Chapter 15: Effects of Circulation Time on the Magnitude of the Capital Advanced

The task of this chapter (and the one which follows) is to consider 'the influence of circulation time on the valorisation of capital.'[1]

I The effect of applying additional capital to maintain production during the circulation period[2]

First example

To start, we consider a commodity capital, the product of a nine-week working period (with, unless otherwise stated, the working period equal to the production period[3]). We abstract from that part of the commodity capital's value arising from the depreciation of the fixed capital and also from that part equivalent to the surplus-value created in production, i.e. here we only consider that part of the commodity product whose realisation replaces the (constant and variable) circulating capital advanced.

Let the capital advanced for the nine-week working period be £900, advanced at the rate of £100 a week.

We assume that after nine weeks production the whole nine-week product is placed on the market (i.e. it is immaterial whether we deal with a given production time for a continuous product or the discrete product of a continuous production period).

We assume a circulation period of three weeks, giving a total turnover of 12 weeks.

The capital turnover cycle is set out in **figure 1**:

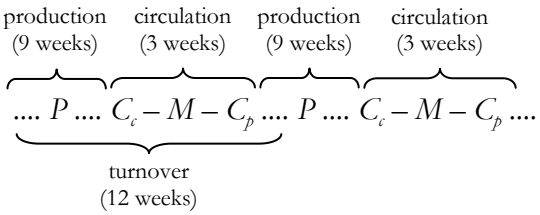

figure 1: the capital turnover cycle

The $C_c - M - C_p$ segment of the cycle is the circulation period of the capital under question, during which the commodity product is transformed into money (i.e. it is sold), and then that money is

[1] Karl Marx, *Capital* volume 2 (Harmondsworth, 1978) (hereafter C2), p. 334.

[2] Where I insert my own subheads they appear, as here, in sans serif type.

[3] I shall be using the term 'production period' throughout these notes, except where the working period and the production period are clearly different.

transformed into means of production and labour-power (C_c indicates capital in commodity capital form, and C_p capital in the form of productive capital, ready to enter production).[4]

The issue that arises now is this: once the capital advanced for the stage of production reaches its stage of circulation, production stops.

Figure 2 shows the capital's (interrupted) turnover. (P indicating production, C circulation).

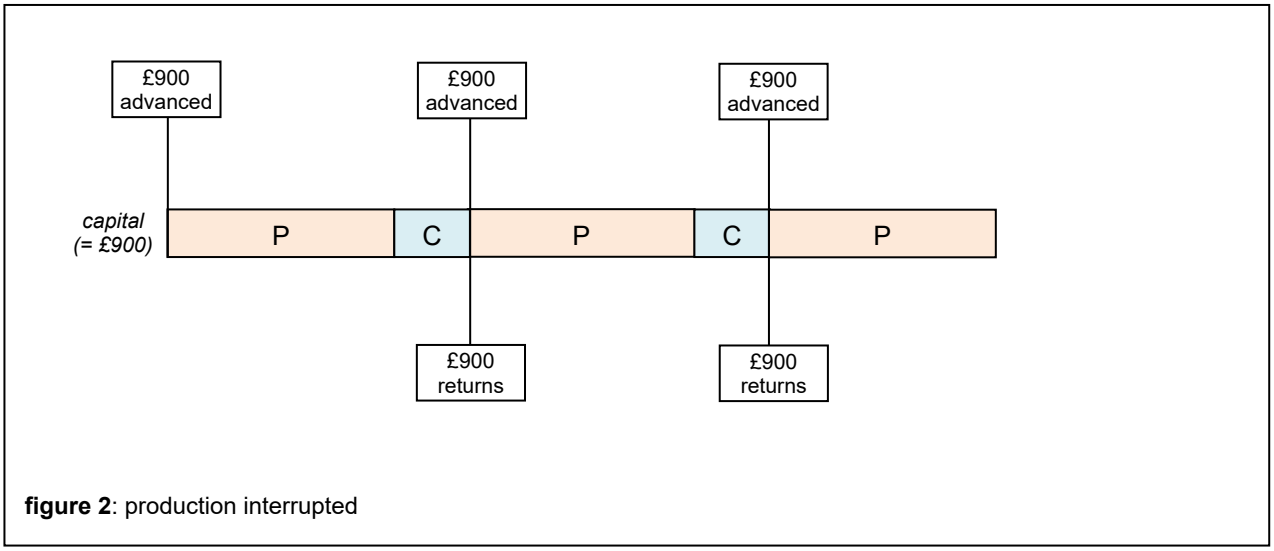

figure 2: production interrupted

The only way to maintain *continuous* production would be to start a second production period with an additional advance of capital at the point where the first production period reaches the circulation stage. Production would then proceed as shown in **figure 3** (each of the four production periods being indicated by the subscript).

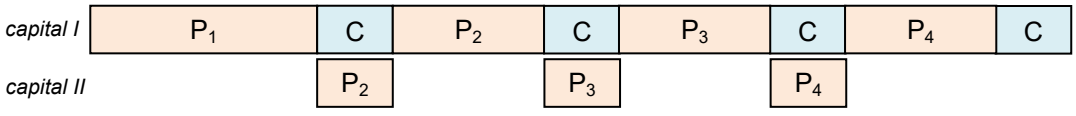

figure 3: production continuous

[4] In the last chapter we saw that the circulation period consists both of 'selling time, the period in which the capital exists in the state of commodity capital', and 'the time of purchase, [...] the period in which the capital is transformed back from the money form into the elements of productive capital'; Marx notes that the former period is 'relatively the most decisive one' (C2, pp. 326 and 331).

Let us assume that production is to be continued on the same scale as initially assumed,[5] i.e. advancing £900 for the first production period. In this case an *extra* £300 will need to be found to cover the three weeks that coincide with the first circulation period. At the end of week 12 (when this circulation period ends), an additional £600 will need to be advanced to cover the last six weeks of the second production period. Of the £900 which returns at this point, £600 is advanced and £300 is 'set free' ('*freigesetzte*'). Capital 'set free' here is that portion of returning capital, equal in value to the additional capital required to maintain production during circulation, now surplus to that necessary to maintain an already in progress production period at the point when capital returns from circulation. What is set free is only set free temporarily, however, for it will become necessary to maintain production during the next circulation period which opens after the return of the capital of which it forms a part.

At the end of the production period opened by capital II, £300 needs to be advanced to cover the first three weeks of the next production period: this £300 is the capital previously 'set free'. At the end of these three weeks, £900 again returns from circulation, £600 of which being required for the remaining six weeks the current production period, with again £300 being set free.[6] And so on.

This succession of events is set out in **figure 4** on the next page. (Notice here now how the turnovers *overlap*.)

Second example

Now let us consider a case of a 5-week production period and a 5-week circulation period. All other assumptions remain the same. Now the production period requires an advance of £500 circulating capital and another £500 to cover the period of circulation. This scenario is set out in **figure 5** on the next page. (Notice here that, since each circulation period coincides entirely with a production period, there is no capital 'set free'.)

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[5] Marx briefly considers the possibility of maintaining continuous production with the same initial capital advance of £900. This means that the scale of production needs to be reduced, for now only $£\frac{900}{12} = £75$ can be laid out per week, instead of £100. A reduction in the scale of production of this order is not without problems, however: 'the development of production in the various branches of industry sets a normal minimum of capital investment below which the business in question will cease to be competitive,' Marx observes (C3, p. 335). It might be the case that the different dimension of the fixed capital required may not be competitive, or even possible. (Imagine a production process operating a single machine, of a given type and capacity, then trying to implement a 25% reduction in production.) In this (reduced) case, over the nine weeks of the first production period $£9 \times 75 = £675$ of circulating capital will be advanced, 75% of the initial outlay of £900. The proportion £675 : £900 is the same as that of production time to turnover time (9 weeks : 12 weeks), i.e. 3 : 4. Marx does not pursue this further.

