Chapter 4: The Three Figures\(^1\) of the Circuit

I  The circular movement of industrial capital and its cycles\(^2\)

Let us summarise.

We have seen the three cycles of industrial capital:

I  \( M \rightarrow C \rightarrow P \rightarrow C' \rightarrow M' \) the cycle of money capital

II  \( P \rightarrow C' \rightarrow M' \rightarrow C \rightarrow P \) the cycle of productive capital

II  \( C' \rightarrow M' \rightarrow C \rightarrow P \rightarrow C' \) the cycle of commodity capital

The overall movement can be described like this:

\[
M \rightarrow C \rightarrow P \rightarrow C' \rightarrow M' \rightarrow C \rightarrow P \rightarrow C' \rightarrow M' \rightarrow C \rightarrow P \rightarrow \ldots \text{ etc.}^3
\]

The three cycles can also be represented like this, with \( Tc \) standing for ‘total circulation process’,

I  \( M \rightarrow C \rightarrow P \rightarrow C' \rightarrow M' \)

II  \( P \rightarrow Tc \rightarrow P \)

III  \( Tc \rightarrow P (C') \)

Taking the three forms together:

- each premise of the process presents itself as its result, i.e. as premises produced by the process itself
- each moment presents itself as ‘a point of departure, of transit and return’
- the process as a whole presents itself as unity of process of production and process of circulation
- the circulation process mediates the production process, and vice versa

Self expansion of value – valorisation of value – is the ‘determining purpose’\(^4\) behind the cycles (the ‘objective content’ of the circulation of capital): in cycle I this is even expressed in the form. Cycle II begins with the valorisation process. Cycle III begins with valorised value, and finishes with newly valorised value.

Insofar as the movements \( C \rightarrow M \) and \( M \rightarrow C \) are acts of sale and purchase they amount to no more than acts within the general circulation of commodities; in order to grasp them as movements of capital one has to move beyond this formal aspect and ‘consider the real connection between the metamorphoses of the various individual capitals, [...] the connection between the circuits of individual capitals as partial movements of the reproduction process of the

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\(^1\) Marx’s ‘Figures’ is perhaps better rendered, as Hans Ehrbar does, as ‘Formulae’: ‘Annotations to Karl Marx’s “Capital”, Volume 2’, <http://www.econ.utah.edu/~ehrbar/glossary.pdf>, p. 317.

\(^2\) Where I insert my own subheads they appear, as here, in sans serif type.

\(^3\) It can also be represented as a circle (or spiral): see page 10 below.


\(^5\) Karl Marx, Capital, vol. 1 (Harmondsworth, 1990) [hereafter C1], p. 254.
In order to do this we have been looking at the movement of capital through the optic of its various cycles. But, in a constantly rotating orbit, every point is simultaneously a starting-point and a point of return. If we interrupt the rotation, then not every starting-point is a point of return. Not only does every circuit (cycle) (implicitly) presuppose the others, but the repetition of the circuit (cycle) in one form implies the motions which have to take place in the other forms. The entire distinction presents itself as merely one of form, a merely subjective distinction that exists only for the observer.

This if each capital is involved in each of the three cycles at the same time, in addition all three cycles operate simultaneously alongside each other. The reproduction of the capital in each of its forms and at each of its stages is just as continuous as is the metamorphosis of these forms and their successive passage through the three stages.

If a capital value exists in the form of either $\text{M}$, or $\text{P}$, or $\text{C}$, then at each stage in its movement it assumes one form as opposed to the others. The cycle $\text{P} \ldots \text{P}$ (for example)

would present itself not only as a periodic renewal of the productive capital, but equally as an interruption in its function, the production process, until the circulation process had been completed; instead of taking place continuously, production would be pursued only in spasms and be repeated only after periods of time.

