absolute surplus value or an extension of surplus labour and hence the working day causes a relative fall in the value of constant capital. That is, it causes a fall in the value of constant capital as compared to the total and variable capitals. This causes an increased rate of profit.
- An increase in relative surplus value, with the intensity or productivity of labour, causes an increase in surplus value but also requires a larger outlay of constant capital. It thus causes both an increase and a decrease to the rate of profit.
- Machinery and other fixed capital do not have their value reproduced in accordance with how long they last but with how long they are used to produce new value in the labour process. They may last 10 years and yet through longer hours and more intense labour (ie, through higher rates of exploitation) have their values replaced in much less than 10 years.
- Just as the concentrated means of production are consumed socially, so too is the waste product of production repurposed socially. And as far as constant capital can be reused in production (often as raw material), there corresponds a drop in the costs of constant capital and an increase in the rate of profit.
- If surplus value is unchanging, the rate of profit can only be increased by cheapening constant capital.

- Constant capital in production is only useful as a use value. It's value does not always correspond to that though. At some points, a bad machine may be expensive, and at another a better machine may be cheap.
- When constant capital is decreased in value, it becomes cheaper to buy more machines/raw materials/etc and therefore easier to employ more labour and thus increase surplus value.
- Machinery is continuously improved by (1) getting better materials (2) cheapening of machine-building (3) improvements in already existing machinery (4) reduction of wastage by better machinery.
- Everything that reduces the value of machines and the value lost by them in production (largely through repairs) also reduces the value of the commodities they are used to make.
- Cheapening of products in one industry often leads to cheapening of products in another.
- Each capitalist is benefited from the advancements made by other capitalists and elsewhere. A capitalist who produces iron uses advancements in natural science to extract and produce it more efficiently. This raises their rate of profit. Then, another capitalist is able to buy iron for cheaper, and this lowers their output on constant capital, thus raising their rate of profit. They all benefit from the social division of labour.
- On the one hand, there are economics which raise their rate of profit (and surplus value) by exploiting more and more living labour. On the other hand, there are economies which raise their rate of profit (and surplus value) by exploiting more and more alien labour, ie, getting hold of cheaper and more effective constant capital. This may mean their absolute outlay on constant capital increases, but relatively it falls.

- If c = 0, the rate of profit is at its relative maximum. The value of the constant capital is not the thing most essential to the production process, but instead its ability to work as a medium by which labour is transferred to a product is the most important.
- The capitalist sees the worker and constant capital as part of the same value as capital advanced, and, seeing the constant capital in a value form, seeks to economise them. The worker sees the constant capital as something against their self and only a use value. The value of the product is no more important to the worker than the price of hay is to a horse. Nevertheless, the worker is made to economise, even if the constant capital really appears as something invaluable, expendable, to them.
- Because the worker is taken together with the constant capital, they are treated the same. The refusal to waste constant capital, the drive to squeeze everything out of it, is mirrored by the drive to exploit even the most broken down and defenseless of the working population.
- Capitalists attempt to "save" on safety, space, and time by putting the workers in harm's way.
- "*Yet for all its stinginess, capitalist production is thoroughly wasteful with human material, just as its way of distributing its products through trade, and its manner of competition, make it very wasteful of material resources, so that it loses for society what it gains for the individual capitalist.*" (pg. 180)
- Through economizing, both labour and the means of production (variable and constant capital) are saved on, and thus the value of the commodity is always lowered to a minimum.

2. Saving on the Conditions of Work at the Workers' Expense

- Capitalist production is sparing with labour but unusually wasteful (as far as modes of production go) with human life. The paragraph in the middle of page 182 illustrates this perfectly.

3. Economy in the Generation and Transmission of Power, and on Buildings

- Machines are improved, either through modification or in their entirety, in ways which allow for larger scale production at relatively lower costs in terms of constant capital, namely fuel. Buildings are also optimized for this same purpose and thus built with machines in mind.

4. Utilization of the Refuse of Production

- As capitalism develops, so too does the utilization of waste products. In production, chemicals and metal shavings are repurposed. In consumption, left over food, clothes, etc, are taken up into different industries for fertilizer, etc.
- Despite this drive, there is still immense waste.
- Interesting idea: This is perhaps why "reduce, reuse, recycle" are the key forms of "environmentalism" in the capitalist era. Instead of making radical changes to agriculture, etc, the capitalists seek only those forms of ecological activism which reduce the costs of constant capital.
- Economies in refuse can be both ones of conservation on the part of the capitalist in one industry and reuse on the part of a capitalist in another industry. Of course, there are some capitalists who no doubt do both.

5. Economy through Inventions

- Inventions made in one industry inevitably generalize themselves, and it is only the collective workers who are able to put the theory of the invention into practice and realize its actual usefulness.
- Universal labour is that labour, like science, which is destined to be applied everywhere and which has emerged from a historical trend contributed to by many.
- Communal labour is that labour done through the direct cooperation of individuals.