[6] There is a mistake in the text here (C3, p. 337). Marx says: 'Third turnover period. The end of the ninth week of the second turnover period brought a new reflux of £900. But the third working period had already begun in the seventh week of this turnover period, and six weeks of this have already elapsed {by the start of the third turnover}. Thus it has only three more weeks to run. Of the £900 that returned, only £300 therefore goes into the production process.' (The comment in the curly brackets is an interpolation by the translator.) This is wrong; the text should read: 'Third turnover period. The end of the ninth week of the second turnover period brought a new reflux of £900. But the third working period had already begun in the seventh week of this turnover period, and three weeks of this have already elapsed. Thus it has only six more weeks to run. Of the £900 that returned, only £300 therefore goes into the production process.'

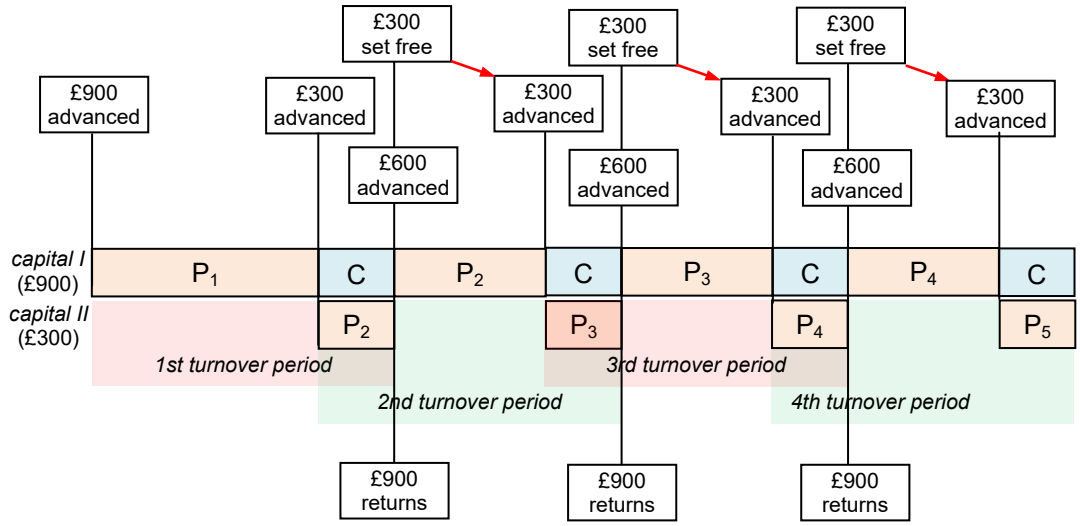

figure 4: production continuous: money capital flows (circulation time = one third production time)

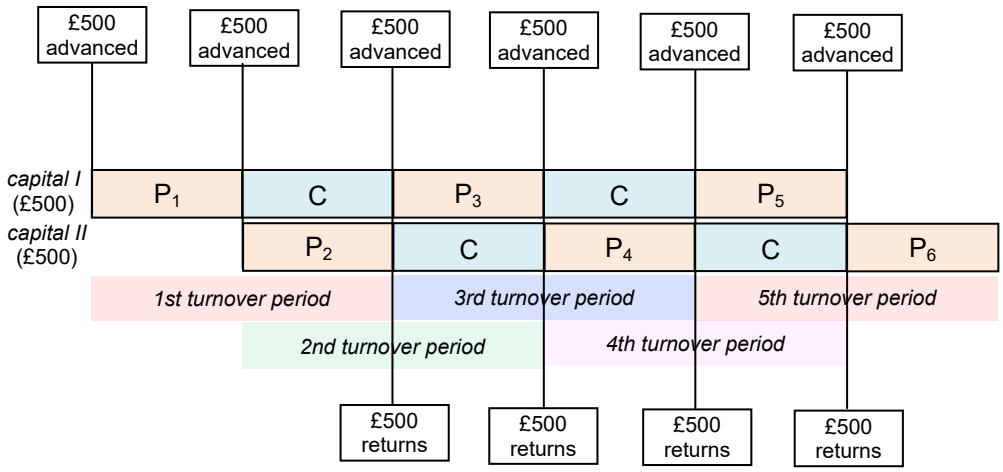

figure 5: production continuous: money capital flows (circulation time equal to production time)

Third example

Marx now considers a production period of six weeks and a circulation period of 3 weeks (set out in **figure 6** below). Note that we shall return to this example in more detail further on in the chapter.

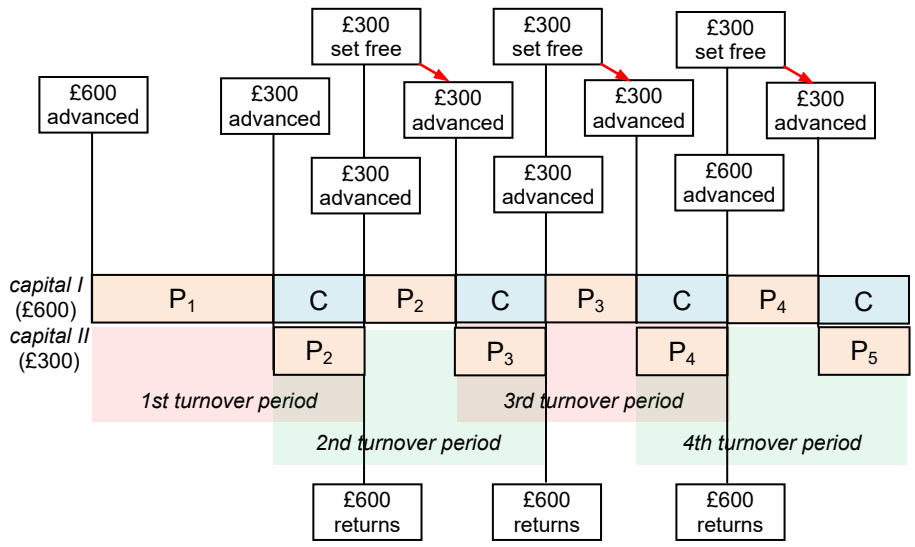

figure 6: production continuous: money capital flows (circulation time half production time)

Conclusions

1 In the case of the second example, where the production time is equal to the circulation time, the two capital investments 'successively replace one another';[7] in the other cases, the two investments 'intersect' ('*durchkreuzen sich*').[8] 'The capital functioning in the second turnover period is then formed by the additional capital II together with a part of capital I, while the remainder of capital I is set free for the original function of capital II.'[9] I all cases, given that capital II begins production while capital I is circulating, the successive turnover periods (production time followed by circulation time) overlap.

2 The capital which functions during the working period lies idle during the circulation time; despite this, the quantity of *additional* capital necessary to maintain production continuously is only determined by the ratio of circulation time to turnover time.

3 Marx notes here that what he is considering is the way that '[t]he additional capital simply has the job of filling up the gaps in the labour process that are due to the circulation time'.[10] Disturbances that

[7] C2, p. 339.

[8] C2, p. 339.

[9] C2, p. 339.

[10] C2, p. 339.

arise owing to a longer production time than working time 'are taken care of in another way,'[11] but Marx says no more on that than this.

