

Chapter 4: The General Formula for Capital

The circulation of commodities is the starting-point of capital. The production of commodities and their circulation in its developed form, namely trade, form the historic presuppositions under which capital arises. World trade and the world market date from the sixteenth century, and from then on the modern history of capital starts to unfold.

If we disregard the material content of the circulation of commodities, i.e. the exchange of the various use-values, and consider only the economic forms brought into being by this process, we find that its ultimate product is money. This ultimate product of commodity circulation is the first form of appearance of capital.

Historically speaking, capital invariably first confronts landed property in the form of money; in the form of monetary wealth, merchants' capital and usurers' capital.¹ However, we do not need to look back at the history of capital's origins in order to recognize that money is its first form of appearance. Every day the same story is played out before our eyes. Even up to the present day, all new capital, in the first instance, steps onto the stage – i.e. the market, whether it is the commodity-market, the labour-market, or the money-market – in the shape of money, money which has to be transformed into capital by definite processes.

The first distinction between money as money and money as capital is nothing more than a difference in their form of circulation. The direct form of the circulation of commodities is C–M–C, the transformation of commodities into money and the re-conversion of money into commodities: selling in order to buy.

1. The antagonism between the power of landed property, based on personal relations of domination and servitude, and the power of money, which is impersonal, is clearly expressed by the two French proverbs, '*Nulle terre sans seigneur*', and '*L'argent n'a pas de maître*'.*

* 'No land without its lord' and 'Money has no master'.

But alongside this form we find another form, which is quite distinct from the first: M-C-M, the transformation of money into commodities, and the re-conversion of commodities into money: buying in order to sell. Money which describes the latter course in its movement is transformed into capital, becomes capital, and, from the point of view of its function, already is capital.

Let us examine the circular movement M-C-M a little more closely. Just as in the case of simple circulation, it passes through two antithetical phases. In the first phase, M-C (the purchase), the money is changed into a commodity. In the second phase, C-M (the sale), the commodity is changed back again into money. These two phases, taken together in their unity, constitute the total movement which exchanges money for a commodity, and the same commodity for money, which buys a commodity in order to sell it, or, if one neglects the formal distinction between buying and selling, buys a commodity with money and then buys money with a commodity.² The result, in which the whole process vanishes, is the exchange of money for money, M-M. If I purchase 2,000 lb. of cotton for £100, and resell the 2,000 lb. of cotton for £110, I have in fact exchanged £100 for £110, money for money.

Now it is evident that the circulatory process M-C-M would be absurd and empty if the intention were, by using this roundabout route, to exchange two equal sums of money, £100 for £100. The miser's plan would be far simpler and surer: he holds on to his £100 instead of exposing it to the dangers of circulation. And yet, whether the merchant who has paid £100 for his cotton sells it for £110, or lets it go for £100, or even £50, his money has at all events described a characteristic and original path, quite different in kind from the path of simple circulation, as for instance in the case of the peasant who sells corn, and with the money thus set free buys clothes. First, then, we have to characterize the formal distinctions between the two circular paths M-C-M and C-M-C. This will simultaneously provide us with the difference in content which lies behind these formal distinctions.

Let us first see what the two forms have in common.

Both paths can be divided into the same two antithetical phases, C-M, sale, and M-C, purchase. In each phase the same material elements confront each other, namely a commodity and money,

2. 'With money one buys commodities, and with commodities one buys money' (Mercier de la Rivière, *L'Ordre naturel et essentiel des sociétés politiques*, p. 543).

and the same economic *dramatis personae*, a buyer and a seller. Each circular path is the unity of the same two antithetical phases, and in each case this unity is mediated through the emergence of three participants in a contract, of whom one only sells, another only buys and the third both buys and sells.

What however first and foremost distinguishes the two paths C-M-C and M-C-M from each other is the inverted order of succession of the two opposed phases of circulation. The simple circulation of commodities begins with a sale and ends with a purchase, while the circulation of money as capital begins with a purchase and ends with a sale. In the one case both the starting-point and the terminating-point of the movement are commodities, in the other they are money. The whole process is mediated in the first form by money, and in the second, inversely, by a commodity.