This is true for each individual portion of capital; and all portions of capital go through this movement. Nevertheless: 'continuity is the characteristic feature of capitalist production, and is required by its technical basis.' Thus 'the real circuit of industrial capital in its continuity is not only a unified process of circulation, but also a unity of all its three circuits.' But this unity is dependent on whether each fraction of capital can pass through its phases of its cycle uninterruptedly. In a developed process of production various fractions of capital find themselves at various stages of movement at the same time. Should one fraction be held up in one part of its cycle for any reason, the whole movement is disturbed. Thus insofar as the real circuit of industrial capital in its continuity is both a unified process of circulation and a unity of all its three circuits is true it is because the latter determines the former:

'Every delay in the succession brings the coexistence into disarray, every delay in one stage cause a greater or lesser delay in the whole circuit, not only that of the portion of capital that is delayed, but also that of the entire individual capital.'

II The dialectical unity of the movement of individual capitals and that of total social capital

Thus what we have here is a unity of two distinct elements: the movement of individual capitals, halting and spasmodic, and that of overall capital: continuous and uninterrupted. And it is the former that determines the latter. That this contradictory unity is the locus of crisis, i.e. that this unity both can and does break down, and when it does crisis occurs, should be clear.

Marx now summarises, step by step, the internal structure of the unity:

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6 C2, p. 180, italicisation added.
7 C2, pp. 180-1.
8 C2, p. 181.
9 C2, pp. 181-2 (note Marx's use of the conditional).
10 C2, p. 182.
11 C2, p. 183.
12 'The total process is [...] the unity of the three circuits, which are the different forms in which the continuity of the process is expressed.' C2, pp. 183-4
13 C2, p. 183. This state of affairs is complicated by these factors too: the size of each individual industrial capital not only determines the scale of the overall process, but is in turn dependent on not only the means of the capitalist and the minimum necessary size for the particular branch of industry, but also must exist in definite numerical ratios in its constituent parts, both technically and in value terms.
The immediate\textsuperscript{14} form in which the process presents itself is as a succession of phases
\[ \Downarrow \]
The movement of capital into a new phase means its abandonment of the previous one
\[ \Downarrow \]
Each particular cycle has one of the functional capital forms as its starting point and point of return
\[ \Downarrow \]
The total process\textsuperscript{15} is the unity of the three cycles
\[ \Downarrow \]
The continuity of the process is expressed as this unity
\[ \Downarrow \]
For each functional form the total cycle presents itself as its own particular circuit
\[ \Downarrow \]
Each of these cycles conditions the unity of the total process
\[ \Downarrow \]
Such that the circular movement of each form determines that of the others
\[ \Downarrow \]
It is a prerequisite for the total production process that it is at the same time a process of reproduction
\[ \Downarrow \]
Thus it is a cycle of each of its elements
\[ \Downarrow \]
Different fractions of capital pass successively through the different stages and functional forms
\[ \Downarrow \]
Each form passes through the cycle simultaneously with the others.
\[ \Downarrow \]
But it is always a different fraction of capital which presents itself
\[ \Downarrow \]
A part of capital always exists in one particular form in the process of being transformed into the next
\[ \Downarrow \]
But this part is ever-changing, as well as being constantly reproduced
\[ \Downarrow \]
"The constant process of all three forms is mediated by the circuit [cycle] of the total capital through precisely these three phases [of commodity, money and productive capital]."\textsuperscript{16}
\[ \Downarrow \]
Capital as a whole exists, simultaneously present and spatially coexistent, in its different functional forms
\[ \Downarrow \]

\textsuperscript{14} Marx says ‘nächste’ – ‘nearest’: C2, p. 183.

\textsuperscript{15} Marx says ‘Gesamtprozess’, and Hans Ehrbar translates the prefix ‘Gesamt-’ in this section as ‘aggregate’: ‘Annotations to Karl Marx’s “Capital”, Volume 2’, <http://www.econ.utah.edu/~ehrbar/glossary.pdf>, pp. 337ff. This should be born in mind with regard to my use of the word ‘total’ in the lines which follow.