4 The returning capital in all cases is transformed into circulating constant (raw materials and ancillaries) and variable capital (wages). In the case of the former, the money can be transformed into productive stock either straight away or later, as long as what is needed for production to continue is on hand. That money to be advanced in the form of wages has to remain in money form up to the point it is needed. A certain minimum amount of the returned capital must therefore always exist as a reserve find in money form. The advancing of an additional capital value to maintain production continuous (the 'capital II' value in the above examples) 'not only increases the size of the capital advanced and the length of time for which the total capital has to be advanced, but it also specifically increases that part of the capital advanced that exists as a money reserve, i.e. exists in the state of money capital and possesses the form of potential money capital.'[12]

[There is an issue here that Marx rather skates around. If we assume that the circulation period covers both the transformation of the commodity capital product into money and also the subsequent transformation of this money into productive capital,[13] into means of production and labour-power, then, strictly speaking, it is supposed that what 'returns' in these examples is already composed of means of production and labour-power. But is it really?

Let us assume (for Marx will do so later[14]) that the circulating capital in question is to be divided 4 : 1 between means of production and labour-power. Hence, in the third example above (production time equal to six weeks, circulation time equal to three, **figure 6**), £600 capital returns at the end of week nine. In what form is it in? £100 is required for week 10's production, and we must assume that £80 will already be in the form of raw materials and ancillaries (this part has indeed completed its circulation period) and £20 in the form of wages (and this part completes its circulation once wages are paid, so let us assume—but see below—that wages are paid in advance). £300 of the returning £600 will not be needed until the next circulation period starts (it will be, as Marx puts it, 'set free'). Of the remaining £200, £100 will be required for production in week 11, and another £100 for week 12. Of these two portions, the capital required for labour-power will need to exist in money form until the beginning of the weeks it will be advanced for (so it will not, strictly speaking, complete its circulation period by that time), while that destined to take the form of constant capital can already exist in the form of productive capital or not, depending on circumstances (this will be one of the points Marx will make later on). So it either may not, or will not, complete its circulation period in the strict sense (completing $M - C$ as well as $C - M$). In what sense, then, does it 'return'?

This poses the more general question. Production takes time, and until it is finished, none of the capital advanced can enter into circulation. Circulation too takes time, but if the selling time component of circualtion for a given capital is, say, three weeks, then this supposes that three weeks is what is required to sell the entire commodity product. But if the product is composed of discrete components (or even a divisible mass) then some of it will be sold before the rest, and the money thus realised converted into productive capital before the entire product is sold. Perhaps we should understand circulation time as the minimum time required (under 'normal' conditions) such that

[11] C2, p. 340.

[12] C2, p. 341.

[13] See note 4 above.

[14] C2, p. 363.

sufficient commodity capital is transformed into money and thence into productive capital such that production itself not be interrupted or unwarrentedly delayed; maybe we should understand 'circulation time' in this sense as an 'average' category.

There is another aspect to this set of problems. Later on in the chapter, when dealing with the manner in which capital advanced returns from its circulation period, Marx will make the following comment. At any point in a production period (i.e. before its end), some of the capital required for production

> exists in the money form, a quantity at least as great as the amount of wages for the remainder of the working period [...], which are paid only at the end of each week. Even though this part of the capital does not exist in the form of productive capital [...], but rather in the form of money capital in which it is incapable of entering the production process, [...] [production] nevertheless opens with fluid variable capital, i.e. living labour-power, active in the production process. This phenomenon comes about because although labour-power is bought and used at the beginning of the working period, say weekly, it is paid for only at the end of the week. Here money functions as means of payment. It therefore exists on the one hand as money still in the hands of the capitalist, while on the other hand labour-power, the commodity into which it is converted is already active in the production process, and thus *the same capital value here appears two-fold.*[15]]

5 Given the existence of a circulation period of finite time, 'only a part of the industrial capital can be actually engaged in the production process, if production is to proceed without interruption. In other words, one part can function as productive capital *only on condition that another part is withdrawn from production proper in the form of commodity or money capital.*'[16]

II The effect on turnover of relative lengths of working time and circulation time

The question that arises next is the degree to which 'the difference in the turnover that arises according to whether the two sections of the turnover period—working period and circulation period—are equal, or whether the working period is longer or shorter than the circulation period; further, how this affects the tying-up ['*Bindung*'] of capital in the form of money capital.'[17]

In the examples which follow, we shall assume that the capital advanced is £100 per week (we maintain our focus exclusively on that part of the commodity product equal to the circulating capital advanced), and that its turnover period is nine weeks. We assume an 'economic year' of 51 weeks. We also assume continuous production.

1 Working period and circulation period equal

This case is but a 'chance exception',[18] though since the conditions we need to consider are present here in their most palpable form it is a necessary starting point. As we saw above,[19] in the conditions of

[15] C2, pp. 345-6 (italicisation added).

[16] C2, p. 342 (italicisation added.) Marx notes that '[t]he economists, who have never produced a clear account of the turnover mechanism, constantly overlook this basic aspect [...]', and hence overlook too 'the importance and role of money capital in general.'

[17] C2, p. 342.

[18] C2, p. 343.

[19] C2, p. 339.

production time = circulation time the initial capital advanced for the first production period ('capital I') and that advanced at the beginning of the first circulation period ('capital II') 'relieve one another in their movements without crossing each other's path';[20] i.e. function, at least in effect, as independent capitals.

(We should remember here that Marx's definition of the turnover time for capital from earlier in the volume is the 'circuit of capital, when this is taken not as an isolated act but as a periodic process [...] [t]he duration of [...] [which] is given by the sum of its production time and its circulation time.'[21])

Given the turnover time of nine weeks, and the above definition, the fact that production time equals circulation time means that the production time is equal to $4\frac{1}{2}$ weeks and circulation time is also equal to $4\frac{1}{2}$ weeks (the rhythm of production and circulation, and the flows of capital into and out of production, are exactly as set out in **figure 5** above).

At the start of week 1, £100 is advanced, at the start of week 2, another £100, and so on, until the mid-point of week 5, when £450 has been advanced. This commodity product (= £450) now enters the circulation stage, and at the end of week nine, £450 returns, and is then advanced at a rate of £100 a week for another $4\frac{1}{2}$ weeks. And so on. This is capital I.

Parallel to this, at the mid-point of week 5, when the first circulation period begins, another £450 is advanced as productive capital (capital II), at a rate of £100 a week, for $4\frac{1}{2}$ weeks, until the end of week 9, at which point this capital, now in commodity form, passes into circulation, just at the point where the first £450 (capital I) returns. After capital II's circulation period, it returns (at the mid-point of week 14). And so on. (These movements, for capitals I and II, are set out in **table 1**.)

	capital I				capital II			
turnover	weeks	capital advanced	production period	circulation period	weeks	capital advanced	production period	circulation period
I	1 – 9	450	1 – 4½	4½ – 9	4½ – 13½	450	4½ – 9	10 – 13½
II	10 – 18	450	10 – 13½	13½ – 18	13½ – 22½	450	13½ – 18	19 – 22½
III	19 – 27	450	19 – 22½	22½ – 27	22½ – 31½	450	22½ – 27	28 – 31½
IV	28 – 36	450	28 – 31½	31½ – 36	31½ – 40½	450	31½ – 36	36 – 40½
V	37 – 45	450	36 – 40½	40½ – 45	40½ – 49½	450	40½ – 45	46 – 49½
VI	46 – [54]	450	46 – 49½	49½ – [54]	49½ – [58½]	450	49½ – [54]	[55] – [58½]

table 1: production period and circulation period equal

[20] C2, p. 343.

