Chapter 2: The Circuit of Productive Capital

The cycle under consideration is

\[ P \ldots C'\!\!-\!M'\!\!-\!C \ldots P \]

This formula represents the ‘periodically repeated function of the productive capital’,\(^1\) in other words, not just production, but reproduction. ‘It signifies that the function of the industrial capital that exists in its productive form does not take place once and for all, but is periodically repeated, so that the new beginning is given by the point of departure itself.’\(^2\)

Two things are immediately apparent (comparing this cycle with that of money capital):

1. Rather than production mediating circulation, circulation mediates production: circulation serves only ‘as the mediator of the reproduction that is periodically repeated and made continuous through this reproduction.’\(^3\)

2. Circulation presents itself in the opposite form to that of the cycle of money capital: abstracting from the determination of value, rather than \(M\!\!-\!C\!\!-\!M\) \((M\!\!-\!C\!\!-\!C\!\!-\!M)\), we now see \(C\!\!-\!M\!\!-\!C\) \((C\!\!-\!M\!\!-\!M\!\!-\!C)\), the form of simple commodity circulation.

1 Simple Reproduction

First we consider \(C'\!\!-\!M'\!\!-\!C\), which occurs within the sphere of circulation bounded by the two extremes of \(P \ldots P\).

I  First phase: \(C'\!\!-\!M'\!\!\#\)

We begin with the phase \(C'\!\!-\!M'\) (and, as we shall see, the \(c\!\!-\!m\!\!-\!c\) that emerges subsequently). Since we looked at this in chapter 1, let us first recall what we already know. \(C'\) (i.e. \(C + \Delta C\), or \(C + c\)) is the value expression of commodity capital, and what determines that \(C\), a value expression of a quantity of a commodity, is \(C'\), a value expression of commodity capital, is its value magnitude relative to the value of the capital \(P\) consumed in its production: ‘[c]ommodities become commodity capital as the functional form of existence of the already valorised capital value that has arisen from the production process itself.’\(^5\) The function of commodity capital is to be sold, to realise \(C'\!\!-\!M'\), and the essential determinant here is the quantity sold: to realise the total surplus value, \(C'\) must be sold in its entirety.

Here, \(C'\!\!-\!M'\!\!\#\) forms the second stage of the cycle, but the first stage of circulation. When we looked at the cycle of money capital we were disinterested in whether the \(M\) and \(m\) that made up \(M'\) continued their course together, or followed different paths. Now, since \(C\!\!-\!M\) is necessarily complemented by \(M\!\!-\!C\), we have to take this into account, for, if the surplus value follows a path \(c\!\!-\!m\!\!-\!c\) separate from \(C\!\!-\!M\!\!-\!C\), then surplus value is not accumulated (recapitalised), but consumed, and we are dealing with simple, and not extended, reproduction. In this case, the money representing the capital value continues to circulate in the cycle of industrial capital, while the surplus value converted into money enters into the general circulation of commodities.

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1 Karl Marx, *Capital*, vol. 2 (Harmondsworth, 1978) [hereafter C2], p. 144.
2 C2, p. 144. Marx notes that the mediating stage \(C'\!\!-\!M'\!\!-\!C\) may be in part circumvented insofar as a portion of \(C'\) re-enters production directly, or is consumed in kind by the capitalist, thus not entering into circulation. This, however, is insignificant in general capitalist production, and need only be accounted for in agriculture.
3 C2, p. 144.
4 Where I insert my own subheads they appear, as here, in sans serif type.
5 C2, p. 122.
In the numerical example we pursued in chapter 1, we saw a capital value (${C}'$) of 10,000 lbs of yarn with a value of £500. £422 of this represents the value of productive capital and continues as the money form of 8,440 lbs of yarn; while the surplus value of £78, the money-form of 1,560 lbs of yarn, leaves the circulation and enters the general world of commodities.

