

## Notes on Marx's *Capital*, Volume 3, Part Seven: The Revenues and Their Sources

### **Chapter 48: The Trinity Formula**

- “*Capital-profit (profit of enterprise plus interest), land-ground-rent, labour-wages, this trinity form holds in itself all the mysteries of the social production process.*” (pg 953)
- Since interest is the form which the product of capital takes (profit of enterprise appearing as the product of work, ie, as a wage), this can be simplified to: capital-interest, land-ground-rent, and labour-wages, with profit set aside.
- The three parts of this formula, all sources of wealth, appear completely separate.
- Capital is a social relation mediated through things, land is a thing, and labor is an abstraction.
- Labour is “*the entire productive activity of man, through which his metabolic interchange with nature is mediated.*” (pg 954)
- The forms of capital, wage-labour, and landed property in rent, are all historically specific social forms linked to the same economic formation: capitalism.
- The peculiar thing in the formula is that we have a specific social form, capital, alongside two things which exist in every social formation, land and labor.
- In the formula which uses capital-interest, the products of land (rent) and labor (wages) take the form of interest. This is irrational.
- “*The formula capital-interest is certainly the most irrational formula for capital, but it is a formula for it.*” (pg 955)
- Land produces use-values, but it does not itself produce values.
- Capital-interest is an irrational formula because if capital is conceived as a value, then this formula says that value-more value, and is the same as saying  $4 = 5$ .

- Land-rent is an irrational formula because it conflates a use-value (land) which has no value, with an exchange value (rent).
- Labour-wages is an irrational formula because it implies wages are paid for labour and not labour power.
- *“Vulgar economics actually does nothing more than interpret systematize and turn into apologetics the notions of agents trapped within bourgeois relations of production. So it should not surprise us that precisely in the estranged form of appearance of economic relations that involves these prima facie absurd and complete contradictions - and all science would be superfluous if the form of appearance of things directly coincided with their essence - that precisely here vulgar economics feels completely at home, these relationships appearing all the more self-evidence to it, the more their inner connections remain hidden, even though they are comprehensible to the popular mind.”* (pg 956)
- Capitalist production is a historically specific form of the production and reproduction process of society. It arises from certain material conditions, involves certain social relations, and both produces and reproduces these conditions and relations itself. It does this largely through the classes which make it up, namely the capitalist class which is the embodiment of capital.
- Surplus labor always exists, it just takes on an antagonistic form under capitalism, slavery, etc.
- Under communism, surplus labor will be socially combined, everyone will see its benefits, and there will be *“a greater reduction of the overall time devoted to material labour.”* (pg 958)
- Freedom only begins once basic necessities are met.

- Capital-profit and ground-rent are different forms of surplus value.
- Capital, land, and labor all take a share of the total value produced, and this value, in the forms of profit, rent, and wages respectively, allows them to reproduce themselves.
- The apparent distinction between them causes them to appear as totally distinct categories, their revenues as totally distinct substances, to the bourgeois mind.
- Under capitalist production, and in the formula as given previously, fetishism exists between contents and forms. Means of production are taken as always capital, labor as always wage-labor, and land as always rent-bearing, even though these are all specific historical forms which the real material substratum take on only under certain conditions.
- Landed property, capital, and wage-labor become, in an upside view, the sources of value and revenue instead of the ways in which an already produced value is allocated.
- Commodity fetishism was discussed in volume one, chapter one, now, *“All forms of society are subject to this distortion, in so far as they involve commodity production and monetary circulation. In the capitalist mode of production, however, where capital is the dominant category and forms the specific relation of production, this betwitted and distorted world develops much further.”* (pg 966)
- Capital becomes a mystical being, all the abilities of social labor appearing as its own attributes.
- *“The transformation of surplus-value into profit is, as we saw, just as much determined by the circulation process as by the process of production.”* (pg 967)
- The capital-interest (profit), land-ground-rent, and labor-wage schema represents a complete mystification of capitalism, the total distortion of the bourgeois mind.

## **Chapter 49: On the Analysis of the Production Process**

- Assuming surplus value coincides with production prices, and assuming a system in overall equilibrium, “The total portion of commodity value, therefore, in which the total labour that the worker adds during a day or a year is realized, the total value of the annual product that this labour creates, breaks down into the value of wages, profit and rent. For this total labour breaks down into necessary labour, by which the worker creates the portion of the product’s value with which he is paid himself, i.e. wages, and unpaid surplus labour, by which he creates the portion of the product’s value that represents surplus-value and that subsequently divides into profit and rent.” (pg 973) The worker produces no other value, does no other labor, and the total value of the annual product of their labor is cleanly split into variable capital for wages and surplus value for profit and rent.
- This leads us to confusion though, largely because constant capital has been completely left out of our picture.
- Really, the value of the annual commodity product can be treated like the value of a single commodity product. It consists on the one hand of the value of constant capital and on the other hand the value expressed in the forms of revenue, wages, profit, and rent. They can be called “component A” and “component B” respectively.
- Component B can be further separated, since wages represent variable capital while profit and rent represent surplus value.
- Gross output/product is the entire product produced.
- Gross income is the product left over after paying for past costs (constant capital) and therefore can be expressed as wages + profit + rent.