[21] C2, p. 235. 'If we call the year, as measurement unit of the turnover time, *U*, the turnover time of a particular capital *u*, and the number of its turnovers *n*, then $n = \frac{U}{u}$.'

In our 51-week economic year, capital I completes 6 full production periods (from week 1 to week $49\frac{1}{2}$), producing $£6\times450 = £2{,}700$ commodity product; capital II completes 5 full working periods (from week $4\frac{1}{2}$ to week 45) plus $1\frac{1}{2}$ weeks of the sixth (the second half of week 50 plus week 51), producing $£(5\times450)+(1\frac{1}{2}\times100) = £2{,}400$. In total, £2,700 + £2,400 = £5,100 commodity product has been produced in the 51-week year (which is what we would expect, given that production has been continuous over 51 weeks, and each week (abstracted from fixed capital depreciation and surplus-value) produces £100 of product).

Marx now says:

> As far as the direct production of surplus-value is concerned, and this is produced only during the working period itself, the total capital of £900 has turned over $5\frac{2}{3}$ times ($5\frac{2}{3}\times 900 = 5{,}100$). But if we consider the real turnover, then capital I has turned over $5\frac{2}{3}$ times, since at the end of week 51 it has only three weeks of its sixth turnover period still to complete: $5\frac{2}{3}\times 450 = £2{,}550$; while capital II has turned over $5\frac{1}{6}$ times, since it has only completed one and a half weeks of its sixth turnover period, and a further seven and a half weeks of this fall in the coming year: $5\frac{1}{6}\times 450 = £2{,}325$; real amount turned over = £4,875.[22]

We need to unpack this statement a little.

Earlier in the volume,[23] Marx observed that the 'overall [annual] turnover'[24] of a capital value is given by the product of the capital value advanced and the number of turnovers in a year. If we denote the number of turnovers as n_t, the capital advanced as C_a and the total capital turned over as C_t, then

$$n_t \cdot C_a = C_t . \qquad (\mathbf{1})$$

When Marx refers to 'the direct production of surplus-value', he (I choose to presume) wants to draw our attention to that time during which *production* takes place (abstracted from circulation). £5,100 commodity product has been created by a total capital value of £900 (the sum of capitals I and II). *Disregarding the circulation period(s)*, then (i.e. '[a]s far as the direct production of surplus-value is concerned'), we can take £5,100 (that part of the total value of commodity product produced which corresponds to the circulating capital advanced, i.e. the total sum of the transformed circulating capital) as C_t. Given that $C_a = £900$ (the sum of capitals I and II), this gives the number of turnovers, n, as equal to $\frac{5{,}100}{900}$, i.e. $5\frac{2}{3}$.

But, Marx says, we need to consider the 'real' turnover, and this includes circulation time. From our table we can see that capital I turns over 6 times up to week 45. Six more weeks remain of the year, and if our total turnover time is 9 weeks, then these represent $\frac{2}{3}$ of a turnover, giving a total of $5\frac{2}{3}$ turnovers. For capital II, 5 turnovers are completed up to the middle of week 49; the remaining week and a half of the year represent $\frac{1}{6}$ of a turnover (one and a half is a sixth of nine), giving a total of $5\frac{1}{6}$ turnovers.

[22] C2, p. 343.

[23] C2, p. 265.

[24] C2, p. 262; '*Gesamtumschlag*', perhaps better rendered as 'total turnover'.

Hence $5\frac{2}{3} \times$ 450 = £2,550 (capital I), $5\frac{1}{6} \times$ 450 = £2,325 (capital II), and total turnover = £2,550 + £2,325 = £4,875.

Marx then comments:

> We may treat capital I and capital II as two quite independent capitals. In their movements they are completely autonomous; these movements are complementary only in so far as their working and circulation periods directly relieve one another. They can be considered as two completely independent capitals, belonging to different capitalists.[25]

This is not strictly true, or it is only true insofar as we maintain our abstraction from fixed capital depreciation and surplus-value production. Were these two capitals really independent, belonging to different capitalists, then the production period associated with each would be idle half of the time. In these examples, even though the circulation periods represent 'wasted' time for the capitalist in the sense that it is time when surplus-value is not being produced, it is 'necessary' wasted time for without it capital would not be able to complete its cycle. But here there is no fixed capital (or, if there is, we abstract from it); if we consider the presence of fixed capital, then, considering the two capitals as fully independent, not only would circulation time represent 'wasted' time in the sense of an interruption in the production of surplus-value but also in the sense that during this time the fixed capital would be depreciating without there being a commodity product whose realisation would offset its depreciation. It is in fact precisely for these reasons that the capitalist deploying a single capital is motivated to deploy a second so that production *not* be interrupted.

Considering capitals I and II together, the sum of capitals advanced is £900 and the total capital turned over in one year is £4,875. The *number* of turnovers of the total capital in a year is therefore given by equation (**1**), i.e. $n_t = \frac{4{,}875}{900} = 5\frac{5}{12}$ (which is in fact the average of the number of turnovers of the capitals considered individually ($5\frac{2}{3}$ and $5\frac{1}{6}$).[26]

Marx now notes that what he has done to calculate total turnover can also be applied to the total social capital. 'Any portion of the total social capital in a particular branch of production can be calculated in this way by extension. Finally, the number of turnovers of the total social capital equals the sum of the capital turned over in the' various branches of production, divided by the sum of the capital advanced in these branches.'[27]

Marx also notes that in the case he has just examined, the two capitals actually go through different turnover years since capital II's year actually started $4\frac{1}{2}$ weeks after capital I's. This is perhaps not strictly true either, since, outside of the extreme case of the first production period of capital II being its first ever production period, the $4\frac{1}{2}$ weeks before it begins its first production cycle of the year would represent the circulation stage of the final turnover of the *previous* year, and, following Marx's procedure here, should be counted as a partial turnover of the current year. Since $4\frac{1}{2}$ weeks represents

[25] C2, p. 343.

[26] Marx's statement (C2, p. 346) that 'the turnover of the total capital is equal to the amounts of capitals I and II turned over, divided by the sum of capitals I and II', should read 'the annual number of turnovers of the total capital is equal to the amounts of capitals I and II turned over, divided by the sum of capitals I and II.'

[27] C2, p. 346.

half a turnover, this would add an extra $\frac{1}{2}$ turnover to capital II's tally of $5\frac{1}{6}$, giving a total of $5\frac{2}{3}$, the same as capital I.)

Not accounting for the fact that capital II would not in fact stand idle during capital I's first production period of the year explains why in Marx's example the value of the capital turned over is less than the value of the commodity capital produced; given that here we are only dealing in commodity capital form the circulating capital advanced there is of course no prima facie reason why these two figures would be different. If we do account for this apparently idle period of capital II by treating it as the last circulation period of the previous year then both capitals turn over $5\frac{2}{3}$ times a year and the total capital value turned over—$£\left(5\frac{2}{3}\times 4{,}500\right)+\left(5\frac{2}{3}\times 4{,}500\right) = £5{,}100$—would indeed be equal to the value of the commodity product.