Diagrammatically, we can represent this like this:

\[
C' \left( \frac{C}{C} + \frac{\epsilon}{\epsilon} \right) - M' \left( \frac{M}{M} + \frac{\ell}{\ell} \right) - C < \frac{L}{mp}
\]

The $m-c$ above represents those purchases made by capitalist over time for her own consumption; before it is used, the money exists temporarily as a hoard, destined for further consumption. Given that this money in its function of medium of circulation (including its hoard form) does not enter the cyclical movement of capital, it is 'money not advanced, but spent.'

In the case of our numerical example, the surplus value component of the product produced by $P$ exists in the form of 1,560 lbs of yarn; but were the product, say, a single machine with the value of £500, the surplus value component, £78, would exist only in the machine as a whole, and the two commodity value components, $C$ and $\epsilon$, have only an ideal ("ideell"), or notional (imagined but not imaginary), existence as discrete entities: the machine must be sold in its entirety before $m$ can enter on an independent circulation (if this is what it does). Nevertheless, and independently of all this, through the fact of $C'-M'$, "both the capital value and the surplus value acquire a separable existence, the existence of different sums of money [...]".

Our $c-m-c$ is simple commodity circulation; its first stage occurs within $C'-M'$, i.e. within the circular movement of capital; the second, complementary, stage, $m-c$, occurs within the general circulation of commodities, outside of the circular movement of capital. Three things emerge from this.

1. While the commodity capital is realised by $C'-M'$ (i.e., by $C'-(M+m)$), the movement of capital value and surplus value become, by acquiring independent form as sums of money, divisible.

2. If the separation between $M$ and $m$ does indeed take place, $C'-M'$, in conjunction with corresponding $C-M$ and $c-m$, may be represented as two different circulations: $C-M-C$ and $c-m-c$, both, in general form, examples of ordinary commodity circulation.

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6 Marx here (C2, p. 146) reminds us, as he did in chapter 1 (C2, p. 109) that we are operating under the following assumptions: that commodities are sold at their values; that the circumstances in which commodities are sold do not change; and that no changes of value occur during the movement of capital.


8 C2, p. 146.

9 Cf. C1, pp. 189-90, where Marx talks about how the prices of commodities are fixed in terms of gold, without the presence of actual gold. Marx here uses the same term – "ideell" – to talk about the price form. In his splendid annotations (‘Annotations to Karl Marx’s “Capital”’, <http://www.econ.utah.edu/~ehrbar/akmc.htm>), Hans Ehrbar comments: ‘Marx says here something about the price form which is true for all value forms of a commodity: it is “notional.” The German word translated here by “notional” is “ideell.” It is incorrect to translate “ideell” with “ideal.” Marx makes a strict distinction between the German terms “ideal” and “ideell.” Something which is ideal is by definition not real, it is an idealization of something real. The price of a commodity is not ideal in this sense. Marx held the view that social relations are real forces [...]’. One should not be confused by this formulation and think Marx wanted to deny their reality.’ (p. 724)

10 C2, p. 147, italicisation added.

11 Marx here (C2, p. 148) comments on the practice in the London construction trade, normally conducted on credit, of advancing money to the building contractor according to the stage of development of the building. While a stage of
If part of the surplus value is not spent of revenue, i.e. if the separation of $C\ (M)$ and $c\ (m)$ is only partial, then (a) the capital value passes through the later stages of its movement increased in value, and (b) there may occur a change in its value (and therefore organic) composition.

$C'\rightarrow M'$ (the final stage in the cycle of money capital) is here the second stage of the cycle of industrial capital and the first in the stage of the circulation of commodities: the self-expansion of capital (the function of $P$) is behind it, and the result of this, $C'$, is already realised. Given the premise of simple reproduction, in that $c\rightarrow m\rightarrow c$ separates itself off from $C\rightarrow M\rightarrow C$ and in that both $C\rightarrow M\rightarrow C$ and $c\rightarrow m\rightarrow c$ are in general form commodity circulation (and, within our assumptions, display no changes in value) lies the error of vulgar political economy in seeing capitalist production as nothing but the production and exchange of use-values, as the production of use-values for the purpose of exchanging them for others.