In the circulation C-M-C, the money is in the end converted into a commodity which serves as a use-value; it has therefore been spent once and for all. In the inverted form M-C-M, on the contrary, the buyer lays out money in order that, as a seller, he may recover money. By the purchase of his commodity he throws money into circulation, in order to withdraw it again by the sale of the same commodity. He releases the money, but only with the cunning intention of getting it back again. The money therefore is not spent, it is merely advanced.³

In the form C-M-C, the same piece of money is displaced twice. The seller gets it from the buyer and pays it away to another seller. The whole process begins when money is received in return for commodities, and comes to an end when money is given up in return for commodities. In the form M-C-M this process is inverted. Here it is not the piece of money which is displaced twice, but the commodity. The buyer takes it from the hands of the seller and passes it into the hands of another buyer. Whilst in the simple circulation of commodities the twofold displacement of the same piece of money effects its definitive transfer from one hand into another, here the twofold displacement of the same commodity causes the money to flow back to its initial point of departure.

3. 'When a thing is bought in order to be sold again, the sum employed is called money advanced; when it is bought not to be sold, it may be said to be expended' (James Steuart, *Works, etc.*, edited by General Sir James Steuart, his son, London, 1805, Vol. 1, p. 274).

This reflux of money to its starting-point does not depend on the commodity's being sold for more than was paid for it. That only has a bearing on the amount of money which flows back. The phenomenon of reflux itself takes place as soon as the purchased commodity is resold, i.e. as soon as the cycle M-C-M has been completed. We have here, therefore, a palpable difference between the circulation of money as capital, and its circulation as mere money.

The cycle C-M-C reaches its conclusion when the money brought in by the sale of one commodity is withdrawn again by the purchase of another. If there follows a reflux of money to its starting-point, this can happen only through a renewal or repetition of the whole course of the movement. If I sell a quarter of corn for £3, and with this £3 buy clothes, the money, so far as I am concerned, is irreversibly spent. I have nothing more to do with it. It belongs to the clothes merchant. If I now sell a second quarter of corn, money indeed flows back to me, not however as a result of the first transaction, but of its repetition. The money again leaves me as soon as I complete this second transaction by a fresh purchase. In the cycle C-M-C, therefore, the expenditure of money has nothing to do with its reflux. In M-C-M on the other hand the reflux of the money is conditioned by the very manner in which it is expended. Without this reflux, the operation fails, or the process is interrupted and incomplete, owing to the absence of its complementary and final phase, the sale.

The path C-M-C proceeds from the extreme constituted by one commodity, and ends with the extreme constituted by another, which falls out of circulation and into consumption. Consumption, the satisfaction of needs, in short use-value, is therefore its final goal. The path M-C-M, however, proceeds from the extreme of money and finally returns to that same extreme. Its driving and motivating force, its determining purpose, is therefore exchange-value.

In the simple circulation of commodities the two extremes have the same economic form. They are both commodities, and commodities of equal value. But they are also qualitatively different use-values, as for example corn and clothes. The exchange of products, the interchange carried out between the different materials in which social labour is embodied, forms here the content of the movement. It is otherwise in the cycle M-C-M. At first sight this appears to lack any content, because it is tauto-

logical. Both extremes have the same economic form. They are both money, and therefore are not qualitatively different use-values, for money is precisely the converted form of commodities, in which their particular use-values have been extinguished. To exchange £100 for cotton, and then to exchange this same cotton again for £100, is merely a roundabout way of exchanging money for money, the same for the same, and appears to be an operation as purposeless as it is absurd.⁴ One sum of money is distinguishable from another only by its amount. The process M-C-M does not therefore owe its content to any qualitative difference between its extremes, for they are both money, but solely to quantitative changes. More money is finally withdrawn from circulation than was thrown into it at the beginning. The cotton originally bought for £100 is for example re-sold at £100+£10, i.e. £110. The complete form of this process is therefore M-C-M', where M' = M + Δ M, i.e. the original sum advanced plus an increment. This increment or excess over the original value I call 'surplus-value'.*