Nevertheless, Marx notes that '[t]he same average calculation that we applied above to I and II also serves here to reduce the turnover years of the various independent parts of the social capital to a uniform turnover year.'[28]

2 Working period longer than circulation period

(a) *Working time six weeks; circulation time three weeks*

We assume a 6-week production period and a 3-week circulation period (this is the same as the third example case set out above, represented in **figure 6**). Now (unlike the previous case) the two capitals 'intersect',[29] and capital is 'set free'. Despite this (that the capitals intersect and capital is periodically set free), says Marx, it remains the case, first, that 'the number of working periods of the total capital advanced is equal to the value of the annual product of the two parts of the capital advanced, divided by the total capital advanced', and, second, that 'the number of turnovers of the total capital is equal to the sum of the two amounts turned over, divided by the sum of the two capitals advanced.'

The second of these propositions is expressed in equation (**1**) above, the first we may express like this:

$$n_p \cdot C_a = W \qquad (\mathbf{2})$$

(where n_p is the annual number of production periods,[30] C_a is the total capital advanced in the production processes under consideration,[31] and W is that part of the total annual commodity product equivalent to the reconfiguration of the circulating capital in commodity capital form—remember, we are still abstracting here from the production of surplus-value and from the depreciation of fixed capital).

[28] C2, p. 347.

[29] As Marx described it in the first part of the chapter: 'The capital functioning in the second turnover period is then formed by the additional capital II together with a part of capital I, while the remainder of capital I is set free for the original function of capital II.' (C2, p. 339)

[30] Which, following one of Marx's opening assumptions in the chapter, I am taking in these notes as synonymous with the working period.

[31] Which may be a single capital or the sum of more than one capitals.

Marx begins his account by noting the necessity of 'consider[ing] the two portions of capital as if they performed their turnover movements in complete independence of one another,'[32] as we did in the previous example. He then sets out a table (on page 348) along these lines, but of course this procedure no longer makes sense, precisely *because* we are now dealing with capitals which 'intersect', rather than 'successively replac[ing] one another'.[33] 'If we consider the two as independent capitals,' he says, 'then the annual turnover presents itself according to the following schema [the table on page 348].' But, he says, after the table, '[t]his is not correct, [...] since [...] capital II does not have working and circulation periods separate from those of capital I.'[34]

This is how the two capitals do in fact move through their cycles. At the beginning of week one, a capital of £600 (capital I) is advanced, to cover production in weeks one to six. At the beginning of week seven, the commodity capital of £600 passes into circulation, to return at the beginning of week 10. This completes the first turnover. But at the beginning of week seven, a capital of £300 (capital II) is advanced to continue production. This opens the second turnover, the first three weeks of which coincide with the three-week circulation period of the first turnover. At the beginning of week 10, £300 of the returning £600 is advanced to complete the production period, and £300 is 'set free'. At the beginning of week 13, the £600 commodity product of the second turnover enters circulation, and the £300 set free at the beginning of week 10 is advanced to start the production period that opens the third turnover. At the beginning of week 16, the £600 from the second turnover returns; £300 is advanced to continue the production period opened at the beginning of week 13, and £300 is set free; this £300 will be advanced to open the fourth production period at the beginning of week 19. And so on. (This structure of production and circulation is set out in **figure 7** below).

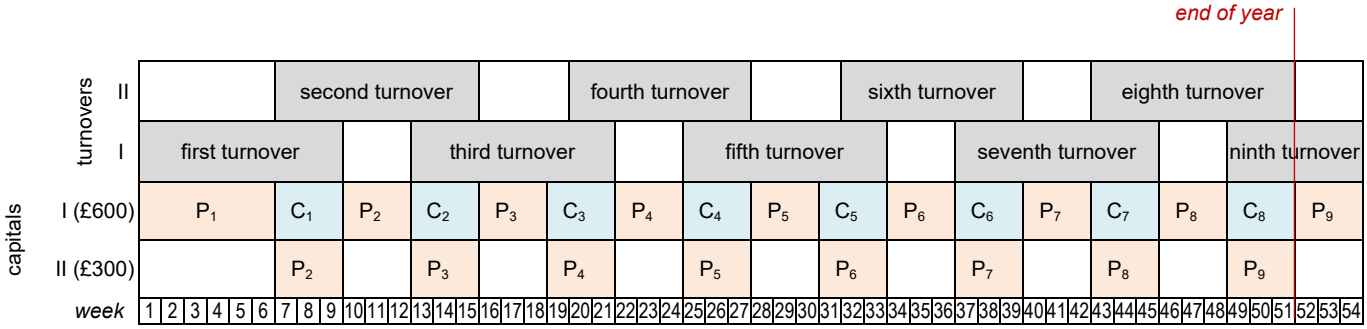

figure 7: production time longer than circulation time (I)

[32] C2, p. 347.

[33] C2, p. 339.

[34] C2, pp. 347-8.

Marx now calculates the total annual capital turned over. There are eight full turnovers of £600 capital advanced up to the end of week 51. In addition, £300 (previously set free) is advanced for weeks 49 to 51. Marx calculates this last item as 'the product of the final three weeks (49-51), [...] [which] has accomplished only a third of its nine-week circuit, and thus counts only for a third of its total amount, i.e. £100', giving a total value of capital turned over of £(8×600) + £100 = £4,900. (Again, however, if we conceive of the year's production as the continuation of a *previous* year's, then the first three weeks will see the final circulation period of the previous year, a third of a total turnover of £600, which would add another £200 to the total capital turned over, bringing the total to £5,100, the same as the commodity capital produced, which is, given that the commodity product under our assumptions of abstracting away from fixed capital depreciation and production of surplus-value is no more than the circulating capital reconstituted, what we should expect.)

(b) *Working time five weeks; circulation time four weeks*

At the start of the year, £500 is advanced for the first five weeks of production (capital I). The circulation period starts at the beginning of week six, and, at the same moment, £400 is advanced to maintain production (capital II). At the end of week nine, at the end of the first circulation period, £500 returns; £100 is advanced to cover production in week 10, and £400 is 'set free', but only for a week, for it is advanced to cover production in weeks 11 to 14, when another £500 returns, £100 being advanced for week 15, and £400 set free to be advanced for weeks 16 to 19. And so on. This is all set out in **figure 8**.

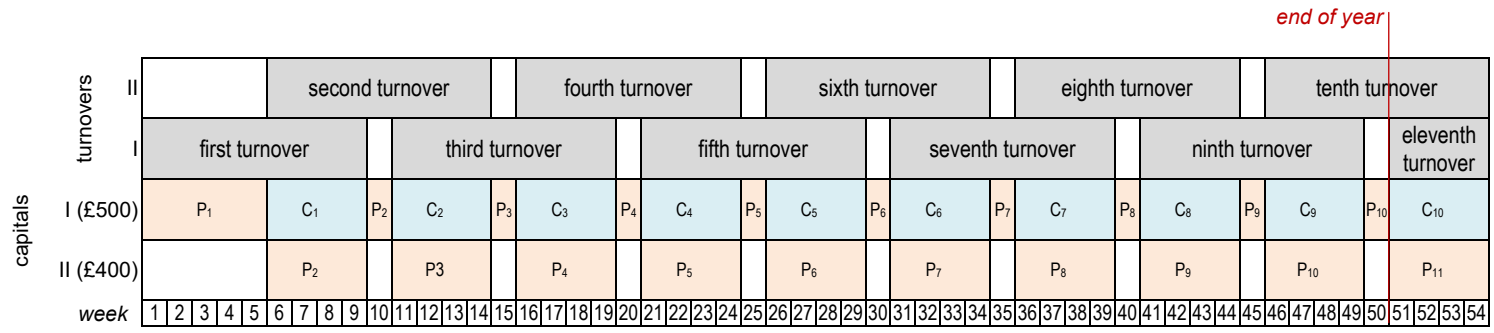

figure 8: production time longer than circulation time (II)

c) *Working time five weeks; circulation time four weeks*

Marx now considers a seven-week production period with a two-week circulation period, with predictable results. This is set out in **figure 9** on the next page.