$C'$ serves as commodity capital, and the purpose of the whole process, valorisation, does not rule out an increase in the capitalist’s consumption as her surplus value (and hence capital) increases: ‘[i]n fact, it absolutely includes it.’ In the circulation of the capitalist’s revenue, $c$ serves to transform it into money, and thence into commodities serving private consumption. But $c$ is an incarnation of surplus labour, and, as such, is bound to the cycle of capital value in movement: stagnation in or disturbances of the cycle’s movement not only restricts $c$ but also the market for those commodities to replace $c$. (The same is true should $C'\rightarrow M'$ fail, wholly or in part: should the commodity product fail – in whole or in part – to be sold.)

$c\rightarrow m\rightarrow c$ (the revenue of the capitalist) enters into the circulation of capital in function of $c$ forming a value component of commodity capital ($C$). But once it acquires independence from $m\rightarrow c$, through $c\rightarrow m\rightarrow c$, although it stems from the movement of the capital advanced by the capitalist, it does not enter into this movement. The circulation of the revenue of the capitalist is related to the movement of the capital advanced by the capitalist 'as the existence of capital presupposes the existence of the capitalist, and this latter is conditional on his consumption of surplus value.'

'‘Within the general circulation, $C'$ functions [...] simply as a commodity; but as a moment of the circulation of capital it functions as commodity capital, a form that the capital value alternately assumes and discards.' Once sold, through $C'\rightarrow M'$, the commodity leaves the circular movement of capital, but remains within the general circulation of commodities: the metamorphosis through which the commodity passes into consumption is displaced in space and time from that – the same in form – through which it passes out of the movement of capital. This holds true even if the commodity enters the cycle of another industrial capital.

The general circulation comprises as much the intertwining of the circuits of the various independent fractions of social capital, i.e., the totality of the individual capitals, as the circulation of those values which are not thrown on the market as capital but enter into individual consumption. This relation – ‘that between the circuit [cycle] of capital as it forms part of general circulation, and as it provides the links in an independent circuit [cycle]’ – is also manifested in the circulation of $M'\ (M+m)$. $M$ continues the cycle of capital; $m$, spent as revenue ($m\rightarrow c$), leaves the cycle and enters general circulation (although that part which development of a building is not itself a building, this is an example of how in reality, even in the case of indivisible commodity products, the separation between capital value and surplus value is achieved before the product is actually sold.

12 C2, p. 149.
13 C2, p. 149.
14 C2, p. 149.
15 C2, p. 150.
16 C2, p. 150
functions as additional capital enters into the cycle of capital). In $c \rightarrow m \rightarrow c$, 'money functions simply as coin': the aim of the circulation is the consumption of the capitalist.\(^\text{17}\)

II Second phase: $M \rightarrow C$

Assuming simple reproduction, $M = P$. Following $C \rightarrow M$, we have $M \rightarrow C \overset{L}{\rightarrow} m$. Hence the overall circulation is $C \rightarrow M \rightarrow C \overset{L}{\rightarrow} m$. The function of money capital is therefore the same as that exhibited in the cycle of money capital.

Three observations now need to be made.

(1) $M$ as the monetary expression of past (and future) labour

In the cycle of money capital ($M \ldots M'$), $M$ appeared\(^\text{19}\) as the form in which the original capital was advanced; now, in the cycle under consideration, it appears as a part of the quantity of money into which the commodity capital has been transformed through $C' \rightarrow M'$, thus, through the mediation of the sale of the commodity product, as a transformation of the productive capital $P$. Now $M$, rather than being the original and concluding form of the capital cycle, is now that form that is stripped off so that the $M \rightarrow C$ that concludes $C \rightarrow M$ can be completed. Conclusion: that part of $M \rightarrow C$ which is also $M \rightarrow L$ now no longer appears as an advance of money for labour-power, but as an advance in which a given quantity of commodity product in money form is advanced for labour-power, and which in turn forms a part of the commodity value produced by the worker.\(^\text{20}\)

Now, $M'$ appears (in the sense just noted) as a converted form of $C'$, and $C'$ is the product of the past function of $P$. $M'$, therefore, as a whole appears as the ‘monetary expression of past labour’.