4. 'One does not exchange money for money,' exclaims Mercier de la Rivière to the Mercantilists (op. cit., p. 486). In a work which professes to deal with 'trade' and 'speculation' there occurs the following: 'All trade consists in the exchange of things of different kinds; and the advantage' (to the merchant?) 'arises out of this difference. To exchange a pound of bread against a pound of bread . . . would be attended with no advantage; . . . Hence trade is advantageously contrasted with gambling, which consists in a mere exchange of money for money' (Th. Corbet, *An Inquiry into the Causes and Modes of the Wealth of Individuals; or the Principles of Trade and Speculation Explained*, London, 1841, p. 5). Although Corbet does not see that M-M, the exchange of money for money, is the characteristic form of circulation, not only of merchants' capital, but of all capital, yet at least he acknowledges that this form is common to gambling and to one species of trade, namely speculation. Then, however, MacCulloch comes on the scene, and asserts that to buy in order to sell is to speculate, and thus the distinction between speculation and trade vanishes. 'Every transaction in which an individual buys produce in order to sell it again is in fact a speculation' (MacCulloch, *A Dictionary, Practical etc., of Commerce*, London, 1847, p. 1009). With much more naïveté, Pinto, the Pindar of the Amsterdam Stock Exchange,* remarks: 'Trade is a game' (this phrase is borrowed from Locke) 'and nothing can be won from beggars. If one won everything from everybody for long, it would be necessary to give back voluntarily the greater part of the profit in order to begin the game again' (Pinto, *Traité de la circulation et du crédit*, Amsterdam, 1771, p. 231).

* Pindar (522-442 B.C.) composed odes in praise of Olympic victors; Pinto (A.D. 1715-87), rich Amsterdam speculator and merchant, wrote books in praise of his country's financial system.

* In both German (*Mehrwert*) and English in the original.

The value originally advanced, therefore, not only remains intact while in circulation, but increases its magnitude, adds to itself a surplus-value, or is valorized [*verwertet sich*].* And this movement converts it into capital.

Of course, it is also possible that in C–M–C the two extremes C and C, say corn and clothes, may represent quantitatively different magnitudes of value. The peasant may sell his corn above its value, or may buy the clothes at less than their value. He may, on the other hand, be cheated by the clothes merchant. Yet, for this particular form of circulation, such differences in value are purely accidental. The fact that the corn and the clothes are equivalents does not deprive the process of all sense and meaning, as it does in M–C–M. The equivalence of their values is rather a necessary condition of its normal course.

The repetition or renewal of the act of selling in order to buy finds its measure and its goal (as does the process itself) in a final purpose which lies outside it, namely consumption, the satisfaction of definite needs. But in buying in order to sell, on the contrary, the end and the beginning are the same, money or exchange-value and this very fact makes the movement an endless one. Certainly M becomes $M + \Delta M$, £100 becomes £110. But, considered qualitatively, £100 is the same as £110, namely money; while, from the quantitative point of view, £110 is, like £100, a sum of definite and limited value. If the £110 is now spent as money, it ceases to play its part. It is no longer capital. Withdrawn from circulation, it is petrified into a hoard, and it could remain in that position until the Last Judgement without a single farthing accruing to it. If, then, we are concerned with the valorization [*Verwertung*] of value, the value of the £110 has the same need for valorization as the value of the £100, for they are both limited expressions of exchange-value, and therefore both have the same vocation, to approach, by quantitative increase, as near as possible to absolute wealth. Momentarily, indeed, the value originally advanced, the £100, is distinguishable from the surplus-value of £10, added to it during circulation; but the distinction vanishes immediately. At the end of the process, we do not receive on one hand the original £100, and on the other the surplus-value

* Along with the concept of surplus-value, the concept of *Verwertung* is introduced here for the first time. Since there is no extant English word which adequately conveys Marx's meaning, we have adopted throughout the word 'valorization'.

merges is rather a value of £110, which is in exactly the same way appropriate for commencing the valorization of the original £100. At the end of the movement, money again gains as its starting-point.⁵ Therefore the final result of the separate cycle, in which a purchase and consequent sale are effected, forms of itself the starting-point for a new cycle of the circulation of commodities – selling in order to purchase, in order to a final goal which lies outside circulation, the satisfaction of needs. The appropriation of use-values, the satisfaction of needs, is the end of the circulation of money as capital is an end in itself. The valorization of value takes place only within this movement. The movement of capital is self-reproducing.⁶

