Chapter 7: Supplementary Remarks

Marx concludes his exposition in this part of the volume with some summary remarks.

I The capitalist's perception of the determination of the rate of profit[1]

As we follow them, we need to remember our assumption, stated at the outset, that at this stage of our exposition surplus-value = profit. But surplus-value is unpaid surplus-labour, something which, Marx reminds us, capitalists are unable to see, not least because:

1 The capitalist conflates production and reproduction, taking the realisation of commodity value circulation) as the production of surplus-value (i.e. profit).

2 All else being equal, the rate of profit is modified by the price of raw materials (hence under the sway of the capitalist's skill at buying and selling), the productivity, suitability and price of machinery; the overall organisation of the process of production, especially with regards to the management of waste, management and supervision; etc. In short, the 'acumen' of the capitalist appears to play a decisive part in determining the rate of profit, and hence – from her point of view – to the mass of profit produced.[2] [T]he capitalist [...] [is] convinc[ed] [...] that his profit is due not to the exploitation of labour, but at least in part also to other circumstances independent of this, and in particular his own individual action.'[3]

II Against Rodbertus

According to Rodbertus,[4] a change in the quantity of capital deployed, even a significant change, will leave the rate of profit unchanged because if the mass of capital changes, then the profit it raises changes too, and in the same proportion, and *vice versa*. What Rodbertus postulates *is* true, but only in these two cases:

1 All else (including the rate of surplus-value) being equal, the value of the money commodity changes,[5] for this changes not the value of capital and profit, but their monetary expression.

2 Should the value of the capital change, without the ration $v : C$ being disturbed, i.e. with a constant organic composition.

In all other cases, all else being equal, a change in the magnitude of the capital deployed *must* result in a change in the rate of profit.

III The determinants of changes in the rate of profit

Let us recall $\pi = \delta \times \frac{v}{c+v} = \frac{s}{c+v}$. An increase in the rate of profit always occurs because the mass of surplus-value rises in proportion to the cost of its production, or because the difference between the rate of profit and the rate of

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[1] Where I insert my own subheadings, they appear, as here, in san-serif type.

[2] It is important to grasp that, from the capitalist's point of view, the mass of profit (i.e., at our level of analysis, of surplus-value) arises in function of its rate of production, i.e. the ratio of the excess of value (price) of the finished commodity product to the value (price) of the capital deployed; whereas, in reality, it is the rate of surplus-value (the ratio of its mass to the variable capital advanced) and the value composition of capital (the ratio of the variable part of capital to its constant part) that determines the rate of profit. In the capitalist's perception of profit and its rate of production cause and effect are reversed.

[3] Karl Marx, *Capital* volume 3 (Harmondsworth, 1981) [hereafter C3], p. 236.

[4] Karl Rodbertus (1805-1875) was a German 'state socialist' and pioneer of the underconsumptionist explanation of crises.

[5] Be this change real (gold) or nominal (*fiat* money).

surplus-value falls. Assuming a constant organic composition of capital, a change in the rate of profit is only possible if the value of the capital advanced, in whole or in part, be it fixed or circulating, changes in function of changes in the costs of its reproduction, changes independent of already-existing capital. The value of any commodity – those of which capital is composed included – is determined by the labour-time *socially necessary* for its *re*production, and the conditions of its reproduction may differ from those of its production by being more or less propitious. If all the capital deployed is affected in the same way, the profit yielded would rise or fall with the value of the capital. But if these changes result in a change in the value composition of capital, all else being equal, the rate of profit will rise with a rise in the variable part of capital as a value proportion of the total capital deployed and fall if this falls. If it is the value of money that rises or falls, what is changed is no more than the monetary expression of the elements under consideration, and the rate of profit remains unchanged.