Notes on Marx's *Capital*, Volume 3, Part Four: The Transformation of Commodity Capital and Money Capital into Commercial Capital and Money-Dealing Capital (Merchant's Capital)

Chapter 16: Commercial Capital

- Merchant's or trading capital is divided into two forms, commercial capital and money-dealing capital. We have to discuss these to get a full picture of how capitalism works, and this is especially important because bourgeois economists mix up industrial capital with trading capital.
- A certain section of capital is always on the market as money and commodities, and when this becomes established as a particular type of capital in the social division, it becomes commodity-dealing capital or commercial capital.
- We will abstract away the acts of transport, etc, which count towards production here. This way, we can focus solely on the peculiar aspects of commercial capital proper.
- An individual capital is always transformed in parts into circulating capital and then back into productive capital. However, certain capital is always on the market. This is commercial capital. It is always in the circulation sphere.
- Instead of the productive capitalist selling their own commodities on the market, another capitalist buys their commodities directly and then submits them on the market as their own.
- "*Commercial capital, therefore, is absolutely nothing more than the commodity capital of the producer which has to go through the process of transformation into money, to perform its function as commodity capital on the market; only instead of being an*

incidental operation carried out by the producer himself, this function now appears as the exclusive operation of a particular species of capitalist, the merchant, and acquires independence as the business of a particular capital investment." (pg. 382)

- The industrial, productive, capitalist, takes part in circulation in the form of C'-M-C, starting with commodities and ending with new commodities (productive capital). The merchant starts with money and ends with money, M-C-M'.
- That the role of the merchant becomes independent from the role of the industrialist does not necessarily mean that they are each working with separate, individual, capitals.
- It is only that money and commodity capital which realizes a surplus without entering into the realm of production, which is stuck permanently in circulation, which can be called commercial capital.
- The existence of the merchant allows the reproduction of the industrial capital to take place faster and with less need for a reserve of money capital. This is because it shortens the time between the production of commodity capital and its transformation into money capital.
- The turnover of an industrial capital is determined by both its production and circulation times. With commercial capital, it is determined by circulation time as well as the production time of all the different individual capitals in the spheres with which it deals. The merchant does not have to wait for one specific industrialist to have commodities ready. Instead, they wait for any of the many industrialists to have commodities ready.

- “*The velocity of circulation of the money capital advanced by the merchant depends (1) on the speed with which the production process is repeated and the various production processes are linked together; (2), on the speed of consumption.*” (pg. 389-390)
- The merchant’s capital is divided into the money which results from C-M’ and the commodities which result from M-C.
- “*Commercial capital, therefore, in so far as it is not simply a form of industrial capital that happens to be found, in the shape of commodity capital or money capital, in the hands of the merchant, is nothing but the portion of money capital that belongs to the merchant himself, and is circulated in the purchase and sale of commodities.*” (pg. 391)
- The credit system leads to the relative role of the merchant's capital being reduced.
- “*Commercial capital is nothing more than capital functioning within the circulation sphere*.” (pg. 392)
- Because it is stuck in circulation, it produces no surplus-value. If it realizes some, it is only because the commodities with which it deals already contained it.
- Since commercial capital cuts down on turnover time, it does increase the rate of profit.

Chapter 17: Commercial Profit

- "*the pure functions of capital in the circulation sphere create neither value nor surplus-value.*" (pg. 394)
- The same rules that apply to capital in circulation for industrial capital apply to capital which is always in circulation as commercial capital.
- Commercial capital can only be indirectly productive.
- Commercial capital, still serving an essential role for the total social capital, takes part in the average rate of profit just as much as industrial capital. If it didn't, capital would move to those sections of the economy which were more profitable.
- Commercial capital is the most adaptable.
- The surplus derived by commercial capital is created by productive capital. It is wrong to assume it is the byproduct of merchant capitalists artificially putting price above value.
- It is from the viewpoint of commercial capital that profit is derived by selling commodities above their value. (pg. 397)
- The reason we reached this conclusion is because we assumed that commercial capital bought from industrial capital at the prices of production (cost price + profit, or k + kp'). We assumed that because we previously calculated the general rate of profit without including commercial capital, which does not produce any surplus. Revision is needed.
- When commercial capital is factored into the total social capital, it further divides the value in the economy and brings down the average rate of profit. The "production price" talked about before can now be clarified a bit. The production price is the price at which the industrialist sells to the merchant. It is equal to the cost price + the average rate of

profit. Then, the merchant sells the commodity at that production price + the average rate of profit (this being the commercial profit). The second act of selling here is where the commodity is sold at its value.