\textsuperscript{16} C2, p. 184.
But it is constantly passing from one form into another
↓
It functions in each form in turn
↓
The forms are ‘fluid’\(^\text{17}\)
↓
Their simultaneity is mediated by their succession
↓
Given that each form both follows and precedes the others, the *return* of one fraction of capital to a form is determined by the return of another to its form
↓
Each fraction follows its own course, such that it is always another fraction that finds itself successively in each form
↓
These cyclical movements are moments which simultaneously and successively constitute the total process

‘It is only in the unity of the three circuits [cycles] that the continuity of the overall process [*Gesamtprozess*] is realised, in place of the interruption we have just delineated. The total social capital [*gesellschaftliche Gesamtkapital*] always possesses this continuity, and its process always contains the unity of the three circuits [cycles].’\(^\text{18}\)

### III Factors influencing the interruption of the reproduction of individual capitals

What might interrupt the continuity of reproduction of individual capitals?

*First:* unequal distribution of value in terms of both quantity and temporally across the different stages and functions

*Second:* these quantities of value may be distributed differently according to the nature of the commodity to be produced, hence according to the sphere of production in which the capital is to be invested

*Third:* the effect of natural conditions (in agriculture, for example).

### IV The independent nature of value as capital

Capital is, in addition to being a class relation – i.e. having a specific social character based on the existence of wage-labour – a *movement,* it can therefore only be understood in its movement, and not as something static. In its movement, capital asserts its nature as value which is independent.\(^\text{19}\) The movements of capital appear\(^\text{20}\) as the actions of the individual capitalist, who mediates the circular movement of capital by her own activity.\(^\text{21}\)

\(^{17}\) C2, p. 184.

\(^{18}\) C2, p. 184.

\(^{19}\) *Verselbständigung des Werts.* Value which has an independent, autonomous or isolated existence, or which has achieved this existence. Marx is arguing for the independence that value acquires as capital.

\(^{20}\) *Erscheinen*.

\(^{21}\) As we have already had cause to see, Marx uses the verb *erscheint* (to appear) when he wants to identify a surface expression generated by deeper mechanisms in order to identify the mechanisms that generate actual events and processes and their character. See Hans Ehrbar’s *Glossary to Marx’s Capital and Other Writings*,

‘Revolutions in value’\textsuperscript{22} show the movement of value to be what it really is: something which acts with ‘the force of an elemental natural process, [which] prevails over the foresight and calculation of the individual capitalist.’\textsuperscript{23}

The sequence of metamorphoses of capital implies a comparison of the change in the magnitude of value brought about in the cycle with the original value of the capital. The autonomy of value from labour-power is introduced by \( M-L \) (the purchase of labour-power), and is effected by the production process as the exploitation of labour-power; this independence does not reappear in the circuit in which money, commodities and elements of production are no more than alternating forms of the capital value in process, in which the past magnitude of value is compared with its present, changed value.\textsuperscript{24}

Marx now quotes Samuel Bailey to the effect that ‘value is a relation between \textit{contemporary} commodities’\textsuperscript{25}. Bailey’s mistake, Marx argues, is to confuse value with \textit{exchange}-value, i.e. value with its form of appearance, thus denying the possibility of comparison of magnitude of value \textit{over time} (i.e. of comparing value with itself).

\textbf{V The effect of changes in the value of the elements of production on the forms of the movement of capital}

To consider the movement of capital in its ‘pure state’\textsuperscript{26} cycle in its pure state we need to make the following assumptions:

1. commodities are sold at values;
2. there are no technical changes in the production process (changes which might devalue productive capital);
3. consequences of a change in the value of elements of productive capital on the value of already existing commodity capital will be disregarded.

Let \( C' = £10,000 \) lb of yarn

8,440 lb (\( £422 \) replaces the capital value), but if the value of cotton, coal, etc. (i.e. \( mp \)) rises then this \( £422 \) may not be enough to replace the elements of the productive process; additional money capital is necessary.

The converse is also true, and capital is set free.

The process runs ‘normally’ if disturbances in the repetition of the cycle balance each other out; the greater the disturbances the more money must be set aside to ride them out.\textsuperscript{27} The consequence of this is to ‘turn the function of the industrial capitalist into a monopoly of large-scale money capitalists […]’\textsuperscript{28}

It needs to be noted here that a change in the value of the elements of production affects the cycle of money capital in a different way to those of productive and commodity capital.