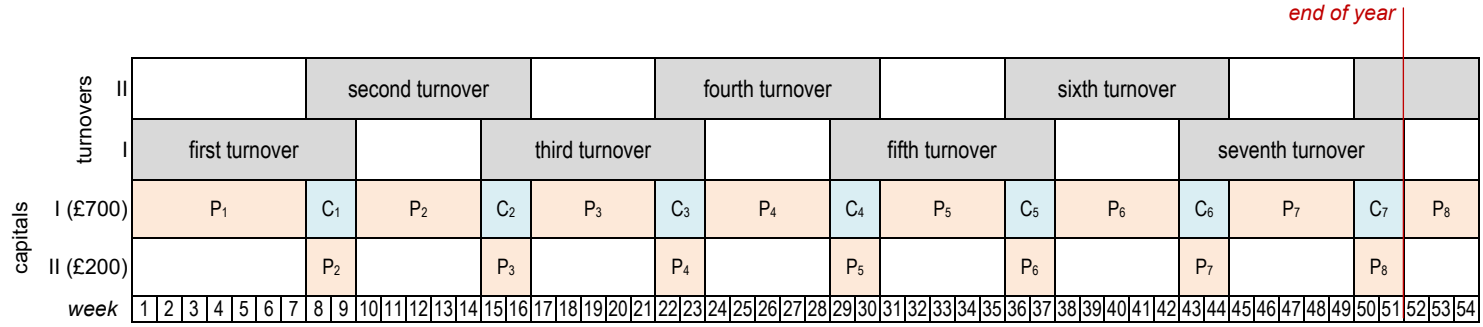

figure 9: production time longer than circulation time (III)

Marx concludes by noting that wherever the working period (here, production period) is longer than the circulation period, and production is continuous, there is always a capital 'set free' at the close of each circulation period (i.e. at the end of each turnover, as capital returns ready to be readvanced); this capital is equal in value to the capital necessary to maintain production during the circulation periods ('capital II' in this scheme). This capital which is set free is so until the beginning of the next production period (the capital which returns after each circulation period is divided up into two portions: that necessary to maintain the current production period, and that set free, destined to be used to start the next one). Marx does not observe (although it is the case), that the time for which the capital value set free is set free is equal to the difference between the production time and circulation time (i.e., in the case of the last example, a production time of seven weeks and a circulation time of two three, the additional capital required to maintain production continuous during the circulation periods is equal to that required to maintain production continuous for two weeks, the capital value periodically set free is equal to this, and is set free each time for five weeks).[35]

3 Working period shorter than circulation period

a) *Circulation time a simple multiple of production time*

Marx now looks at scenarios in which the circulation time is longer than the production time. As before, the turnover time is nine weeks; in the first example this is broken down into a production time of three weeks and a circulation time of six weeks. The structure of production and circulation is set out in **figure 10** on the next page.

[35] Marx phrases his remarks like this(C2, p. 351, italicisation added): 'where the working period is taken as greater than the circulation period, there is always set free at the close of each *working period*, under all circumstances, a money capital of the same magnitude as the capital II, which was advanced for the circulation period.' This is incorrect. The italicised 'working period' should read 'circulation period'.

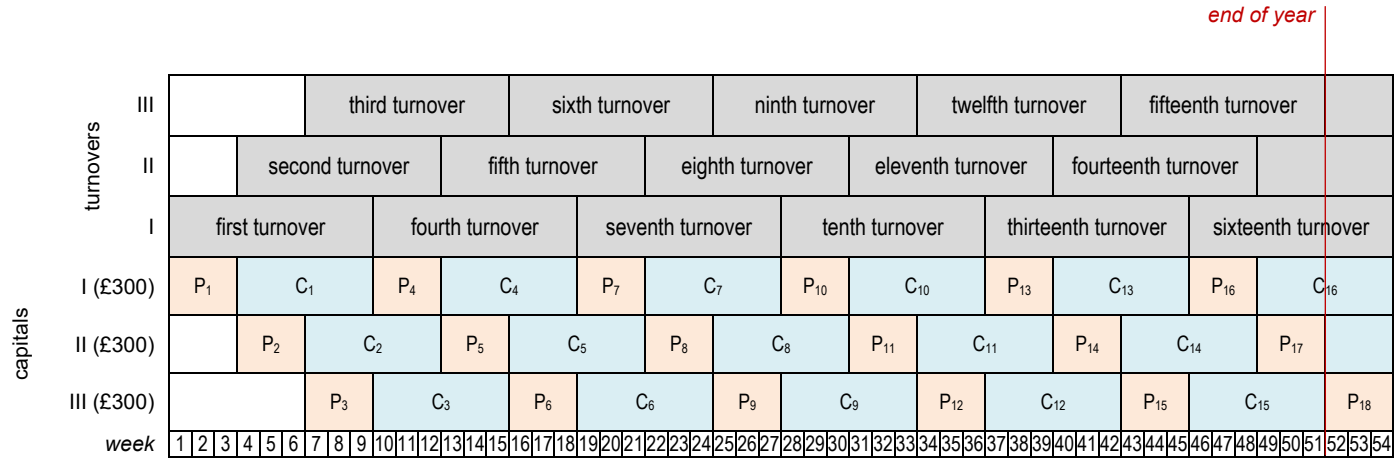

figure 10: production time shorter than circulation time (I)

(Immediately, given the fact that here two production periods = 1 circulation period, we should expect something structurally similar to the scenario in which the production time is equal to the circulation time.)

£300 (capital I) is advanced at the beginning of week one, to cover the first production period (weeks one to three). The first circulation period begins in week four; simultaneously, another £300 is advanced to cover production in weeks four, five and six (the second production period). The second circulation period begins in week seven; simultaneously, a further £300 is advanced to cover production in weeks seven, eight and nine (the third production period). The first circulation period ends at the end of week nine. The £300 which returns is advanced for the fourth production period (weeks 10 to 12). From this point, every three weeks another capital value returns, to be advanced to cover another production period. Fifteen full turnovers are completed in the 51-week year. Three capitals now relieve one another instead of two. 'There is no intersection or entanglement between the capitals; each individual capital can be separately traced right through to the end of the year.'[36] No capital is 'set free'.

b) *Circulation time not a simple multiple of production time*

Production time four weeks, circulation time five (see **figure 11** below).

At the beginning of week one, £400 is advanced (capital I), to cover the first production period (weeks one to four). At the beginning of week 5, the first circulation period begins, and another £400 is advanced (capital II) to cover weeks five to eight (the second production period). At the beginning of week 9, the second circulation period begins, and £100 (capital III) is advanced to cover production for this week (the first week of the third production period). At the beginning of week 10, £400 (the product of weeks one to four) returns; £300 is advanced to cover production in weeks 10 to 12 and

[36] C2, p. 351.

finish the third production period, while £100 is set free. The third circulation period begins in week 13; the £100 set free from the second circulation period is advanced to cover production in week 13 (beginning the fourth production period). At the beginning of week 14, £400 returns from the second circulation period; £300 is advanced to cover production in weeks 14 to 16 (the continuation of the fourth production period), and £100 is set free (to be advanced for week 17). And so on.