Chapter 6: The Effect of Changes in Price

1. Fluctuations in the Price of Raw Material; Their Direct Effects on the Rate of Profit

- Since the rate of profit is determined by the surplus value divided by the value of the total capital advanced, the rate of profit changes whenever the price of raw materials (and therefore the value of the capital advanced) changes.
- Changes in the price of raw materials can also result in changes in the price of machinery, which are made from certain raw materials.
- "*As long as other circumstances are equal, the rate of profit falls or rises in the opposite direction to the price of the raw material.*" (pg. 201)
- Foreign trade is important for getting a hold of cheaper raw materials.
- Changes in the price of raw materials, as opposed to in machinery, etc, generally result in larger changes in the price of commodities because circulating capital enters the commodity entirely while fixed capital only goes in bit by bit.
- Competition, which we have not yet discussed, also plays a determining role in prices and therefore profits.
- Increasing productivity of labour means that less labour is spent on each individual commodity, and less fixed capital is depreciated to make it, and so the part of the value of the commodity made up by raw materials grows relatively (assuming the value of the raw materials does not experience a comparable drop).
- Raw materials, as part of the circulating capital, must be replaced by the sale of the commodity. A rise in the prices of these materials makes this task more difficult.
- Waste also correlates to higher or lower prices of raw materials.

2. Revaluation and Devaluation of Capital; Release and Tying-Up of Capital

- Marx calls “competition on the world market” “the very basis and living atmosphere of the capitalist mode of production” on page 205.
- Revaluation and devaluation are simply terms for the increase and decrease of the value of capital, as a result of general economic movements and not valorization.
- The tying-up of capital is the moment of putting capital to work in the forms of constant or variable capital. Capital is “tied up” in production.
- The release of capital is the moment where capital is made available apart from the normal production process and can be used elsewhere.
- A change in the price of raw materials may result in a higher or lower amount of capital being tied-up and thus a lower or higher amount of capital being released.
- Industrial capital finds itself in multiple spheres at once (money, commodity, productive [See Volume 2]). As a result, revaluation and devaluation affect the rate of profit differently based on where and in what proportions capital finds itself. Devaluation of raw materials may increase the rate of profit in the sphere of production, but it may also lower the value of commodities and thus decrease the rate of profit.
- Revaluation and devaluation of variable capital mean only a rise or fall in the value of the means of subsistence. All things remaining the same, this means a fall (in the case of revaluation) or rise (in the case of devaluation) in the rate of surplus value.
- A devaluation of variable capital lowers the barrier to entry for new investors and releases previously invested capital for those already in the business. This increases the rates of surplus value and profit. A revaluation does the opposite, and ties up capital.

- Industry has a tendency to develop much faster than agriculture, and so the needs of machinery, etc, can not be met by the current stock of plant and animal products. There is thus a rise in the price of those products and a corresponding push towards cheapening them (through, it should be added, the most violent perversions of nature).
- Industry outpaces agriculture, agricultural prices rise, agricultural production rises and products are made cheaper, demand falls below the raised prices and production levels, agriculture collapses. Rates of profit and surplus value are affected all along the line, but the capitalists see only the struggles of supply and demand.
- "*The more we look back at the history of production in the most recent period, the more regularly we find, particularly in the key branches of industry, a constantly repeated alternation between relative price increase and a subsequent depreciation of raw materials supplied by organic nature that arises from this. . . The moral of the tale, which can also be extracted from other discussions of agriculture, is that the capitalist system runs counter to a rational agriculture, or that a rational agriculture is incompatible with the capitalist system (even if the latter promotes technical development in agriculture) and needs either small farmers working for themselves or the control of the associated producers.*" (pg. 216)

<u>3. General Illustration: The Cotton Crisis 1861-1865</u>

- Marx tracks the development of the cotton industry (and some of those related to it) throughout the mid-1800s. He shows how this history bears out the theoretical work we have done in this chapter so far. There are bouts of underproduction, overproduction, and depression, and workers are forced into worse conditions and sometimes out all together.

Chapter 7: Supplementary Remarks

- The fact that profit is derived from surplus value, and the whole nature of surplus value, is obscured for the capitalist by the fact that surplus value is only given explicit appearance in the form of profit and that the rate of profit may vary despite the factors which contribute to surplus value all being the same.
- A larger mass of profit does not mean there has been an increase in the rate of profit. The price of a capital (its monetary expression) may change without its actual value changing, and the actual value may change in such a way that the composition of the capital remains the same and thus the rate of profit is the same despite the larger mass of profit.
- "*An increase in the rate of profit always stems from a relative or absolute increase in the surplus-value in relation to its costs of production, i.e. to the total capital advanced, or from a reduction in the difference between the rate of profit and the rate of surplus-value.*" (pg. 237)
- A change in the value of the capital advanced may be affected by an external source.
- "*The value of any commodity - and thus also of the commodities which capital consists of - is determined not by the necessary labour-time that it itself contains, but by the socially necessary labour-time required for its reproduction.*" (pg. 238)