\( M \ldots M' \) is the formula for newly invested money capital: a fall in the value of the elements of production means that a smaller outlay than would be necessary is required: given no change in the level of the productive forces, the scale of production depends only the volume and scale of means of production that a given quantity of labour-power can work with, not on its value (nor on the value of labour-power, which only affects the magnitude of

\textsuperscript{22} Uncontrollable and unexpected changes in the magnitude of value.
\textsuperscript{23} \textit{C2}, p. 185.
\textsuperscript{24} In other words, the independent nature of value is capital manifests itself as those changes in value wrought in production.
\textsuperscript{25} \textit{C2}, p. 186, italicisation added.
\textsuperscript{26} \textit{C2}, p. 186.
\textsuperscript{27} A condition exacerbated by the growth in the minimum necessary size of capital to be advanced which accompanies the development of capitalist production.
\textsuperscript{28} \textit{C2}, p. 187.
valorisation). The converse is also true. In both cases what is affected is the amount of money capital necessary to found a business of a given size: either more money capital is tied up, or more is set free.

$P \ldots P$ and $C' \ldots C'$ are affected in this way only insofar as $m$ is accumulated. Otherwise, ignoring the effect of a change in value of the elements of production on already existing commodities, i.e. commodities already involved in the process of production, it is not the original outlay that is affected, but a capital value in its process of reproduction, i.e. $C' \ldots C <_{mp}^L$, the conversion of commodity capital back into the elements of production. A fall in their value opens three possibilities:

- a continuation of the reproduction process on the same scale (with a portion of money capital set free)
- an expansion of the reproduction process (necessary technical proportions permitting)
- the building up of a larger reserve of raw materials, etc.

A rise in the value of the replacement elements of commodity capital provokes a converse set of possibilities and consequences.

There may of course be countervailing tendencies where $P \ldots P$ and $C' \ldots C'$ are concerned. If the cotton spinner has a large reserve of raw cotton (productive capital, $P$), a fall in the value (price) of cotton will devalue a part of his $P$. The converse is also true. If, however, he has reserves in commodity capital, e.g. in yarn, then a fall in the value of cotton will devalue a part of his overall capital in cycle.

With regard to $C' - M - C <_{mp}^L$, a change in the value of $C$ have different effects depending on when they occur with regard to the completion of the phases of the cycle, i.e. whether they occur before or after $C' - M$ or not. In short, '[t]he effect on the various individual capitals invested in the same branch of production can be very different according to the different circumstances in which they are found.'

VI The social origin of the commodities which enter the movement of capital

Under conditions of the developed, i.e. dominant, capitalist mode of production, in the case of $M - C <_{mp}^L$, money is normally the functioning commodity capital of others: for the seller, what occurs is $C' - M$. But it may well be the case that the circulation process cuts into the circulation of commodities of diverse (pre-capitalist) modes of social production. But the origin of these commodities is immaterial for industrial capital: if they function on the market as commodities they enter the movement of industrial and the circulation of surplus-value it bears. 'Thus the circulation process of industrial capital is characterised by the many-sided character of its origins, and the existence of the market as a world market.'

But, even though $M - mp$ obliterates the provenance of commodities that enter the movement of capital, the latter demands their replacement through reproduction: the capitalist mode of production tends to transform all possible production into commodity production, and it does this precisely by drawing this production into its circulation process. 'The intervention of industrial capital everywhere promotes [...] [the] transformation [into commodity production], and with it too the transformation of all immediate producers into wage-labourers.'

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29 C2, p. 189. Marx here mentions in passing the effect on money capital of changes in the duration of the circulation process, but postpones further discussion to discussion on turnover (dealt with in the second part of this volume)

30 C2, p. 190. The same holds for money: commodity capital functions to money as commodity, hence foreign money functions to commodity capital as money, and the money here functions as world money.

31 C2, p. 190.
Equally, whatever the provenance of the commodities that confront industrial capital, they confront it in its form of commodity capital, they themselves assuming the form of the commodity-dealer’s – or merchant’s – capital. ‘[t]his by its very nature embraces commodities from all modes of production.’