... into the original capital and profit – the increase of value. . . although in practice profit is immediately lumped together with the capital and set into motion with it' (F. Engels, *Umriss zu einer ökonomischen Theorie des Geldes*, in *Deutsch-Französische Jahrbücher*, edited by Karl Marx, Paris, 1844, p. 99) [English translation, p. 430]. Economics is not 'chrematistics'. He starts with economics. Economics is the art of acquisition, it is limited to procuring the means of existence and useful either to a household or the state. (οικονομία) consists of such use-values; for the amount of use-values needed for a good life is not unlimited . . . There is, however, a limit to the acquisition of things, to which we may by preference and desire give the name of chrematistics, and in this case there appear to be the names of exchange and property. Trade (ἡ καπηλική is literally retail trade, but in this form because use-values predominate in it) does not refer to chrematistics, for here the exchange only has reference to the exchange of things for (the buyer or the seller) themselves.' Therefore, as the original form of trade was barter, but with the extension of trade arose the necessity for money. With the discovery of money, trade developed into καπηλική, into trading in commodities, and in addition with its original tendency, grew into chrematistics, into the exchange of things for money. Now chrematistics can be distinguished from economics. In economics, circulation is the source of riches (ποιητικὴ ἀρχὴ χρημάτων μεταβολῆς). And it appears to revolve around the beginning and the end of this kind of exchange (το γὰρ ἀρχὴ καὶ πέρασ τῆς ἀλλαγῆς ἐστίν). Therefore also riches, such as money, are unlimited. Just as every art which is not a means to an end in itself, has no limit to its aims, because it seeks to reach nearer and nearer to that end, while those arts which have an end are not boundless, since the goal itself imposes a limit. In chrematistics there are no bounds to its aims, these aims are unlimited. Economics, unlike chrematistics, has a limit . . . for the end of economics is something different from money, of the latter the end is money . . . By confusing these two forms, which overlap each

As the conscious bearer [*Träger*] of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts, and to which it returns. The objective content of the circulation we have been discussing – the valorization of value – is his subjective purpose, and it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist, i.e. as capital personified and endowed with consciousness and a will. Use-values must therefore never be treated as the immediate aim of the capitalist;⁷ nor must the profit on any single transaction. His aim is rather the unceasing movement of profit-making.⁸ This boundless drive for enrichment, this passionate chase after value,⁹ is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser. The ceaseless augmentation of value, which the miser seeks to attain by saving¹⁰ his money from circulation, is

other, some people have been led to look upon the preservation and increase of money *ad infinitum* as the final goal of economics' (Aristotle, *De Republica*, ed. Bekker, lib. I, c. 8, 9, *passim*).*

7. 'Commodities' (here used in the sense of use-values) 'are not the terminating object of the trading capitalist, money is his terminating object' (T. Chalmers, *On Political Economy etc.*, 2nd edn, Glasgow, 1832, pp. 165–6).

8. 'Though the merchant does not count the profit he has just made as nothing, he nevertheless always has his eye on his future profit' (A. Genovesi, *Lezioni di economia civile* (1765), printed in Custodi's edition of the Italian economists, *Parte moderna*, Vol. 8, p. 139).

9. 'The inextinguishable passion for gain, the *auri sacra fames*, † will always lead capitalists' (MacCulloch, *The Principles of Political Economy*, London, 1830, p. 179). This view, of course, does not prevent the same MacCulloch and his associates, when they are in theoretical difficulties, as for example in the treatment of over-production, from transforming the same capitalist into a good citizen, whose sole concern is for use-values, and who even develops an insatiable hunger for boots, hats, eggs, calico and other extremely common kinds of use-value.

10. Σώζειν [to save] is a characteristic Greek expression for hoarding. So in English the word 'to save' means both *retten* [to rescue] and *sparen* [to save].

*English edition: *Works of Aristotle*, Vol. X, Oxford, 1921, 'Politica', trs. B. Jowett, paras. 1256 and 1257. Much of this differs significantly from Marx's translation into German, as a result of his practice of quoting so as to bring out the meaning relevant to his argument. Thus 'gaining wealth through exchange' turns in Marx's hands into 'circulation', 'the art of household management' into 'economics', and 'the art of getting wealth' into 'chrematistics'.