- "*The merchant's sale price is higher than his purchase price not because it is above the total value, but rather because his purchase price is below this total value.*" (pg. 400)
- "The bigger commercial capital is in comparison with industrial capital, the smaller the rate of industrial profit, and vice versa." (pg. 400)
- The rate of profit always appears smaller than the rate of surplus value. The division of the profit under the influence of commercial capital lowers it even further.
- Logically, the general rate of profit emerges from industrial capitals and their competition, and only later does commercial capital interfere. In history, it is actually commercial capital which first fixes the prices of commodities around their value, and it is circulation where the general rate of profit first emerges.
- "Commercial profit originally determines industrial profit." (pg. 401). It is only once capitalism develops further that it takes on that secondary role.
- Costs which arise during circulation (transport, storage, etc) also affect the prices of commodities and general rate of profit.
- The purely commercial costs of circulation are those which are necessary for purchasing and selling to continue. This is ignoring things like transport. These costs do not arise during the production of a use-value but only in the realization of an exchange value.
- Neither the wage-labourer (or their labour time) or the capitalist changes their essential nature by being stuck in the sphere of circulation.

- The capitalist is "*in fact simply personified capital, capital endowed with its own consciousness and will.*" (pg. 403)
- The merchant capitalist does not necessarily need to employ wage-labourers. They may do all the buying and selling themselves.
- "*It must be assumed that the division between commercial and industrial capital involves a centralization of trading costs and a consequent reduction in them.*" (pg. 406)
- The wage-labourer hired by commercial capital is the same as that hired by industrial capital on two fundamental levels. First, their labour power is bought using variable capital and used for the valorization of capital, not the personal gain of the capitalist. Second, their wages are determined by the value of their labour power.
- The wage-labourer hired by commercial capital is different because their labour is not used to produce new value or surplus value. Instead, their unpaid (surplus) labour is appropriated so that more surplus value can be realized. In both cases, surplus labour is the source of the profit of the capitalist.
- "*Commercial capital's relationship to surplus-value is different from that of industrial capital. The latter produces surplus-value by directly appropriating the unpaid labour of others. The former appropriates a portion of this surplus-value by getting it transferred from industrial capital to itself.*" (pg. 407)
- "*Just as the unpaid labour of the worker creates surplus-value for productive capital directly, so also does the unpaid labour of the commercial employee create a share in that surplus-value for the commercial capital.*" (pg. 407-408)

- Concentration appears faster in commerce than in industry because commercial activity takes exponentially longer the more functions have to be performed independently.
- Commercial labour is "*labour that realizes values but does not create any.*" (pg. 411)
- "*The more the scale of production grows, the greater are industrial capital's commercial operations, although the increase is by no means in the same proportion, and the greater also the labour and other circulation costs involved in the realization of value and surplus-value.*" (pg. 413)
- Capital advanced on commercial labour does not produce a surplus value while capital advanced on productive labour does. Therefore, the industrial capitalist attempts to advance as little as possible on the former and, all things remaining the same, as much as possible on the latter. The more that is invested in commercial labour relative to productive labour, the lower the rate of profit.
- It is the mass of commodities and their value which determines the needs of the commercial sector, not the labour already existing in the commercial sector that determines the mass and value of commodities.
- On pages 414 and 415 we get an extremely important paragraph that describes the position of wage-labourers in the system of commercial capital. It is worth quoting at length and returning to.