VII The circulation of capital as the circulation of commodities, and as the circulation of capital

The mass production of commodities presupposes the mass sale of commodities, which supposes sale to a merchant rather than to an individual consumer. There can be direct sale between capitalists insofar as an industrial capital in one branch of production supplies means of production to another. Each industrial capitalist is a direct seller insofar as he is his own merchant.

‘Commodity trade is presupposed, as a function of merchant’s capital, and this develops even further with the development of capitalist production.’ Nevertheless, in what follows here, we shall assume direct sale.

We shall also make another assumption: here we shall assume money to be metallic money, and shall ignore symbolic money and credit money.

The laws governing the circulation process of industrial capital were developed in volume 1, chapter 3: a given quantity of money will put more industrial capitals into circulation in function of the velocity of money; capital of a given value requires less money for its circulation in function of how much money functions as means of payment, and the shorter this means of payment is; all else being equal, the amount of money necessary to circulate as money capital is given by the sum of the process of the commodities, or, given the quantity and values of the commodities, by the value of money itself.

Nevertheless, these laws only apply insofar as the circulation process is a set of acts of circulation, not insofar as these acts form part of the functionally specific cycles of industrial capitals.

\[C\rightarrow M\] for the possessor of a commodity is \[M\rightarrow C\] for the buyer: the first metamorphosis \[C\rightarrow M\] is the second \[M\rightarrow C\] for the commodity which steps up as \[M\]. Thus, insofar as the capitalist is a buyer and seller of commodities, and his capital functions as money towards others’ commodities, this is simple commodity circulation.

But \[M\rightarrow C(mp)\] can represent the intertwining of the metamorphoses of different industrial capitals: the commodity capital (yarn, for example) is replaced by means of production (coal, for example): a part of the cotton spinner’s capital exists in money form and is converted into commodity form; a part of the mine-owner’s capital exists in commodity form and is converted into money form. The same act of circulation now represent the intertwining of the cycles of two industrial capitals (moreover from different branches of industry).

But this is not always, nor necessarily, the case. The \[mp\] into which \[M\] is converted need not be a functional form of industrial capital, produced by a capitalist; \[M\rightarrow L\] is never the intertwining of industrial capitals, for \[L\] only becomes capital when it is sold to the capitalist.

In addition, it is not necessarily given that the functionally determined role fulfilled by every metamorphosis of an industrial capital represents the opposite metamorphosis of another. Two examples:

1 In \[P \ldots P\], the \[M'\] that turns \[C'\] into money may be for the buyer no more than the monetary expression of surplus-value (if the commodity is an article of consumption).
In $M'-C' < L_{mp}$ (i.e. involving accumulated capital) the $M'$ that turns $C'$ into money may be for the buyer of $mp$ a replacement of advanced capital or may simply not re-enter the circulation of capital at all (particularly if it enters as expenditure of revenue).

Conclusion: how the various components of total social capital replace one another is not amenable to the tools of analysis we developed for the simple circulation of commodities, but requires a different mode of investigation.\(^37\)

\section*{VIII Mode of production and mode of commerce}

{Tangentially, Marx here addresses the concepts of ‘natural economy’, ‘money economy’ and ‘credit economy’, developed by bourgeois political economy. These concepts differentiate societies on the grounds of differences in modes of commerce or exchange, whereas what really differentiates is the social character of production. In this sense, what is specific to capitalism is this:

\[\text{Capitalist production is commodity production as the general form of production, but it is only so, and becomes ever more so in its development, because labour appears [...] as a commodity, because the worker sells labour, i.e. the function of his labour-power [...]}.\]

The producer becomes an industrial capitalist to the same extent as labour becomes wage-labour. In the relation between capitalist and wage-labourer, the money relation [...] becomes a relation inherent in production itself. But this relation rests fundamentally on the social character of production, not on the mode of commerce [...]. It is typical of the bourgeois horizon [...] to see the foundation of the mode of production in the mode of commerce corresponding to it, rather than the other way round.\(^38\)}

\section*{IX The relation between the capitalist’s value supply and demand}\(^39\)

(1) Disjunction between supply and demand the prerequisite of valorisation

Because the capitalist puts in more value in the form of commodities into circulation than she withdraws, she withdraws more value in the form of money from circulation than she puts in; her supply of commodity capital is always greater than her demand for it. If supply equalled demand there would be no valorisation of capital. And what is true for the individual capitalist is here true for the capitalist class.