† 'Accursed hunger for gold'.

achieved by the more acute capitalist by means of throwing his money again and again into circulation.¹¹

The independent form, i.e. the monetary form, which the value of commodities assumes in simple circulation, does nothing but mediate the exchange of commodities, and it vanishes in the final result of the movement. On the other hand, in the circulation M-C-M both the money and the commodity function only as different modes of existence of value itself, the money as its general mode of existence, the commodity as its particular or, so to speak, disguised mode.¹² It is constantly changing from one form into the other, without becoming lost in this movement; it thus becomes transformed into an automatic subject. If we pin down the specific forms of appearance assumed in turn by self-valorizing value in the course of its life, we reach the following elucidation: capital is money, capital is commodities.¹³ In truth, however, value is here the subject* of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorizes itself independently. For the movement in the course of which it adds surplus-value is its own movement, its valorization is therefore self-valorization [*Selbstverwertung*]. By virtue of being value, it has acquired the occult ability to add value to itself. It brings forth living offspring, or at least lays golden eggs.

As the dominant subject [*übergreifendes Subjekt*] of this process, in which it alternately assumes and loses the form of money and the form of commodities, but preserves and expands itself through all these changes, value requires above all an independent form by means of which its identity with itself may be asserted. Only in the shape of money does it possess this form. Money therefore forms the starting-point and the conclusion of every valorization process.

11. 'Things possess an infinite quality when moving in a circle which they lack when advancing in a straight line' (Galiani, op. cit., p. 156).

12. 'It is not the material which forms capital, but the value of that material' (J. B. Say, *Traité d'économie politique*, 3rd edn, Paris, 1817, Vol. 2, p. 429).

13. 'Currency (!) employed in producing articles . . . is capital' (Macleod, *The Theory and Practice of Banking*, London, 1855, Vol. 1, Ch. 1, p. 55). 'Capital is commodities' (James Mill, *Elements of Political Economy*, London, 1821, p. 74).

*i.e. the independently acting agent.

It was £100, and now it is £110, etc. But the money itself is only one of the two forms of value. Unless it takes the form of some commodity, it does not become capital. There is here no antagonism, as in the case of hoarding, between the money and commodities. The capitalist knows that all commodities, however tattered they may look, or however badly they may smell, are in faith and in truth money, are by nature circumcised Jews, and, what is more, a wonderful means for making still more money out of money.

In simple circulation, the value of commodities attained at the most a form independent of their use-values, i.e. the form of money. But now, in the circulation M–C–M, value suddenly presents itself as a self-moving substance which passes through a process of its own, and for which commodities and money are both mere forms. But there is more to come: instead of simply representing the relations of commodities, it now enters into a private relationship with itself, as it were. It differentiates itself as original value from itself as surplus-value, just as God the Father differentiates himself from himself as God the Son, although both are of the same age and form, in fact one single person; for only by the surplus-value of £10 does the £100 originally advanced become capital, and as soon as this has happened, as soon as the son has been created and, through the son, the father, their difference vanishes again, and both become one, £110.

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 circulation, emerges from it with an increased size, and starts the same cycle again and again.¹⁴ M–M, ‘money which begets money’, such is the description of capital given by its first interpreters, the Mercantilists.

Buying in order to sell, or, more accurately, buying in order to sell dearer, M–C–M, seems admittedly to be a form peculiar to one kind of capital alone, merchants’ capital. But industrial capital too is money which has been changed into commodities, and reconverted into more money by the sale of these commodities. Events which take place outside the sphere of circulation, in the interval between buying and selling, do not affect the form of this movement. Lastly, in the case of interest-bearing capital, the cir-

14. ‘Capital . . . permanent self-multiplying value’ (Sismondi, *Nouveaux Principes d’économie politique*, Vol. 1, p. 89) [cited in German in the original, and slightly altered].

ulation $M-C-M'$ presents itself in abridged form, in its final result and without any intermediate stage, in a concise style, so to speak, as $M-M'$, i.e. money which is worth more money, value which is greater than itself.

$M-C-M'$ is in fact therefore the general formula for capital, in the form in which it appears directly in the sphere of circulation.