  "*The commercial worker proper belongs to the better-paid class of wage-labourer; he is one of those whose labour is skilled labour, above-average labour. His wage, however, has a tendency to fall, as the capitalist mode of production advances, even in relation to average labour. Firstly, because the division of labour within the commercial office* *means that only a one-sided development of ability need be produced and that much of the cost of producing this ability to work is free for the capitalist, since the worker's skill is rather developed by the function itself, and indeed is developed all the more quickly, the more one-sided the function becomes with the division of labour. Secondly, because basic skills, knowledge of commerce and languages, etc, are reproduced ever more quickly, easily, generally and cheaply, the more the capitalist mode of production adapts teaching methods, etc. to practical purposes. The general extension of popular education permits this variety of labour to be recruited from classes which were formerly excluded from it and were accustomed to a lower standard of living. This also increases supply, and with it competition. With a few exceptions, therefore, the labour-power of these people is devalued with the advance of capitalist production; their wages fall, whereas their working ability increases. The capitalist increases the number of these workers, if he has more value and profit to realize. The increase in this labour is always an effect of the increase in surplus-value, and never a cause of it.*"

- Costs or circulation count largely as a loss for the industrial capitalist. However, for the commercial capitalist, they are the source of potential profit. Therefore, commercial labour counts for the commercial labour as directly productive (in much the same way industrial labour is directly productive for industrial capital).

Chapter 18: The Turnover of Commercial Capital. Prices

- The turnover of industrial capital includes both time spent in production and circulation, while the turnover of commercial capital is within circulation only. Therefore, industrial capital turns over as C-M-C (commodity-money-commodity in the form of means of production) and in commercial capital as M-C-M.
- "*The number of turnovers of a given commercial capital is thus completely analogous here with the repeated circuits of money as a simple means of circulation.*" (pg. 417)
- Both reproductive (productive, the process of industrial capital) and individual consumption represent limits on the turnover of commercial capital. Commodities provided by industry to sell and the demand for commodities.
- Commercial capital is always dependent on and connected to industrial capital. However, it obtains a certain level of autonomy, not only for itself but for the sake of industrial capital (so that the circulation time of industrial capital can be shortened). This contradictory dependence and autonomy leads to periods of forced reconnection with industrial capital in the form of crisis.
- Page 419, Marx says that this is why crises do not break out at the level of retail first, with its immediate consumers, but generally start with wholesale traders and bankers.
- The absolute amount of surplus value depends primarily on the productivity of labour and not on the division between paid and unpaid labour. Relative surplus value depends more on that division. (pg. 423)
- "*Commercial capital does not have a direct effect on the creation of profit or surplus-value and it enters as a determining element into the formation of the general*

rate of profit only in so far as it draws its dividends from the mass of profit that industrial capital produces, according to the proportion that it forms in the total capital." (pg. 424)

- Increased turnovers lead to greater profits when they take place in industrial capital but the total amount of profit/surplus value is determined by industrial capital. Commercial capital does not produce surplus value and therefore its increased turnovers do not have an affect on the general rate of profit.
- "*All superficial and distorted views of the overall reproduction process are derived from considerations of commercial capital and from the notions that its specific movements give rise to in the heads of the agents of circulation.*" (pg. 428)
- From 428 to 429, Marx talks about the necessarily "upside down" view of capitalism that is given by its representatives and stresses how these wrong ideas emerge from the general form of appearance of capital itself. Extremely interesting and important for this work and materialism in general.
- Generally, quick turnover means less profit per turnover for commercial capital.

Chapter 19: Money-Dealing Capital

- Money, serving the purposes it serves industrial and commercial capital autonomously, becomes "money-dealing capital."
- Money may serve as the starting point for a new capital, and also its ending point (M-C-M'). But once a capital has already started its motion and repeated it, both the starting and ending points become merely transitory points.
- Making payments is a necessary work but not a value-creating one. It is only a cost to the capitalist class, one cut down by having a special section of the class dedicated to it.
- Costs of circulation result from the movements involved in the upkeep of money temporarily divorced from its capital function (book-keeping, balancing, storing, etc, the hoard).
- There is a division of labour which causes a special group of agents of capitalists to take on these functions, but there is also an increasing division within this special group whereby different tasks become the whole careers of certain peoples.
- "*The payment and receipt of money, settlement of balances, keeping of current accounts, storage of money, etc., in separation from the acts that make these technical operations necessary, make the capital advanced in these functions into money-dealing capital.*" (pg. 433)
- The modern money trade grew out of international trade, with money-changing and exchange. Interesting, Marx says that "world money" is "known as bank or commercial money" and is "distinct from currency." (pg. 434)

