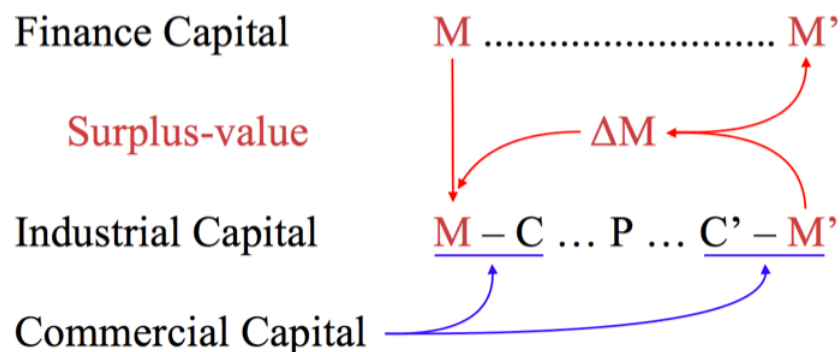




All Three Sectors of Capital



1. Capital and the Accumulation of Surplus-Value / Exploitation of Labor

The conversion of a sum of money [M] into means of production and labour-power [C], is the first step taken by the quantum of value that is going to function as capital. This conversion takes place in the market, within the sphere of circulation. The second step, the process of production [...P...], is complete so soon as the means of production have been converted into commodities [C'] whose value exceeds that of their component parts, and, therefore, contains the capital originally advanced, plus a surplus-value. These commodities must then be thrown into circulation. They must be sold, their value realised in money [M'], this money afresh converted into capital, and so over and over again. This circular movement, in which the same phases are continually gone through in succession, forms the circulation of capital. [...]

The capitalist who produces surplus-value [ΔM] — *i.e.*, who extracts unpaid labour directly from the labourers, and fixes it in commodities, is, indeed, the first appropriator, but by no means the ultimate owner, of this surplus-value. He has to share it with [other kinds of] capitalists, with landowners [*i.e.* the real estate sector], &c., who fulfill other functions in the complex of social production. Surplus-value, therefore, splits up into various parts. Its fragments fall to various categories of persons [*i.e.* classes and subclasses], and take various forms, independent the one of the other, such as profit [for industrial capitalists], interest [for finance capitalists], merchants' profit [for wholesale and retail capitalists], rent [for the real estate sector], &c. [...]¹

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The circular movement of capital takes place in three stages, which, according to the presentation in Volume I, form the following series:

First stage: The capitalist appears as a buyer on the commodity- and the labour-market; his money is transformed into commodities, or it goes through the circulation act $M - C$.

Second Stage: Productive consumption of the purchased commodities by the capitalist. He acts as a capitalist producer of commodities; his capital passes through the process of production. The result is a commodity of more value than that of the elements entering into its production.

Third Stage: The capitalist returns to the market as a seller; his commodities are turned into money; or they pass through the circulation act $C - M$.

Hence the formula for the circuit of money-capital is: $M - C \dots P \dots C' - M'$, the dots indicating that the process of circulation is interrupted, and C' and M' designating C and M increased by surplus-value.

The first and third stages were discussed in Book I only in so far as this was necessary for the understanding of the second stage, the process of production of capital. For this reason, the various forms which capital takes on in its different stages, and which now assumes and now strips off in the repetition of its circuit, were not considered. These forms are now the direct object of our study.

In order to conceive these forms in their pure state, one must first of all discard all factors which have nothing to do with the changing or building of forms as such. It is therefore taken for granted here not only that the commodities are sold at their values but also that this takes place under the same conditions throughout. Likewise disregarded therefore are any changes of value which might occur during the movement in circuits.²

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This increment or excess over the original value I call “**surplus-value**.” The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus-value or expands itself. It is this movement that converts it into capital.