In our numerical example, we saw that:

- the product of the spinning process: 10,000 lb of yarn = £500
- constant capital advanced: 7,440 lb of yarn = £372
- variable capital advanced: 1,000 lb of yarn = £50
- surplus-value: 1,560 lb of yarn = £78

If, out of $M'$, only that original capital advanced (i.e., £372 + £50 = £422) is advanced afresh, then the worker receives, as $M \rightarrow L$, as the next week’s advance, a portion, in money form, of the 10,000 lb of yarn produced this

\(^{17}\) C2, p. 150; i.e. as the ‘symbol of value’: cf. C1, p. 221.

\(^{18}\) And it is typical of the ‘cretinism’ of the vulgar economists that they see in this ‘this circulation, which does not enter into the circuit of capital – the circulation of the portion of the value product that is consumed as revenue – […] the characteristic circuit of capital.’ C2, p. 150.

\(^{19}\) Marx uses the verb ‘erscheinen’ – ‘to appear’ – here. Hans Ehrbar comments: ‘One can almost call it a stylistic peculiarity that Marx often uses the word “appears” (erscheint) where a naive reader would expect the word “is”. Marx uses “appear” whenever he speaks about the manifestation of some “hidden background” […] on a more accessible stage. Marx is meticulous about this, because he finds it important to identify the character of the mechanisms that generate actual events and concrete things. The terminology of the words “appear,” “represent,” “express” is part of this emphasis. These words distinguish generative mechanisms that stand on their own from those which are proxies for underlying “hidden” mechanisms.’ ‘Glossary to Marx’s Capital and Other Writings’, <http://www.econ.utah.edu/~ehrbar/glossary.pdf>, p. 224) It is clear, then, that Marx here means ‘appears’ in the sense of ‘this is how the thing really manifests itself’, rather than in that of ‘this is how it looks but it is really something else’.

\(^{20}\) And, Marx adds, somewhat cryptically to my way of thinking, ‘And for this reason alone, the act $M \rightarrow C$, insofar as it is $M \rightarrow L$, is in no way simply the substitution of commodities in use form for commodities in money form, but includes other elements that are independent of the general circulation of commodities as such.’ C2, p. 151.
week. ‘As the result of $C\rightarrow M$, the money is throughout the expression of past labour.’$^{21}$ The supplementary act of $M\rightarrow C$, converting $M$ into commodities existing in the market, is again another conversion of past labour from one form into another; but it is a conversion separated, more or less considerably, from its antecedent in time.

Even though $M$, in $C\rightarrow M$, represents past labour, $M$ can also, in $M\rightarrow C$, represent the transformed form of commodities either not yet present in the market or simultaneously in production: purchase of coal not yet mined as means of production, for example, or payment for a coat not yet made; or purchase of commodities subject to rapid spoilage. In this way, in the case of $M\rightarrow L$, $M$ represents not just the worker’s past labour but also a draft on labour not yet accomplished. ‘With one part of his past labour the capitalist gives him [the worker] a draft on his own future labour.’$^{22}$

(2) The transient nature of money capital

In $C\rightarrow M\rightarrow C<\overset{L}{\rightarrow mp}$ money is ‘only an evanescent [fleeting, vanishing] moment in [the] [...] movement [of capital],’$^{23}$ whose function is only to facilitate the transformation of commodity capital from commodity form to commodity form again. When the capital movement is fluid, money acts as means of circulation only when it serves as means of purchase; it serves as means of payment only when capitalists buy from each other, i.e., when there is a balance of payments to be settled.