- Net income represents the surplus value, that left over after wages have been deducted.
  - Since Adam Smith, the idea has persisted that commodity value is equal to the sum of revenues, but this leaves out constant capital. Thus, all past value is somehow annihilated with the new product, and each new cycle of revenues is added to 0 instead of the C.
  - This view arises from not understanding the relationship between c & v, how labor preserves old value, how reproduction is made possible, etc.
  - Forms derived from value are mistaken as the sources of value.
  - Surplus value also takes the form of insurance, and this is left aside, outside of the accumulation funds.
  - Insurance against potential dangers, accidents, and depreciations, is one of only two forms in which surplus labor would continue to exist in communism. The other is for expansion of production. (pg 986)
  - The surplus-value that the laborer creates is actually broken down into capital (additional means of production) and revenue (additional means of consumption), but its form as “profit” gives it the appearance of only being revenue.
  - If reproduction happens on the same scale, constant capital must be replaced, if not with identical pieces than with identically valuable pieces. Expanded reproduction, it must grow.
  - It is commonly believed that the profit derived from a sale is made by selling above its value, but this is not necessarily the case. This mistaken idea arises because the capitalist makes money for seemingly nothing, gets back more than was invested.
  - Capitalist nations never work together cohesively, and communist nations must.
- (Interesting points on page 991.)

## **Chapter 50: The Illusion Created by Competition**

- The value of commodities, or the price of production governed by the total value of all commodities, can be broken down into constant capital (c), variable capital (v) (expressed as the revenue wages), and surplus value (s) (expressed as the revenues profit and rent).
- v and s represent the fresh labor (value) added to the old, c.
- The revenues are the results of value not its causes. In this, they are related to and dependent on each other, but they all follow their own specific (general to them) laws.
- Organic composition staying the same, a rise in wages would eat into profits and rent but not cause a rise in the value (price of production) of commodities.
- If productivity of labor falls, surplus labor time falls, and so necessary labor time rises. This might cause a rise in wages and also a rise in the price of commodities, but the rise in commodity prices was not caused by the rise in wages. Instead, they were both caused by the loss in productivity. Nonetheless, the illusion emerges that a rise in wages has caused a rise in commodities.
- If the value of constant capital increases or decreases, the value of the product does the same. However, this does not necessarily cause a counter-movement in variable capital or surplus value in the same way a change in variable capital is met by a change in surplus value.
- Wages may rise because the commodities that a wage represents may become more expensive, but the rise in wages is only an effect here, not a cause.
- If the commodities that serve as subsistence for the workers become cheaper, wages can be lowered, and therefore surplus value (profits) is increased (absolutely and/or relatively).

- *“The transformation of values into prices of production does not abolish the limits to profit, but simply affects its distribution among the various particular capitals of which the social capital is composed, distributing it across them evenly in proportion as they form value components of this total capital. Market prices rise above these governing production prices or fall below them, but these fluctuations balance each other out.”* (pg 1000)
- If everything sells at prices of production, rent is reduced to differential rent. Only by interfering in this process can absolute rent be appropriated. Differential rent therefore finds its limits in the differences between individual capitals the prices of production, while absolute rent finds its limits in the surplus value contained in agricultural products above their prices of production.
- Monopoly prices are usually compensated for by a loss in price or value somewhere else.
- Trying to determine prices/value of commodities from wages leads to a circle, where wages are determined by commodities, but commodities are determined by wages. The same happens for capital-profit and ground-rent.
- *“Competition, in other words, is burned with explaining all the economists’ irrationalities, whereas it is supposed to be the economists who explain competition.”* (pg 1005)
- The division of new value into wages, profits, and rent, appears on the surface of the system and causes those trapped in bourgeois thinking to consider the value of commodities to be made of these parts. Instead of the value of commodities being divided into them, they are added up to create the value of the commodities.