¹ Capital. Vol. I. Part VI. <https://www.marxists.org/archive/marx/works/1867-c1/ch23.htm>

² Capital. Vol. II. Chapter 1. <https://www.marxists.org/archive/marx/works/1885-c2/ch01.htm>

[...] [Value] is constantly changing from one form to the other without thereby becoming lost, and thus assumes an automatically active character. If now we take in turn each of the two different forms which self-expanding value successively assumes in the course of its life, we then arrive at these two propositions: Capital is money: Capital is commodities. In truth, however, value is here the active factor in a process, in which, while constantly assuming the form in turn of money and commodities, it at the same time changes in magnitude, differentiates itself by throwing off surplus-value from itself; the original value, in other words, expands spontaneously. [...]

Value therefore now becomes value in process, money in process, and, as such, capital. It comes out of circulation, enters into it again, preserves and multiplies itself within its circuit, comes back out of it with expanded bulk, and begins the same round ever afresh. M-M', money which begets money, such is the description of Capital from the mouths of its first interpreters, the Mercantilists.³

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The surplus value, or that part of the total value of the commodity in which the surplus labour or unpaid labour of the working man is realized, I call profit. The whole of that profit is not pocketed by the employing capitalist. The monopoly of land enables the landlord to take one part of that surplus value, under the name of rent, whether the land is used for agricultural buildings or railways, or for any other productive purpose. On the other hand, the very fact that the possession of the instruments of labour enables the employing capitalist to produce a surplus value, or, what comes to the same, to appropriate to himself a certain amount of unpaid labour, enables the owner of the means of labour, which he lends wholly or partly to the employing capitalist — enables, in one word, the money-lending capitalist to claim for himself under the name of interest another part of that surplus value, so that there remains to the employing capitalist as such only what is called industrial or commercial profit.

By what laws this division of the total amount of surplus value amongst the three categories of people is regulated is a question quite foreign to our subject. This much, however, results from what has been stated. [See following footnote.]

2. The Various Sectors of Capital: Industrial, Commercial, Financial, Real Estate

Rent, interest, and industrial profit are only different names for different parts of the surplus value of the commodity, or the unpaid labour enclosed in it, and they are equally derived from this source and from this source alone. They are not derived from land as such or from capital as such, but land and capital enable their owners to get their respective shares out of the surplus value extracted by the employing capitalist from the labourer. For the labourer himself it is a matter of subordinate importance whether that surplus value, the result of his surplus labour, or unpaid labour, is altogether pocketed by the employing capitalist, or whether the latter is obliged to pay portions of it, under the name of rent and interest, away to third parties. Suppose the employing capitalist to use only his own capital and to be his own landlord, then the whole surplus value would go into his pocket.

³ Capital. Vol I. Chapter 4. <https://www.marxists.org/archive/marx/works/1867-c1/ch04.htm>

It is the employing capitalist who immediately extracts from the labourer this surplus value, whatever part of it he may ultimately be able to keep for himself. Upon this relation, therefore between the employing capitalist and the wages labourer the whole wages system and the whole present system of production hinge. Some of the citizens who took part in our debate were, there, wrong in trying to mince matters, and to treat this fundamental relation between the employing capitalist and the working man as a secondary question, although they were right in stating that, under given circumstances, a rise of prices might affect in very unequal degrees the employing capitalist, the landlord, the moneyed capitalist, and, if you please, the tax-gatherer.⁴

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Merchant's capital [i.e. **commercial capital**, retail and wholesale] is simply capital functioning in the sphere of circulation. ...no value is produced in the process of circulation, and, therefore, no surplus-value. Only changes of form of the same mass of value take place... surplus-value is realised in the sale of produced commodities...⁵

The relations of capital assume their most [superficial] and most fetish-like form in **interest-bearing capital** [i.e. **finance capital**]. We have here M-M', money creating more money, self-expanding value, without the process that effectuates these two extremes.⁶

... even an accumulation of **debts** may appear as an accumulation of capital... Titles of ownership... are indeed... titles to real capital. But they do not place this capital at one's disposal. It is not subject to withdrawal. They merely convey legal claims to a portion of the surplus-value to be produced by it.⁷

