Capital

CRITIQUE OF POLITICAL ECONOMY
VOLUME 1

Karl Marx

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CHAPTER TWENTY-TWO

How Surplus-Value Is Transformed into Capital

1. The Capitalist Production Process on an Ever-Larger Scale. The Conversion of the Proprietary Laws of Commodity Production into the Laws of Capitalist Appropriation

Earlier, we had to consider how surplus-value arises from capital. Our task now is to examine how capital arises from surplus-value. When surplus-value is used as capital, or transformed back into capital, the accumulation of capital occurs.[1]

Let's say a mass of capital amounts to £10,000, and its variable component is £2,000. If the rate of surplus-value is 100%, the capital will produce £2,000 of surplus-value in a certain period of time—a year, for example. And if this £2,000 is then advanced as capital, the original capital will increase from £10,000 to £12,000: in other words, capital will accumulate. At first, however, it doesn't matter whether the additional capital is combined with the original capital or valorized independently of it.

A sum of value of £2,000 is a sum of value of £2,000. Money doesn't look or smell any different because it is surplus-value. When value has the character of surplus-value, we know how its owner came by it, but the fact that it is surplus-value does nothing to alter the nature of value or money. The additional £2,000 is transformed into capital in the same way as the original £10,000: the conditions of this metamorphosis don't change. One

1. "Accumulation of Capital; the employment of a portion of revenue as capital" (Malthus, "Definitions etc." ed. Cazenove, p. 11). "Conversion of revenue into Capital" (Malthus, "Princ. of Pol. Econ. 2nd ed. Lond. 1836," p. 320).

part of the £2,000 must be turned into constant capital; the other part has to become variable capital. One part has to be turned into the objective factors of the labor process, namely, the materials and the means of labor; the other part has to be turned into the subjective factor, namely, labor-power. The capitalist must therefore find these elements available in the labor market. This is how the process looks from the standpoint of the individual capitalist who turns a money sum of £10,000 into commodities worth £12,000, reverse-transforms the commodity value into £12,000 in money, and then employs the original £10,000, along with the additional £2,000, as his capital. But let's now view the original £10,000 as social capital, or as capital belonging to all the members of the capitalist class, and the £2,000 produced during the year as their surplus-value! The surplus-value is embodied in additional product or surplus product. Part of the surplus product is either reserved for the capitalists' consumption fund or consumed by them as revenue. Aside from this part, and also international trade, which replaces domestic types of commodities with foreign ones, the natural form of the surplus product is made up exclusively of means of production—raw materials, auxiliary materials, means of labor—and necessary means of subsistence: in short, the material elements of constant and variable capital. So these elements don't wind up in the market as a matter of chance; rather, they are pre-existing ways in which the newly produced surplus-value exists. As for the additional labor needed, the bearers of labor-power already employed can be put to work more extensively or intensely (that is, more fully), at least up to a certain point. On the other hand, by supplying the thingly elements of the additional capital, the capitalist production process has already supplied additional bearers of labor-power. Members of the working class come out of this process as they went into it, and thus at all different ages their children, whose lives are secured by the average wage, have to constantly appear in the labor market alongside them. Viewed in concrete terms, accumulation is the capitalist process of reproduction on an ever-expanding scale.

Surplus capital "Number 1" will be our name for the £2,000 that is transformed into additional capital. For the sake of simplicity, we will assume that the ratio of its constant and variable components remains the same, as does the rate of surplus-value (100%). We know how the £2,000 of capital produces a surplus-value of £400. This surplus-value is then transformed back into capital. Thus we get a surplus capital "Number 2" of £400, and so on.

What has changed? The £10,000 that was originally transformed into capital belonged to an owner who put the money into the commodity and labor market. How did he come by it? We don't know. According to the law of commodity circulation, in an average transaction, equivalents are exchanged, and each commodity is exchanged only for another commodity. This encourages us to assume that the £10,000 is the money-form of the owner's own products, and therefore his own labor, or it is the money-form of labor performed by people for whom he functions as a legal representative.

In contrast, we know exactly what process brought surplus capital Number 1 into being. This capital is the transformed form of surplus-value and thus surplus-labor—in other words, another person's unpaid labor. Its owner doesn't pay an equivalent for even an atom of its value. Just as he did earlier with part of the original capital, the capitalist spends part of this surplus capital on labor-power, from which he extracts surplus-labor anew, thereby producing surplus-value anew. Only now, having taken away the worker's own product—or the value he has produced—without giving him an equivalent, the capitalist uses that product or value to buy the worker, just as he puts the worker to work with means of production that are a product the worker is stripped of, whether *in natura* or in terms of their value, without getting an equivalent. It makes no difference at all whether the same individual workers who produce the surplus capital are also employed with it, or the unpaid labor of Worker A, now transformed into money, is used to employ Worker B. Such movement would affect only the appearance of things, without making it any prettier. Because the relation of the individual capitalist and the individual worker is that of independent commodity owners, where one person buys labor-power and the other sells it, the connection between them is accidental. The capitalist might turn the surplus capital into a machine that allows two children to replace the worker who produced that surplus capital and, thus, puts him out of work.