(3) The mediating role of money capital

Independently of whether it serves as means of circulation or as means of payment, the function of money capital is simply to mediate the replacement of $C$ with $L$ and $mp$; i.e. to transform commodity capital back into the form of the elements of its production. ‘[M]oney capital mediates, in the last instance, only the transformation of commodity capital back into productive capital.’$^{24}$

(prototypically) that for the cycle of capital to run its course smoothly $C’$ must not only be sold in its entirety but must also be sold at its value. In addition, the $C \rightarrow C’$ mediated by $M$ does not simply imply replacing commodities with commodities but doing so while maintaining the same value relation.$^{25}$ More: the whole content of $P \rightarrow P$, mediated by $C\rightarrow M\rightarrow C$, is ‘a moment of the reproduction process considered as a whole’;$^{26}$ the mediator, in form simple commodity circulation, is also a form of circulation of capital, and, as such, includes a functionally specific interchange of materials$^{27}$ and the necessity that $C$ be quantitatively equal to the elements of the production of $C’$ while maintaining the value relations between them. That this is something that does not hold in the real world is why we are here working under the assumptions – that commodities are sold at their values; that the circumstances in which commodities are sold do not change; and that no changes of value occur during the movement of capital – that we are; but it is also a matter which needs to be accounted for and Marx promises to return to it further on.$^{28}$

In the cycle of money capital, $M \rightarrow M’, M$, the original form of capital value, is cast aside only to be later reassumed. Now, in $P \rightarrow P$, $M$ is a form both assumed and cast aside within the movement: ‘the capital as $C’$ is anxious to

$^{21}$ C2, p. 151.
$^{22}$ C2, p. 152.
$^{23}$ C2, p. 152.
$^{24}$ C2, p. 153.
$^{25}$ And, importantly, Marx here notes that ‘[i]n fact, however, the value of the means of production varies; capitalist production is precisely marked by a continuous change in value relations, if only because of the constant change in the productivity of labour that characterises it.’ C2, p. 153.
$^{26}$ C2, p. 153.
$^{27}$ Cf. C2, pp. 110-11.
$^{28}$ As indeed he does on C2, pp. 360ff.
assume the money form but the capital as \( M' \) is equally anxious to get rid of it. [...] As long as it persists in the form of money, it does not function as capital, and thus is not valorised; the capital remains idle.\(^{29}\) The independent role of the money form apparent in \( M \ldots M' \) now disappears, and \( M \ldots M' \) stands apparent as ‘a mere particular form’.\(^{30}\) Should \( M-C \) be obstructed, then ‘the circular flow of the reproduction process’\(^{31}\) is too.\(^{32}\)

### III The formal and real reproduction of \( C \)

If the formal reproduction of \( C \) in \( C-M-M' \) is formed of acts of circulation, its real reproduction is dependent on reproduction processes that lie outside of the reproduction process of \( C' \).

In the cycle \( M \ldots M', M-C_{\text{L}} \) prepared the transformation of money into productive capital; in \( P \ldots P, M-C_{\text{L}} \) prepares the transformation of commodity capital back into productive capital, i.e. it prepares the transformation of commodity capital back into the same elements of production from which it emerged. Therefore, as in \( M \ldots M', M-C_{\text{L}} \) presents itself as preparatory to the production process, but now also as a return to this process, as a repetition of it, therefore as the precursor to the reproduction process and the repetition of the valorisation process.

\( M-L \) is not simple commodity exchange, but the purchase of a commodity whose function is the production of surplus value; \( M-mp \) is a procedure (‘only’, says Marx) materially necessary for this end.

### IV The cycle as a whole

With the completion of \( M-C_{\text{L}} \), \( M \) has been transformed back into productive capital and the cycle can begin anew. The full cycle is thus:

\[
P \ldots C'' \left( \begin{array}{c} C \\ m \end{array} \right) - \left( \begin{array}{c} M \\ m \end{array} \right) - C_{\text{L}} \ldots P
\]

### V The possibility of crises of overproduction

‘The transformation of money capital into productive capital is the purchase of commodities for the purpose of commodity production.’\(^{33}\)

Marx now implies another critique of existing political economy (in this case of Ricardo, who denies the possibility of overproduction). The purpose of production is not the existence of the producer: consumption occurs within the cycle of capital insofar as it is productive consumption, and its premise is the production of surplus-value though the consumption of commodities so consumed. Rather than an exchange of commodities mediated by money, what