Interest is therefore nothing but a part of the profit (which, in its turn, is itself nothing but surplus-value, unpaid labour), which the industrial capitalist pays to the owner of the borrowed capital with which he "works", either exclusively or partially. [...] Instead of being appropriated by the industrial capitalist himself—although he is the person who at first holds the whole surplus-value in his hands no matter how it may be distributed between himself and other people under the names of rent, industrial profit and interest—this part of the profit is deducted by the industrial capitalist from his own revenue and paid to the owner of capital.⁸

In the form of **interest**, the entire surplus above the barest means of subsistence (the amount that later becomes wages of the producers) can be consumed by usury [**i.e. finance**] (this later assumes the form of profit and ground-rent) ... the wage-worker produces and gives to the capitalist who employs him, profit, interest [i.e. financial

⁴ Value, Price, and Profit, XI.
<https://www.marxists.org/archive/marx/works/1865/value-price-profit/ch02.htm#c11>

⁵ Capital. Vol. III. Ch. 16. <https://www.marxists.org/archive/marx/works/1894-c3/ch16.htm>

⁶ Capital. Vol. III. Ch. 24 <https://www.marxists.org/archive/marx/works/1894-c3/ch24.htm>

⁷ Capital. Vol. III Ch. 30. <https://www.marxists.org/archive/marx/works/1894-c3/ch30.htm>

⁸ Theories of Surplus Value.

<https://www.marxists.org/archive/marx/works/1863/theories-surplus-value/add3.htm>

profits] and ground-rent, i.e., the entire surplus-value.⁹

For instance **insurance** companies divide the losses of individual capitalists among the capitalist class. But this does not prevent these equalised losses from remaining losses so far as the aggregate social capital is concerned.¹⁰

Entirely different from the replacement of wear and tear and from the work of maintenance and repair is **insurance**, which relates to destruction caused by extraordinary phenomena of nature, fire, flood, etc. This must be made good out of the surplus-value and is a deduction from it. Or, considered from the point of view of society as a whole, there must be continuous over-production, that is, production on a larger scale than is necessary for the simple replacement and reproduction of the existing wealth, quite apart from the increase in population, so as to be in possession of the means of production required to compensate for the extraordinary destruction caused by accidents and natural forces.¹¹

Landed property [i.e. real estate] has nothing to do with the actual process of production. Its role is confined to transferring a portion of the produced surplus-value from the pockets of capital to its own.¹²

[...] It is a matter of indifference to the **rent** collector of a real-estate owner or the messenger of a bank that their labour does not add one iota or tittle to the value of either the rent or the gold pieces carried to another bank by the bagful.¹³

The commercial and interest-bearing forms of capital are older than industrial capital, which, in the capitalist mode of production, is the *basic form* of the capital relations dominating bourgeois society—and all other forms are only derived from it or secondary: derived as is the case with interest-bearing capital; secondary means that the capital fulfills a special function (which belongs to the circulation process) as for instance commercial capital. **In the course of its evolution, industrial capital must therefore subjugate these forms [i.e. finance capital and merchant's capital] and transform them into derived or special functions of itself.** It encounters these older forms in the epoch of its formation and development. [...] both of them must first be destroyed as independent forms ||900| and subordinated to industrial capital.¹⁴

3. The “Middle Class” and Management

...the only labourer who is productive [in capitalism, in the relevant economic sense,] is one who produces surplus-value for the capitalist, or in other words works for the

⁹ Marx, Capital Vol. III Ch. 36. <https://www.marxists.org/archive/marx/works/1894-c3/ch36.htm>

¹⁰ Capital. Vol. II. Ch. 6. <https://www.marxists.org/archive/marx/works/1885-c2/ch06.htm>

¹¹ Capital. Vol. II. Ch. 8. <https://www.marxists.org/archive/marx/works/1885-c2/ch08.htm>

¹² Capital Vol. III Ch. 48. <https://www.marxists.org/archive/marx/works/1894-c3/ch48.htm>

¹³ Capital. Vol. II. Ch. 6. <https://www.marxists.org/archive/marx/works/1885-c2/ch06.htm>

¹⁴ Theories of Surplus Value.
<https://www.marxists.org/archive/marx/works/1863/theories-surplus-value/add3.htm>

self-valorization of capital...¹⁵ [Only labor that produces commodities is productive labor.]