All the components of surplus capital Number 1 are produced by someone else's unpaid labor, that is, capitalized surplus-value. The production process running its course for the first time, or the first act in capital's formation, disappears from view: It is as though the capitalist put some amount of value from his own fund into circulation. First, the invisible magic of the production process takes away the worker's surplus product, moving it from his side of the capital relation to the capitalist on the opposite side. Then the capitalist turns this wealth—for him, something created from nothing—into capital, into a means to employ, rule over, and exploit additional labor-power.[2]

The capitalist production process originally transforms only a money owner's sum of value into capital and thus a source of surplus-value. A change takes place in this sum of value, but the sum itself doesn't result from the capitalist production process; instead it is a precondition of that process and exists independently of it. In fact, we don't know how the capitalist came by the value in question and what his claim to it is. In the simple reproduction process, or the continuous production process, it is part of his own product that the worker keeps encountering anew as variable capital, but his product keeps taking on this form anew because he originally sold his labor-power in exchange for the capitalist's money. Lastly, in the course of reproduction, all the capital value advanced becomes capitalized surplus-value. This transformation presupposes, however, that the fund originally stemmed from the capitalist's own means. Not so in the accumulation process, or the reproduction process on an ever-larger scale. Whether the new capital takes the form of money or the things that make up the means of production and subsistence, its substance is the product of a process that extracts someone else's unpaid labor. Capital has produced capital.

A sum of value that amounts to £10,000 and belongs to the capitalist is needed to create surplus capital Number 1 (£2,000). What is required to create surplus capital Number 2 (£400) is nothing but the existence of surplus capital Number 1. Owning yesterday's unpaid labor now appears as the sole precondition for appropriating today's unpaid living labor on an ever-larger scale.

Insofar as the surplus-value that makes up surplus capital Number 1 arose when labor-power was bought with part of the original capital, a transaction that conformed to the laws of commodity exchange and, legally speaking, presupposed nothing but that on the one side of the capital relation, the worker could do what he wanted with his skills, while on the other side, the money or commodity owner could do what he wanted with the value he owned; furthermore, insofar as surplus capital Number 2 is merely the result of surplus capital Number 1 and therefore a consequence of the relation described above; and, finally, insofar as all transactions continue to conform to the laws of commodity exchange, which

2. "Labour creates capital, before capital employs labour" (E. G. Wakefield, "England and America. Lond. 1833," Vol. 2, p. 110).

means the capitalist continues to buy labor-power, and the worker continues to sell it (at its actual value, we will assume), the law of appropriation or private property based on commodity production and circulation is obviously inverted into its direct opposite by its inexorable inner dialectic.[3] The exchange of equivalents, which appeared here as the original operation, has been turned around in such a way that there is now only the semblance of exchange. How so? First, the part of capital exchanged for labor-power is merely part of the product of labor that, having been performed by other people, is then appropriated by the capitalist without an equivalent. And, second, this part not only has to be replaced by the person who produced it, the worker, it has to be replaced with a new surplus. The relation of exchange between the capitalist and the worker becomes a mere semblance belonging to the circulation process, or merely a form that is alien to the content here and only mystifies it. The incessant buying and selling of labor-power is the form; the content is that the capitalist keeps exchanging part of another person's already objectified labor, which he always appropriates without an equivalent, thereby converting it into a greater quantity of someone else's living labor. Originally, the right to property presented itself to us as grounded in a person's own labor—or at least this assumption had to be made because commodity owners encounter each other only as equals before the law, and the only way to appropriate another person's commodity is to part with one's own, which can't be produced without labor. Ownership now appears on the capitalist's side of the capital relation as the right to appropriate another person's unpaid labor, or the product of that labor, whereas on the worker's side it appears as the impossibility of appropriating one's own product. The separation of property and labor becomes the necessary consequence of a law that seemed to proceed from the identity of those things.[4] We saw that

3. Just as at a certain stage in its development, commodity production necessarily becomes capitalist commodity production (in fact, it is solely on the basis of capitalist production that the commodity becomes the predominant form of products), the laws of property based on commodity production are necessarily inverted and become the laws of capitalist appropriation. We might therefore marvel at Proudhon's cleverness, given that he proposed to abolish capitalist property by enforcing the eternal property laws based on commodity production!