- "*Money-changing and the bullion trade are thus the original forms of the money business and arise from the double function of money: as national coin and as world money.*" (pg. 435)
- In both pre-capitalist and capitalist trade, there is the formation of a hoard of money (and eventually idle capital) and the tracking of buying and selling by receipts (first handled by the money-dealer as a simple cashier for merchants and industrial capitalists).
- "*Money-dealing is fully developed, even if still in its first beginnings, as soon as the functions of lending and borrowing, and trade on credit, are combined with its other functions.*" (pg. 436)
- "*It is clear enough that the mass of money capital which the money dealers operate with is the circulating money capital of the merchants and industrialists, and that the operations the money dealers perform are simply the operations of the merchants and industrialists, mediated by the former. It is equally clear that their profit is simply a dedication from surplus-value, since they are dealing only with values already realized (even if realized only in the form of claims for payment).*" (pg. 438)

Chapter 20: Historical Material on Merchant's Capital

- It is ridiculous to think that merchant's capital, as commercial or money-dealing capital, is simply a kind of industrial capital, like agriculture, manufacture, transport, etc. It represents a transformed form of industrial capital and not merely industrial (productive) capital invested in a specific way.
- Economists are often dismissive of form because they are only interested in "the substantive side."
- The economists are dismissive of the difference between industrial and merchant's capital because they can not explain commercial profits and try to derive commodity and money capital from production only so as to equate the two and make commodity-money production (capitalism) an eternal feature of all production in itself.
- Even the great economists like Smith and Ricardo stuck to industrial capital and tried to explain all capital only by that.
- "*Not only trade, but also trading capital, is older than the capitalist mode of production, and is in fact the oldest historical mode in which capital has an independent existence.*" (pg. 442)
- Commercial capital can (and does?) exist wherever commodities and money are circulated.
- "*Whatever mode of production is the basis on which the products circulating are produced - whether the primitive community, slave production, small peasant and petty-bourgeois production, or capitalist production - this in no way alters their*

character as commodities, and as commodities they have to go through the exchange process and the changes of form that accompany it." (pg. 442)

- Merchant's capital develops alongside commodity exchange and reaches its peak with the latter, in capitalist production.
- Trade promotes the generation of surplus products to be exchanged and to increase the consumption or the hoards of the producers. This form of production is oriented more and more towards exchange value.
- "*The metamorphosis of commodities, their movement, consists (1) materially, in the exchange of different commodities for one another, (2) formally, in the transformation of commodities into money, selling, and the transformation of money into commodities, buying. And the function of commercial capital is reducible to these functions, the exchange of commodities through buying and selling.*" (pg. 443)
- In any mode of production, the merchant's wealth exists in the form of money, and that money is always capital (M-C-M').
- Money is the independent form of exchange value, and the increase of that value is the purpose of it for the merchant.
- Commercial capital is only one of several forms of capital in capitalist production, but it is the form of capital in pre-capitalist societies.
- "*Capital as capital, therefore, appears first of all in the circulation process.*" (pg. 445)
- Pre-capitalist modes of production "*are still oriented principally to the production of use-values*." (pg 445)

- "*They assume the commodity form in so far as they are in some way exchangeable, i.e. are expressions of some third thing.*" (pg. 447) Important for dialectics. The mediating third.
- "*When commercial capital exchanges the products of undeveloped communities, commercial profit not only appears as defrauding and cheating but to a large extent does derive precisely from this.*" (pg. 448)
- Trade and commercial capital may work to undermine and dissolve certain modes of production, but the result of this process depends on the original mode of production itself. Both the slave and capitalist economies resulted from the development of trade at different times and in different societies.
- The revolutions in trade in the 16th and 17th centuries via the discovery and colonization of peoples in Asia and America played a major role in the breaking up of the feudal system and the replacing of it by the capitalist one.
- The transformation from feudalism to capitalism can take three forms: the merchant becomes an industrialist directly, the merchant makes the small masters into his middlemen or even buys direction from the independent producer, or the industrialist becomes a merchant and produces directly on a large scale for the market.