\(^{29}\) C2, p. 153, italicisation added.
\(^{30}\) C2, p. 154.
\(^{31}\) C2, p. 154.
\(^{32}\) However, unlike the commodity form, the money form can sustain itself longer should the movement of capital be blocked: money does not cease being money by being capital, while a commodity ceases to be a use-value in general (and hence a commodity) if it is over detained in the form of commodity capital. In addition, capital in the money form can assume a form other than its original of productive capital; commodity capital ‘can move no further’.
\(^{33}\) C2, p. 155.
we have here is the ‘replacement of commodity by commodity conditioned by [the production of] surplus-value [...]’. 

Alongside the productive consumption of $M$, transformed into $L$ and $mp$, we have the first link of $M–L$, which, for the worker, is $L–M$, i.e. $C–M$. The worker’s $L–M–C$, includes her consumption; but only the first act, the result of $M–L$, falls within the cycle of capital. $M–C$ arises from the cycle of capital, but is separate from it, even though the existence of the working class is necessary for capital, as is, therefore, their consumption, mediated by $M–C$.

In $C′–M′$, $C′$ is transformed into money, so that the capital cycle may continue. The further circulation of $C′$ initially is of no consequence for the individual cycle of capital; it is transformed into money and hence back in the factors of the production process: who buys $C′$ is immediately immaterial. The volume of commodities produced is not determined by supply and demand but by capital’s need for constant and constantly expanding production. Given that mass production can only have wholesale merchants (and other capitalists) as its immediate purchasers, commodities produced do not immediately need to enter into either individual or productive consumption. ‘The consumption of commodities is not included in the circuit of the capital from which they emerge’, it is only necessary that commodities be sold, not consumed. But chickens come home to roost: if commodities that have only apparently been consumed are actually lying unsold, and new commodities enter the market, then commodity capitals have to fight each other for space in the market. Prices are cut, by capitals as well as by retailers, even to sell at all; but this reflects not the real state of demand but with the demand for payment. But the ensuing crisis is not witness by a fall in consumer demand but a decline in exchanges of capital for capital, in the reproduction process of capital.

$M$ is converted into $L$ and $mp$ as money capital fulfils its function as a capital value, transforming itself into productive capital. But, unless these commodities are purchased or paid for immediately and simultaneously, a part of $M$ must persist capital in the money state, as a fund for payment and purchase, withdrawn from circulation, i.e. as a hoard. The function of money as a hoard thus becomes a function of money capital (just as in $M–C$ the money functions of means of purchase and payment become functions of money capital). But the money here is a state within and prescribed by the cycle of industrial capital; once again, we see that money capital within the cycle of industrial capital performs only the functions of money, and these functions are only capital functions though their connections with the other stages of the cycle.

The key point here is that the formation of a hoard, i.e. the persistence of money capital in its money state, be it through expediency or no, represents an interruption in the movement of capital.

2 Accumulation and Reproduction on an Expanded Scale

The proportions in which production may be expanded are proscribed by technical factors; it then may be that realised surplus-value destined for capitalisation can only reach the proportion necessary through the repetition of the capital cycle. During such time it must be stored up, and, as a hoard, represents ‘latent’ (‘potential’, ‘virtual’) capital. The production process is not expanded by the formation of latent money capital; rather, latent money capital is formed because the production process cannot be directly expanded.

The character of capitalist production is give by the necessity of the valorisation of advanced capital, i.e. by the production of the greatest possible mass of surplus-value and the transformation of this value into capital. ‘The

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34 C2, p. 155.
35 C2, p. 156.
36 ‘The expression of $M′$ as a relation between $m$ and $M$, as a capital relation, is not a direct function of the money capital, but rather of the commodity capital $C′$, which in turn expresses, as a relation between $c$ and $C$, only the result of the production process, of the self-valorisation of the capital value that takes place within it.’ C2, p. 157.
constant enlargement of [...] capital becomes a condition for its preservation.\textsuperscript{37} The formula \( P \ldots C' - M - C < \frac{1}{m_p} \ldots P' \) expresses the condition in which the surplus-value is accumulated in its entirety.\textsuperscript{38}

This formula represents productive capital which begins its second cycle as augmented productive capital. Just as in the cycle of money capital, the result of the cycle (the augmentation) is obliterated once the capital, \( P' \) in this case, serves as the point of departure for the new cycle.