...the modern development of joint-stock companies requires the “transformation of the actual functioning capitalist into a mere manager, in charge of other people’s capital, and [the transformation] of the capital owner into a mere money capitalist [i.e. shareholder or absentee owner]”.¹⁶

...the capitalist is relieved from actual labour as soon as his capital has reached that minimum amount with which capitalist production, properly speaking, first begins, so now he hands over the work of direct and constant supervision of the individual workers and groups of workers to a special kind of wage-labourer. And industrial army of workers under the command of a capitalist requires, like a real army, officers (managers) and N.C.O.s (foremen, overseers), who command during the labour process in the name of capital. The work of supervision becomes their established and exclusive function. When comparing the mode of production of isolated peasants or independent artisans with the plantation economy which rests on slavery, political economists count on this labour as part of the *faux frais de production* [, which is to say, the income of those managers is an *overhead cost of production*, which is deducted from the revenue produced by workers].

The managerial function is “supervision”¹⁷ and “discipline”¹⁸ of the rest of the working class; “the capitalist’s ability to *supervise* and enforce *discipline* is vital”.¹⁹

What [Ricardo] forgets to emphasise is the constantly growing number of the middle classes, those who stand between the workman on the one hand and the capitalist and landlord on the other. The middle classes maintain themselves to an ever increasing extent directly out of revenue [i.e. they are unproductive, an overhead cost, *faux frais* of production], they are a burden weighing heavily on the working base and increase the social security and power of the upper ten thousand.²⁰

... because of the growth in the net product, more spheres are opened up for unproductive workers, who live on [the productive laborer’s] product and whose interest in his exploitation coincides more or less with that of the directly exploiting classes.²¹

One part of the labour of superintendence merely arises from the antagonistic contradiction between capital and labour, from the antagonistic character of capitalist production, and belongs to the incidental expenses [i.e. overhead costs, *faux frais*] of production in the same way as nine-tenths of the “labour” occasioned by the circulation process. A conductor does not have to be the owner of the instruments used by the orchestra, nor is it one of his functions as a conductor to speculate on the subsistence

¹⁵ Capital Vol. I, Penguin Ed. 644.

¹⁶ Capital Vol. III, 576. Cf. Vol. I 574.

¹⁷ Capital Vol. I, 450, 549-60, 986. Vol. III 509-10.

¹⁸ Capital Vol. I, 549.

¹⁹ Capital Vol. I, 986

²⁰ Theories of Surplus Value, MECW 32, 198.

²¹ Theories of Surplus Value, MECW 32, 196.

costs of the members of the orchestra, or, in general, to have anything to do with their “wages”.²²

The great mass of so-called “higher grade” workers—such as state officials, military people, artists, doctors, priests, judges, lawyers, etc.—some of whom are not only not productive but in essence destructive, but who know how to appropriate to themselves a very great part of the “material” wealth partly through the sale of their “immaterial” commodities and partly by forcibly imposing the latter on other people—found it not at all pleasant to be relegated *economically* to the same class as clowns and menial servants and to appear merely as people partaking in the consumption, parasites on the actual producers (or rather agents of production). This was a peculiar profanation precisely of those functions which had hitherto been surrounded with a halo and had enjoyed superstitious veneration. Political economy in its classical period, like the bourgeoisie itself in its *parvenu* period, adopted a severely critical attitude to the machinery of the State, etc. At a later stage it realised and—as was shown too in practice—learnt from experience that *the necessity for the inherited social combination of all these classes, which in part were totally unproductive, arose from its own organization.*²³

²² Theories of Surplus Value, MECW 32, 504.

²³ Theories of Surplus Value, MECW 31, 30. Final italics inserted.