Part Two
The Transformation of Money into Capital
Chapter Four: The General Formula for Capital

I From the circulation of commodities to capital

Marx begins by making two observations about ‘capital’ (a term he has yet to define). First, he notes that commodity circulation is the starting point and historical presupposition of capital (Marx will say that capital is money – hence the necessity of commodity production, which leads to money – which differentiates itself first from money by the manner of its circulation). Marx clarifies ‘commodity circulation’ as ‘the production of commodities and their circulation in its developed form, namely trade.’ Second, he notes that the modern history of capital starts to unfold from the emergence of world trade and the world market, from the sixteenth century.

Marx now makes an historical observation: ‘Historically speaking, capital invariably first confronts landed property in the form of money; in the form of monetary wealth, merchants’ capital and usurers’ capital.’ Money as capital only distinguishes itself from money in general by virtue of its different form of circulation (with the significant consequence that if you look at, say, a €5 note you cannot tell if it is capital or not, it is simply money).

II The cycle of commodities and the cycle of capital

The movement of commodity circulation – C-M-C – arose because of the conflict between the two distinct tasks of realising value and obtaining use-value – a conflict which itself arises from the conflict between individual private labour and the social division of labour – that direct exchange (barter) broke into two steps, whose overall rubric could be ‘selling in order to buy’.

But alongside C-M-C we find another circulatory movement: M-C-M, buying in order to sell. This is the cycle of capital.

Clearly, M-C-M would be absurd if the second quantity M was not greater than the first. Nevertheless, independently of this fact, it is necessary to establish the similarities, and the differences, between the two cycles of C-M-C and M-C-M.

III Similarities between the cycle of commodities and the cycle of capital

1. Both are composed of the same elements.
2. Each cycle is formed by a unity of two opposite phases, a sale and a purchase.
3. Each circuit is mediated through the participation of three agents, one who buys, one who sells, and one who both buys and sells (and it is this third agent that gives the process its unity; for the other two the circuit is incomplete.

IV Differences between the cycle of commodities and the cycle of capital

1. The order of sale and purchase, of C-M and M-C, is inverted.
2. Thus, in the circuit of capital, the start and end point is money, not a commodity.
3. Thus the process is mediated, not by money, but by a commodity.

---

1 Where I insert my own subheads they appear, as here, in sans serif type.
3 C., p. 247.
If one looks at the circuits not as individual processes, but as parts of chains of repeated processes, other differences come to light. In C-M-C the main actor is not only in possession of money only temporarily, but also so of the commodities, since the first commodity enters to be sold, and the second is bought to be consumed, and drops out of circulation. In the circuit M-C-M, by contrast, the principal agent, while she holds the commodity only temporarily, finds the money flowing back to her time and time again. The money is released with the intention of getting it back; it is not spent, it is advanced.4

Second, from the point of view of what happens to the money. In C-M-C, the money is displaced twice, from the buyer to the seller, and again to the second seller, and the process is resolved with this relinquishing of the money. The money’s twofold displacement thus causes its definitive transfer from one hand to another. In M-C-M, the inverse occurs. Here it is the commodity which is displaced twice, and this twofold movement causes the money to return whence it originated. There is, in short, what Marx calls (using the economic jargon of the day), ‘reflux’.5

But the fundamental differences come to light when we enquire into the purposes and motives of the agents involved. What drives C-M-C is consumption, in other words, use-value. What drives M-C-M, however, is exchange-value itself. At the two extremes of C-M-C we find commodities of the same value, but with qualitatively different forms: the social content of the circuit is the transfer of products from those who make them to those who use them. What lies at the extremes of M-C-M is the same – money, qualitatively equal. Since the only thing that can distinguish money from money is its quantity, M-C-M owes its content to the fact that more money is withdrawn from circulation than was thrown in, i.e. that M-C-M is really M-C-M’, where M’ = M + ΔM, i.e. the original sum plus an increment in the original sum.

This increment Marx calls ‘surplus-value’ (‘Mehrwert’); the original sum undergoes ‘valorisation’ (‘Verwertung’); and the process of valorisation converts the value into ‘capital’ (‘Kapital’).

V The logic of capital

But what is the use of M’? In C-M-C, the goal (consumption) lies outside of the circuit. But M-C-M’ leads to a conclusion qualitatively equal to its beginning, a limited sum of money. As long as the valorisation of value is the intention there is no other way forward once M’ is reached but to repeat the circuit; and logically, ad infinitum.

In part this arises because of the same contradictions that confronted the miser in Chapter 3: both M and M’ are qualitatively universal but quantitatively limited, and, moreover, equally qualitatively universal and quantitatively limited. But there is another imperative: unlike the simple circulation of commodities, which reaches a conclusion outside the sphere of circulation, in the private consumption of use-values, the circulation of capital takes place as an end in itself, for the valorised value always remains within the circuit. It is a cycle without a natural end, without natural limits, and is, Marx’s own description, ‘insatiable’ [maßlos].

What is more, the money-owner behind M-C-M’ has this role permanently attached to her, unlike the characters involved in C-M-C, now a buyer, now a seller. Insofar as the valorisation of increasing quantities of value is the driving force behind here operations she functions as a capitalist, ‘capitalism personified and endowed with a will’.6 Marx makes a memorable comparison between the capitalist and the miser: “The boundless drive for enrichment, this passionate chase after value, is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser.”

---

4 C., p. 249.
5 C., p. 254.
6 C., p. 254. Marx expands on this comparison, and on the social forces impelling capitalism, later in the book: ‘Except as capital personified, the capitalist has no historical value. [...] It is only to this extent that the necessity of the capitalist’s own transitory existence is implied in the transitory necessity of the capitalist mode of production. But insofar as he is capital personified, his motivating force is not the acquisition and enjoyment of use-values, but the acquisition and augmentation
What now follows is a highly abstract, although critically important, passage, in which capital is succinctly and precisely defined:

If we pin down the specific forms of appearance assumed in turn by self-valorising value in the course of its life, we reach the following elucidation: capital is money, capital is commodities. In truth, however, value is here the subject [\textit{Subjekt}; the self-acting agent] of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, repels itself as surplus-value from itself as original value, and thus valorises itself. Since the movement, in the course of which it adds surplus-value is its own movement, its valorisation is self-valorisation.\textsuperscript{7}

Capital is self-valorising value; it can take the form of money or commodities, and it is the former which represents the unity of the process, but it is fundamentally value as its own subject: valorisation is its own movement, not something that it is done to it.

\textsuperscript{7} C., p. 255.