If we compare the cycles of money capital (\( M \ldots M' \)) and productive capital (\( P \ldots P' \)) we observe the following difference. \( M - M' \) represents the production of surplus-value: money capital (or industrial capital in money form) is money which breeds money. In the case of \( P \ldots P' \), \( P' \) consists of the original capital value plus the capital accumulated through its movement.\textsuperscript{39} \( P \ldots P' \) expresses the fact that produced surplus-value is capitalised.

\( M' \) as the conclusion of \( M \ldots M' \), and \( C' \) as it presents itself in all the cycles, represent not the process but the result – in different forms of circulation – of the valorisation of the capital value. But this result is not the function of money or capital value. As forms of existence of industrial capital the functions of money and commodity capital are functions which accrue to money and commodities. It is only insofar as money and commodity capital appear as forms of circulation of industrial capital that the money function and the commodity function are also the functions of money capital and commodity capital, and this is determined by the fact that the elements of production express themselves as the productive function of industrial capital through being, on the one hand, the labour-power of others bought from its owners, and, on the other, means of production bought from the owners of other commodities. Failure to see this leads, one, to the error of ascribe the specific functions and properties that characterise money as money and commodities as commodities to their character of capital, and, two, to derive the properties of productive capital from its mode of existence in the means of production. \( C' \) is always the product of the function of \( P \), and \( M' \) the form into which \( C' \) is converted. As soon as realised money capital \( M' \) resumes it function as money capital, it does so as \( M \).

\section*{3 The Accumulation of Money}

Whether \( m \) can be integrated into production depends on factors – whether or not it is of the necessary minimum magnitude, the relationship between the material factors of \( P \), as well as their value relationship\textsuperscript{40} – beyond the mere fact of its existence. Until it attains the magnitude at which it can enter into the function of money capital it exists as a hoard in the process of formation and growth. A hoard is the form of money not in circulation; money interrupted in its circulation. In the form under consideration here, it represents not capital interrupted in its movement, but capital not yet capable of functioning.\textsuperscript{41}

\section*{4 The Reserve Fund}

Hoards may fulfil ancillary tasks, i.e. may enter into the circular movement of capital (without this taking the form \( P \ldots P' \)) functioning as a reserve fund to cope with disturbances in its progress.

\begin{itemize}
  \item \textsuperscript{37} C2, p. 159. Cf. C1, pp. 725-45.
  \item \textsuperscript{38} Although, as Marx notes, ‘a part of the surplus-value must always be spent as revenue in normal circumstances, and another part capitalised, [...] [such] that at certain periods the surplus-value is completely consumed, and at others completely capitalised. If the movement takes its average course, there is a bit of both.’ C2, p. 159.
  \item \textsuperscript{39} C2, p. 160.
  \item \textsuperscript{40} And the fact of the interplay between the material and the social, between qualitative relations and quantitative ratios, is significant.
  \item \textsuperscript{41} Rather than existing in ‘pure’ form as actual money, the hoard may also exist in the form of favourable balances; and also as interest-bearing deposits, bills of exchange, securities, etc., i.e. in the shape of money which breeds money.
\end{itemize}
The general formula for the cycle of productive capital which comprises both simple reproduction and reproduction on an expanded scale:\(^42\)

\[
P \ldots C' - M' \cdot M - C < \frac{L}{mp} \ldots P(P')
\]

If \(P = P\), then \(M\) in (2) = \(M'\) minus \(m\); if \(P = P'\), then \(M\) in (2) > \(M'\) minus \(m\), i.e. \(m\) has been wholly or partly transformed into money capital.

\(^{42}\) ‘The circuit [cycle] of productive capital is the form in which the classical economists have considered the circuit [circular movement] of industrial capital.’ C2, p. 166