

## Chapter 9: The Overall Turnover of the Capital Advanced. Turnover Cycles

The fixed and circulating components of productive capital turn over differently and in different periods; the different elements of fixed capital in the same productive unit also undergo different turnover periods according to their differing lifespans and reproduction times.

- 1 The overall turnover of capital advanced is its *average* turnover.<sup>1</sup> Although apparently simple to calculate, there arise certain complications which must be resolved.
- 2 Insofar as some elements of fixed capital can be replaced piecemeal, and others only once, at the end of their lives, it is necessary to reduce turnovers of different types to a similar form, such that the differences are only quantitative.

But this qualitative equality cannot exist in the cycle of productive capital,  $P \dots P$ , precisely because some elements of  $P$  have to be constantly replaced in kind, while others not.

In the case of a machine which costs £10,000 and whose lifespan is 10 years, each year £1,000 is transformed into money capital and back into commodity and productive capital, and thence into money capital again; it is immaterial whether this £1,000 is transformed back into the material form of a machine or not. Hence, in considering total turnover of productive capital we consider the money form, the return to money completing the turnover.

- 3 Therefore, even if the greater part of productive capital consists in fixed capital whose reproduction time consists in a cycle of many years, the capital value turned over each year through repeated turnovers of circulating capital may be greater than the total capital advanced.

If fixed capital of a reproduction period of 10 years amounts to £80,000, and circulating capital, which is turned over 5 times a year amounts to £20,000, the total capital is £100,000, while the capital turned over annually is £8,000 (fixed capital) plus 5 times £20,000 = £108,000, £8,000 more than the total capital advanced.

- 4 Therefore, the *value turnover* is separate from its actual reproduction time, the real turnover time of its components. A capital of £4,000 is turned over 5 times annually; each year (disregarding surplus-value) £20,000 is turned over. But at the end of each turnover the value to be advanced again is £4,000. The size of the advanced capital, and the number of turnover periods in which it functions anew as capital, are independent of each other.

In the case of 3 above, each year there returns to the capitalist a value sum of £20,000, which is laid out on circulating capital, and a sum of £8,000, separated off from fixed capital through wear and tear. Although the fixed capital continues to function in the production process, each year its value is depreciated by £8,000. In order for the fixed capital to come to the end of its life, and be replaced, the total capital advanced must run through a cycle of 10 annual turnovers. Thus the cycle is determined by the lifespan – the reproduction or turnover time – of the fixed capital.

But here we see the operation not only of physical depreciation but *moral* depreciation: as the development of production revolutionises the means of production which forces the replacement of fixed capital before its natural lifespan.<sup>2</sup>

- 5 (Quoting from the American economist Scrope) Marx outlines how the turnover is calculated.

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<sup>1</sup> The numbering system adopted here is Marx's own.

<sup>2</sup> Marx here (Karl Marx, *Capital*, vol. 2 (Harmondsworth, 1978) [hereafter C2], p. 264), referring to the business cycle, posits that 'the cycle of related turnovers, extending over a number of years, *within which capital is confined by its fixed component*, is one of the material foundations for the periodic cycle [Marx says 'crises'] [...] which business passes through [...].'

Imagine a total capital of \$50,000. Half is turned over in 10 years, a quarter in 2 years, another quarter twice a year. The capital turned over in 1 year is

$$\$25,000 \div 10 = \$2,500$$

$$\$12,500 \div 2 = \$6,250$$

$$\frac{\$12,500 \times 2 = \$25,000}{\$33,750}$$

The average term (in years) in which his total capital is turned over is

$$\frac{50,000}{33,750} = \text{approximately 18 months}$$