Capitals are now again 'intertwined', and 'cross over': if the circulation period is not equal in length either to the production period or a simple multiple of the production period then the capital that returns from circulation will be more than is necessary to continue either the production period currently underway or at the pint of starting. This means that one part of the returning capital value will be immediately advanced while the other part, that superfluous to immediate requirements, will be 'set free', i.e. it will be advanced for the *next* production period.[37]

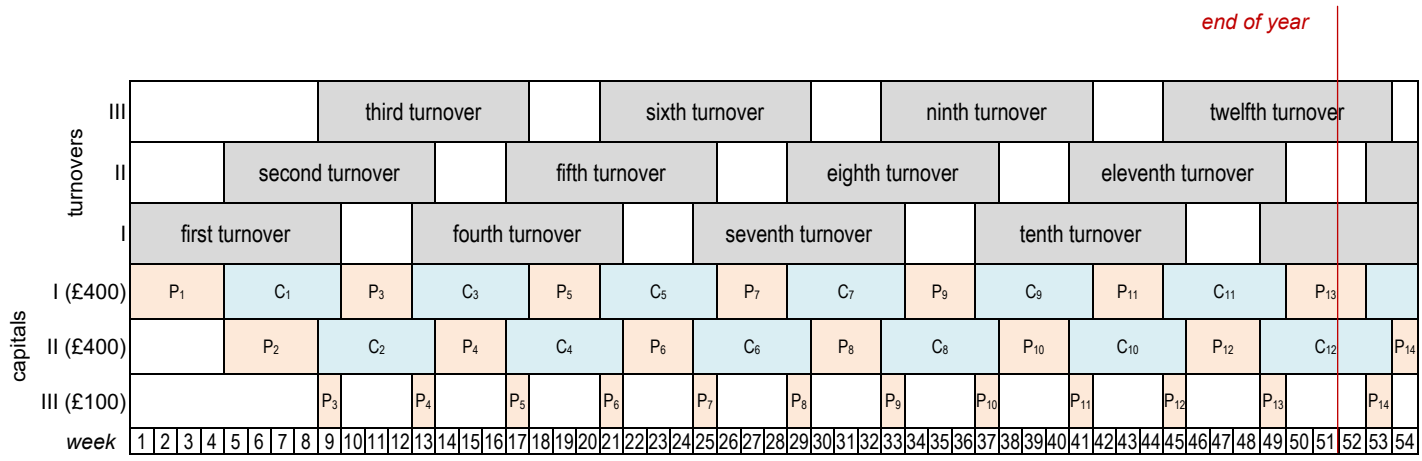

figure 11: production time shorter than circulation time (II)

Marx reminds us that he is only dealing here with the reproduction of circulating capital. Fixed capital, by its nature, is in productive use for a time in excess of the repeated turnovers of the circulating capital, and, as such,

> according to the differing length of the individual working period in each turnover period of the fluid capital, the fixed capital surrenders a greater or smaller part of its original value to the product of this working period, and, according to the duration of the circulation time in each turnover

[37] Once again (and unaccountably) the text says that the capital that is set free is so at the end of *working* periods. 'Here the capitals are intertwined in so far as the working period of capital III, which does not have an independent working period of its own, since it is sufficient only for one week, coincides with the first working week of capital I. For this reason, however, a capital of £100, equal to capital III, is set free at the close of the working periods of both capitals I and II. [...] Capital is [...] set free at the close of the working period whenever the circulation time is not a simple multiple of the working period [...].'

> period, this portion of the value of the fixed capital that is given up to the product returns more quickly or more slowly in the money form.[38]

Circulating capital, on the other hand, once applied in one production period, cannot be applied in another until it has completed the circulation part of its turnover. In order that production be continuous, therefore, *additional* circulating capital, in the appropriate quantity, must be advanced. This explains the influence of the length of the working period of the fluid capital on the scale of the labour process and on the division of the capital advanced, or on the addition of new portions of capital.

4 Results

Marx draws the following conclusions.

First.[39] When, in the case of the reproduction of the circulating capital, additional capital has to be advanced during the circulation periods to maintain production, if the circulating period is equal to the production period, or if it is equal to a simple multiple of production periods, the turnovers of the capitals deployed at separate points of the reproduction process do not intersect, and no capital is set free. In all other cases (i.e. if the circulation period is longer than the production period and is not a simple multiple of it, or if the working period is longer than the circulation period), the capitals' turnovers *do* intersect and capital *is* set free. The capital that is set free is, in the case of the production period being greater than the circulation period, equal to the capital advanced to cover production during the circulation period, or, in that of the circulation period being longer than the production period, to the capital advanced to cover the difference in time between the circulation period and the production period (or production periods).

Second.[40] Given this, when considering the circulating part of the total social capital 'setting free' is the norm. Hence, a 'very significant portion of the social circulating capital [...] will [...] periodically exist in the course of the annual turnover cycle in the form of capital set free.'[41]

Marx suggests that, 'assuming that all other circumstances remain the same',[42] a growth in the scale of production, i.e. the development of capitalist production in general, will bring about a growth in the magnitude of the capital set free.[43] (Marx's comment that 'the length of the circulation period also grows with the development of capitalist production' and that this, in the case of production processes where the circulation period is longer than the working period, will also increase the size of the capital set free,[44] is difficult to square with the overall analysis he sets out and I suspect that it arises as the result of the fragmentary nature of the original manuscript that the volume was put together from.)

[38] C2, p. 354.

[39] This paragraph includes Marx's points labelled A and B in the text.

[40] Marx's point C.

[41] C2, p 355.

[42] C2, p. 356.

[43] By 'assuming that all other circumstances remain the same' appears to say that this growth that in the magnitude of the capital set free is an absolute growth over time and not a growth *relative* to the overall mass of social circulating capital.

[44] C2, p. 356.

Let us consider a production process consisting of a six-week production period and a three-week circulation period.[45] £900 circulating capital is advanced (and again we abstract from fixed capital depreciation and production of surplus-value). In one case, the £900 is advanced as a whole: £150 is advanced each week, then after six weeks commodity capital to the value of 6 × £150 = £900 enters circulation. While this capital passes through its circulation stage, production stops; when this capital returns to production, after three weeks, production begins again and continues for six weeks, then another £900 of commodity capital enters circulation, and production stops again. This cycle of events is repeated until the end of the year. (This is 'interrupted production' in **figure 12** below).

Now let the £900 be divided into £600 capital I, to fund production during the first six-week production period, and £300 capital II, to fund production during the circulation period. (This is 'uninterrupted production' in **figure 12**.)