- “Experience” lies, as we can see openly that wages have risen with commodity prices, without seeing the hidden reasons why this has happened (change in productivity, change in price of means of subsistence, etc). (pg 1008) This is also a challenge to vulgar empiricism.
- Neither the value of commodities or their prices of production always correspond to market prices. They instead act as general markers around which fluctuations happen. (pg 1009)
- Interest and rent (and often wages!) are contractually written down before production begins, and so it is easy to see why they appear as formative of the value that will result from that production when viewed from the eyes of the capitalists and managers (those making and signing the contracts.”
- *“The secret reason why these products of the dissolution of commodity value constantly appear as the premises of value formation itself is simply that the capitalist mode of production, like every other, constantly reproduces not only the material product but also the socio-economic relations, the formal economic determinants of its formation. Its result thus constantly appears as its premise, and its premises as its results.”* (pg 1011)
- If this same logic of preceding elements determine commodity values is applied to constant capital, which is itself made of commodities, it reveals the absurdity of the whole thing in the circular-logic of “commodity values determine commodity values.”
- Since prices of production appear as the average of market prices for the capitalist, they lose sight entirely of value as the average of prices of production. The whole process of value formation goes on behind their back. (pg 1013)



- When capitalism is dominant, it becomes so common to split up the value of the product into wages, profit, and rent, that even production not done on the capitalist basis is perceived in this way. If there is a small peasant farmer, it is said that he pays himself wages for his work, profits off his capital (means of production), and pays rent to himself for use of his own land.
- *“Because a form of production that does not correspond to the capitalist mode of production can be subsumed under its forms of revenue (and up to a certain point this is not incorrect), the illusion that capitalist relationships are the natural condition of any mode of production is further reinforced.”* (pg 1015)
- This kind of subsumption (formal) appeared in other modes of production as well, ie, feudal.

## **Chapter 51: Relations of Distribution and Relations of Production**

- The total value (and thus product) newly added in the year can be divided between the different revenues, and this represents the relations of distribution (since it is literally how the value is distributed between the different classes with their different relations of production).
- The different relations of distribution in different modes of production are similar in that you can always divide the new product between consumption, productive consumption, and surplus. This does not mean they can be reduced to this identity though.
- In dealing with relations of distribution, we can not start only with revenues but from the fact that the annual product is divided into capital and revenues.
- Two character traits of the capitalist mode of production: It produces its products as commodities (It isn't the only mode of production to do this, but it is the only to do this generally and as a rule), and it produces specifically and decisively for surplus value.
- The capitalist and the wage-laborer are the “embodiments and personifications” of the specific social relations of production of “capital” and “wage-labor” (labor as commodity). (pg 1020)
- “*Capital essentially produces capital, and it does this only as long as it produces surplus-value.*” (pg 1020)
- Despite the anarchy of individual capitalism, the social interconnection and general laws of production force a sort of natural law (or stasis) onto the capitalist economy. Not a stable or eternal one, however.
- Wage-labor and capital are the presuppositions of surplus value, surplus value the presupposition of profit, and profit the presupposition of accumulation.

- *“The wage assumes wage-labour, profit assumes capital.”* (pg 1022)
- *“It is possible to give the name of rent to the landowner’s income in other forms of society. But this is essentially different from rent as it appears in the present mode.”* (pg 1023)
- Relations of distribution are historical and correspond to particular relations of production.
- *“In so far as the labour process is a simple process between man and nature, its simple elements remain common to all social forms of its development. But each particular historical form of this process further develops the material foundations and social forms. Once a certain level of maturity is attained, the particular historical form is shed and makes way for a higher form. The sign that the moment of such a crisis has arrived is that the contradiction and antithesis between, on the one hand, the relations of distribution, hence also the specific historical form of relations of production corresponding to them, and, on the other hand, the productive forces, productivity, and the development of its agents, gains in breadth and depth. A conflict then sets in between the material development of production and its social form.”* (pg 1023-24)

## **Chapter 52: Classes**

- The three great classes of capitalist society are the wage-laborers (owners of labour-power, revenue in form of wages), capitalists (owners of capital, revenue in form of profits), and landowners (owners of land, revenue in form of rent).

## **Frederick Engels: Supplement and Addendum to Volume 3 of Capital**

- *“a man like Marx has the right to be heard himself, to convey his scientific discoveries to posterity in his own full and genuine presentation.”* (pg 1027)
- The law of value is both logical and historical. (pg 1033)
- Exchange of commodities at their value corresponds to a lower level of development than exchange of commodities at their prices of production. The implication here seems to be that value preceded capitalism proper, which makes total sense.
- *“For the entire period of natural peasant economy, no other exchange is possible except that in which the amounts of commodities exchanged tend more and more to be measured according to the amounts of labour embodied in them. From the moment money penetrates into this economic mode, the tendency of adaptation to the law of value (Marx’s formulation, nota bene!) becomes more explicit, though it is already infringed upon by the interventions of usurer’s capital and fiscale extortion”* (pg 1035)
- *“cattle, was the first fairly generally recognized money commodity.”* (pg 1036)
- Marx’s law of value applies universally to the period of simple commodity production, lasting the thousands of years before capitalism.
- The early merchants worked to equalize the rate of profit at the time. A general rate of profit is therefore not just an end result of developed capitalism but also a precondition for capitalism itself.
- Industrial capital and manufacture were instrumental in the transition from this previous state into the surplus-value extracting capitalism of the modern world.
- Since Cv3 was originally published, the stock exchange has become central to capitalism, instead of playing a secondary role as Marx has witnessed it.