Insofar as the capitalist personifies industrial capital, her own demand consists in demand for $mp$ and $L$.

In value terms demand for $mp < \text{capital advanced}$. Demand for $L$ is determined by $vC$, the ratio between variable capital and total capital. This demand grows more slowly than demand for $mp$: the capitalist buys more $mp$ than $L$, and increasingly so.

Insofar as the worker converts her wages into means of subsistence, the capitalist’s demand for $L$ is indirectly a demand for the workers’ means of consumption. This demand = $v$. The limit of the capitalist’s demand is $C = \epsilon + v$, but her supply is $\epsilon + v + s$. If the composition of her commodity capital is $80, + 20, + 20$, her demand is $80, + 20,\text{, 20\% smaller than her supply: the greater the rate of profit, the greater the percentage of } s \text{ produced, the smaller her demand in relation to supply.}$

As production develops, the capitalist’s demand for $L$, indirectly her demand for means of subsistence, grows increasingly smaller than her demand for $mp$; at the same time, her demand for $mp$ is always smaller than her capital, therefore always smaller than the commodity product of the capitalist who works with the same capital under similar conditions who supplier her with these $mp$.

If $C = \£1,000$, and $\epsilon = \£800$, demand for $mp (= \epsilon) = \£800$.

\(^37\) Max will return to this later in the volume when he deals with the reproduction of capital.

\(^38\) C2, p. 196.

\(^39\) This last section of the chapter is taken from a different MS.
Another capitalist (or capitalists, independently of how many, and independently of in which proportions) supplies, for each £1,000, assuming the same rate of profit $mp = £1,200$; in value terms her demand = 2/3 of the other's supply, while her demand is only 80% of her supply.

(2) Turnover

If total capital = £5,000, of which £4,000 is fixed and £1,000 circulating; of this latter £1,000 = £800 + £200. Circulating capital must turn over 5 times for total capital to turn over once. Commodity product = £6,000, £1,000 greater than capital advanced, which gives the same ratio of surplus-value: $5,000_c : 1,000_s = 100$.

Conclusion: turnover does not affect the ratio of total demand to total supply.

If fixed capital has to be renewed in 10 years, each year 1/10 (= £400) is amortised. After 1 year we have fixed capital = £3,600 and money = £400. Although (assuming total capital turnover time = 1 year) annual demand = £5,000 (= original capital value advanced), this increases with respect to circulating capital and decreases with respect to fixed.

(3) Reproduction

If the capitalist consumes $m$ in its entirety and reconverts only the original capital sum into productive capital, demand = supply. But this is not so in respect of the movement of capital: as capitalist her demand amounts to 80% of her supply; the other 20% she consumes as a non-capitalist, for her private requirements.

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<tr>
<td>as non-capitalist</td>
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<td><strong>Totals</strong></td>
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The above assumption amounts to assuming the non-existence of capitalism, since it assumes its driving force as enjoyment and not enrichment, personal consumption not valorisation. More importantly, it is also technically impossible: the capitalist must form a reserve fund to guard against price fluctuations; she must accumulate capital, to extend production and incorporate technical advances. But to accumulate capital, surplus-value must be withdrawn from circulation, and reserved as a hoard until it reaches the dimension necessary to extend production. During the hoarding period, the capitalist’s demand does not increase: the money is immobilised and does not withdraw commodities from circulation.40

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40 Marx here (C2, p. 197) admits that ignoring credit here ignores the possibility of accumulation through interest.
The circuit of industrial capital is best represented by a circular flow diagram. This circuit is important for laying out the basic structure of the capitalist economy, and how the spheres of production and exchange are integrated with one another through the movement of capital as (surplus) value is produced, distributed and exchanged. As the circuit repeats itself, surplus-value ($s$) is thrown off. This shows that capital as self-expanding value embraces not only definite social relations of production, but is also a circular movement going through its various stages. If $s$ is accumulated for use as capital, we can think of expanded reproduction as being represented by an outward spiral movement.

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