4. That the capitalist owns other people's labor is "a strict consequence of the law of appropriation, the fundamental principle of which was the reverse, the exclusive entitlement of the worker to the product of his own labour" Antoine-Elisée (Cherbuliez, "Richesse ou Pauvre. Paris 1841," p. 58, where, however, this dialectical inversion isn't properly represented). [Editor's note: Marx seems to be thinking of this line on p. 104: "This is one of

even in simple reproduction all the capital advanced—however come by originally—is transformed into accumulated capital—in other words, capitalized surplus-value. But in the flow of production, all the capital originally advanced becomes a vanishing magnitude—*magnitude evanescens* in a mathematical sense—compared with the directly accumulated capital, or the surplus-value or surplus product that is reverse-transformed into capital. Moreover, this happens whether the capital originally advanced is functioning in the hands of the person who accumulated it or someone else's. Political economy thus portrays capital in general as "accumulated wealth [transformed surplus-value or revenue] employed with a view to profit,"[5] and it represents the capitalists themselves as "the possessors of surplusproduce or capital."[6] The same approach is merely expressed another way in the claim that all existing capital is accumulated or capitalized interest, since interest is nothing but a piece of surplus-value.[7]

2. Political Economy's Misunderstanding of Reproduction on an Ever-Larger Scale

Before we attempt to develop a more precise account of accumulation, which arises when surplus-value is reverse-transformed into capital, we need to clear away some unclarity sown by political economists.

When a capitalist uses his surplus-value to buy commodities for his own consumption, they don't serve as his means of production or valorization any more than the labor he buys to satisfy his own natural or social wants and needs serves as productive labor. Here, the capitalist doesn't turn surplus-value into capital by selling those commodities and that labor. He does the reverse, consuming or spending surplus-value as revenue. Since the old aristocratic sensibility "consists," as Hegel rightly says, "in consuming what is available," and is particularly evi-

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the most striking results of the law of appropriation. The absolute increase in wealth, that is to say, in the products of labor, does not lead to a proportional increase and can lead to a decrease in provisions for workers, in the share of all the species of products that falls to them."]

5. Malthus op. cit. "Capital . . . consists of wealth saved from revenue, and used with a view to profit" (R. Jones, "Text-book etc., Hertford, 1852," p. 16).

6. "The Source and Remedy of the National Difficulties: A Letter to Lord John Russell. 1821."

7. "Capital, with compound interest on every portion of capital saved, is so all engrossing, that all the wealth in the world from which income is derived, has long ago become the interest on capital" (London Economist, 19th July 1851).

dent in the opulence of personal retainers, bourgeois political economy found it crucially important to stress that the gospel of the new society, i.e., the accumulation of capital, preaches the use of surplus-value to buy productive workers as its *conditio sine qua non*.[i] On the other hand, bourgeois political economy had to counter a popular stereotype that confuses capitalist production with amassing stores of wealth[8] and therefore wrongly imagines that accumulated wealth is wealth that has been saved from destruction in its natural form—in other words, withdrawn from consumption—or spared circulation. To hold money out of circulation would be the opposite of valorizing it as capital, and the accumulation of commodities as it is carried out by the wealth amasser would be pure foolishness. Commodities accumulate in great masses either when circulation stagnates or overproduction occurs.[9] But, of course, the sight of goods stored up and meant for gradual consumption by the rich impresses the popular imagination, as does the formation of a reserve, a phenomenon common to all modes of production and one we will take a moment to consider in analyzing the circulation process. Classical political economy was thus right to frame the consumption of surplus product by productive workers, rather than their nonproductive counterparts, as a characteristic feature of the accumulation process. Yet this point is also precisely where political economy's misconception begins. Adam Smith made it fashionable to see accumulation as nothing more than what happens when productive workers consume surplus product, or to see the capitalization of surplus-value as nothing more than what happens when surplus-value is turned into labor-power. Let's listen to Ricardo: "It must be understood that all the productions of a country are consumed; but it makes the greatest difference imaginable whether they are consumed by those who reproduce, or by those who do not reproduce another value. When we say that revenue is saved, and added to capital, what we mean is, that the portion of revenue, so said to be added to capital, is consumed by productive instead of unproductive labourers. There can be no greater error than in supposing that capital

8. "No political economist of the present day can by saving mean mere hoarding: and beyond this contracted and insufficient proceeding, no use of the term in reference to the national wealth can well be imagined, but that which must arise from a different application of what is saved, founded upon a real distinction between the different kinds of labour maintained by it" (Malthus op. cit. pp. 38, 39). [Editor's note: The wording in the source text is "inefficient proceeding" rather than "insufficient proceeding."]

9. "Accumulation of stocks . . . non-exchange . . . overproduction" (Th. Corbet op. cit. p. 104).

is increased by non-consumption."[10] There can be no greater error than the one committed by Smith and mindlessly repeated by Ricardo and the whole lot that came after him, which is to believe that "the portion of revenue, so said to be added to capital, is consumed by productive labourers." According to this view, all surplus-value that is transformed into capital turns into variable capital. But like the capital originally advanced, surplus-value is divided: it becomes both constant and variable capital, means of production and labor-power. Labor-power is the form in which variable capital exists during the production process. Here, a capitalist consumes labor-power, and labor-power—or rather, its function, labor—consumes the means of production. At the same time, the "productive worker," not "productive labor," consumes the means of subsistence that the money advanced for labor-power is turned into. By way of a fundamentally wrongheaded analysis, Adam Smith arrived at the absurd position that even though every individual mass of capital is divided into constant and variable components, society's capital only goes into variable capital: in other words, society's capital is spent only to pay workers' wages. Let's say that a cloth manufacturer turns £2,000 into capital. He spends one part of the money to buy weavers and the other to purchase woolen yarn, machinery, and so on. The people from whom he buys the yarn and machinery then buy labor with part of the money they have gotten from him, and so on, until the whole £2,000 has been spent on wages—or, that is, until productive workers have consumed all the products represented by the £2,000. We can see that the nub of this argument is contained in the phrase "and so on," which sends us from pillar to post. In fact, Smith breaks off the analysis just where the difficult part begins.[11] In the second volume of the present book (or chapter 3 of that volume), I will analyze how this connection actually works and, in doing so, show how the dogma inherited by all of Smith's

10. Ricardo op. cit. p. 163 note.

11. Despite his "logic," Mr. J. St. Mill never managed to identify even such a faulty analysis in the work of his predecessors. It cries out to be fixed even from a purely technical standpoint, or even in terms of what the bourgeois can see. No matter. At every turn, Mill displays the intellectual confusion of his masters, registering it with the dogmatism of a schoolboy. For example: "The capital itself in the long run becomes entirely wages, and when replaced by the sale of produce becomes wages again." [Editor's note: The quoted sentence, which Marx gives in English, couldn't be found in Mill's works. What comes closest are these lines from his *Essays on Some Unsettled Questions of Political Economy* (London: John W. Parker, 1844), p. 94: "To replace capital is to replace nothing but the wages of the labour employed. Consequently, the whole of the surplus, after replacing wages, is profits."]

successors prevented political economy from understanding even the elementary mechanism of the social reproduction process.[12]

3. The Division of Surplus-Value into Capital and Revenue. The Abstinence Theory

In the previous chapter, we considered surplus-value (or surplus product) only as a capitalist's individual consumption fund. In this chapter, we have been considering it only as his accumulation fund. But it isn't simply the one thing or the other; rather, it is both at the same time. The capitalist consumes one part of the surplus-value as revenue[13] and uses another part as capital—i.e., for accumulation.

If the amount of surplus-value is given, the magnitude of accumulation clearly depends on how surplus-value is divided into the fund for consumption and the fund for accumulation, into revenue and capital. The larger the one part, the smaller the other. The amount of surplus-value or surplus product—and, thus, of a country's available wealth—that can be turned into capital is therefore always larger than the part of the surplus-value that is in fact turned into capital. This difference increases in proportion to how far capitalist production has advanced in a given country, the speed and scale of accumulation there, how wealthy the country is, and, finally, its consumption of and spending on luxury goods, which become more and more enormous as a country's wealth grows. If we set aside the wealth in the capitalist's consumption fund that comes from annual growth, part of the wealth there, which can be consumed only gradually, exists in natural forms that can function directly as capital. All bearers of labor-power

12. In his account of the reproduction process, and thus of accumulation, A. Smith not only made no progress in certain respects, he went decisively backwards compared to his predecessors, especially the Physiocrats. The illusion of his mentioned in the body of this text goes together with a truly fantastic dogma, also inherited by political economy: the price of commodities is made up of wages, profit (interest), and ground rent—that is, merely of wages and surplus-value. Proceeding from this basis, Storch at least naïvely confesses, "It is impossible to resolve the necessary price into its simplest elements" (Storch op. cit. St. Petersb. ed. 1815, Vol. 2, p. 141, note). What a wonderful economic science this is! It declares that the prices of commodities cannot be resolved into their simplest elements. The point will be discussed in detail in chapter 7 of volume 3.

13. Readers will note that the word "revenue" is being used in two senses: first, to signify surplus-value as the fruit that arises periodically from capital, and, second, to signify the part of that fruit that is periodically consumed by the capitalist or put into his fund of consumption. I have retained this double meaning because it aligns with the usage of English and French political economists.