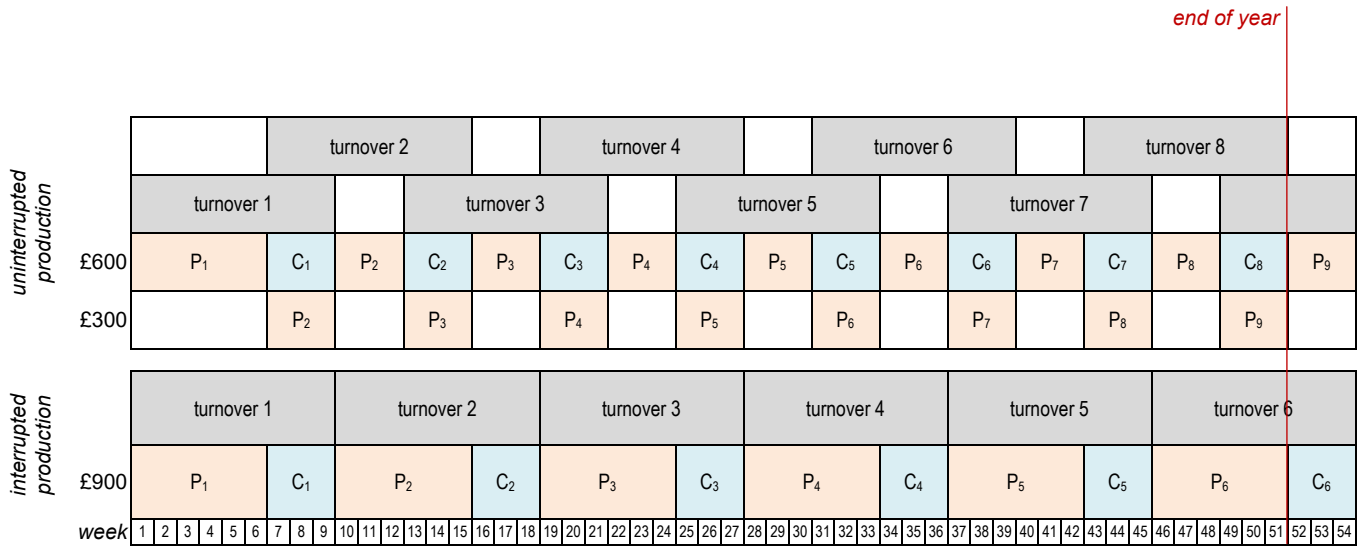

figure 12: interrupted vs. uninterrupted production

What is the difference between the two scenarios?

In the first case, 'interrupted production', five full turnovers and six weeks of the sixth turnover (i.e. two thirds) are completed by the end of the year (51 weeks). For a capital advanced of £900, according to equation (**1**) above, the total capital turned over annually is given by $5\frac{2}{3} \times$ £900 = £5,100. In that of 'uninterrupted production', this is the same set of circumstances as the first case considered under the heading of 'Working period longer than the circulation period' (pp. 11-13 above); there, we calculated the total turnover of capital (for capitals I and II) to be equal to £5,100, the same as in the case of interrupted production being considered here.[46]

[45] This example is Marx's listed point D.

[46] Marx's calculation, although it arrives at the same conclusion, is confusing (C2, p. 356). £600 capital working continuously for 48 weeks (eight six-week production periods, i.e. at a rate of £100 a week) would produce 48 × £100 = £4,800 commodity capital. The £900 capital would work for six weeks out of every nine, therefore in a 48-week period it would only work for 32 (32 being two thirds of 48). But given that the working period is 6

But if the amount of capital turned over in both scenarios is the same, where is the advantage in applying the £900 capital such that production be uninterrupted, even if on a reduced scale? Marx's answer is tantalisingly suggestive.

> But apart from the greater waste of fixed capital during the idle period of sixteen weeks, and the increased cost of labour, which has to be paid for the whole year even if only a part of this is worked, a regular interruption of this kind in the production process would be incompatible with the running of modern large-scale industry. Continuity is itself a productive force of labour.[47]

Disappointingly, he does not elaborate further here.

[However, in the *Grundrisse*, written some 12 years before the draft of volume two of *Capital* from which this chapter came, put the matter like this.

> From the moment [...] when fixed capital has developed to a certain extent—and this extent, as we indicated, is the measure of the development of large industry generally—[...] fixed capital increases in proportion to the development of large industry's productive forces—it is itself the objectification of these productive forces, as presupposed product—from this instant on, every interruption of the production process acts as a direct reduction of capital itself, of its initial value. The value of fixed capital is reproduced only in so far as it is used up in the production process. Through disuse it loses its use value without its value passing on to the product. Hence, the greater the scale on which fixed capital develops, in the sense in which we regard it here, the more does the *continuity of the production process* or the constant flow of reproduction become an externally compelling condition for the mode of production founded on capital. [...] [T]he *continuity* of production becomes an external necessity for capital with the development of that portion of it which is determined as fixed capital. For circulating capital, an interruption, *if it does not last so long as to ruin its use value, is only an interruption in the creation of surplus value*. But with fixed capital, the interruption, in so far as in the meantime its use value is necessarily destroyed relatively unproductively, i.e. without replacing itself as value, is the destruction of its original value itself. Hence the continuity of the production process which corresponds to the concept of capital is posited as *conditio sine qua* [*non*] for its maintenance only with the development of fixed capital; hence likewise the continuity and the constant growth of consumption.[48]]

Marx notes that of the capital 'set free' (or perhaps, he suggests, 'suspended' ('*suspendierte*') a significant part must always assume the form of money capital.

If we take the most recent example we have seen, where a six-week production period is succeeded by a three-week circulation period, and £100 a week is advanced on production in the form of circulating capital, at the end of each circulation period £600 returns, £300 of which is required to continue production, and £300 is set free. In what form does this £300 set free exist? Let us assume that the ratio of circulating constant capital to variable capital is 3 : 1. £100 of the £300 must exist in money form to pay wages. Of the £200 remaining, since it is not needed immediately for production, it can be

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weeks, 32 weeks represent $5\frac{1}{3}$ working periods, and if £900 is advanced for each working period, the product of these 32 weeks would be $5\frac{1}{3} \times$ £900 = £4,800, a commodity product of the same value as that produced in the uninterrupted production process. (Note that the *Collected Works* translation (Karl Marx, *Capital: A Critique of Political Economy*, vol. 2, trans. unknown, in Karl Marx and Friedrich Engels, *Karl Marx Frederick Engels Collected Works*, vol. 36 (London, 2010), pp. 3-546) misprints '$5\frac{1}{3} \times$ £900 = £4,800' as '$5\frac{1}{5} \times$ £900 = £4,800' (p. 279).)

[47] C2, p. 356.

[48] Karl Marx, *Grundrisse*, trans. Martin Nicolaus (New York, 1973), p. 719.

transformed into means of production immediately, or not, depending on the state of the market. That part of the £300 set free in money form will thus stand between a minimum—that part required for wages—and a maximum, equal to the whole sum.

(We should note, however, that capital 'returning' from circulation in money form is not in fact really returning, in that, if it still remains in money form, it has not really completed the circulation period.)

Hence there is capital set free which exists in money form which does so 'simply by the mechanism of the turnover movement',[49] which means that 'setting free' is a phenomenon intrinsic to the turnover of capital and inherent to it. (Marx comments here that capital existing in money form 'set free', i.e. immediately superfluous to the requirements of production, exists *alongside* the money 'set free' by the successive reflux of fixed capital *and* that money reserve required for variable capital. These reserves of money, Marx observes, 'must play a significant role, as soon as the credit system has developed, and must also form one of the foundations for this.'[50])

A decrease in circulation time owing to fortuitous, but not generalised, circumstances, will increase the time for which capital is set free (and therefore increase the time that some of the capital exists in money capital form). A generalised and prolonged contraction in circulation time will render one part of the circulating capital permanently superfluous (if £600 plus £300 is required to maintain a continuous production process consisting of a six-week production period and a three-week circulation period, then if the circulation period is reduced to two weeks then £100 circulating capital will be rendered superfluous, and, will persist in the money capital form as long as production continues on the same scale). This superfluous capital is 'precipitated out' ('*ausgeschieden*'; the *Collected Works* translation has 'eliminated'[51]). This effect is no more than a consequence in the shortening of the turnover period, all else remaining the same.

(A lengthening of the circulation period would naturally have the opposite effect; ultimately, it must be accompanied by a contraction in the overall scale of production.)

[Engels now makes the following curious comment. 'The preparation of this chapter for publication,' he says, 'has involved no small difficulties.' During the composition of the original manuscript, 'Marx became confused,' and was led 'to ascribe an undeserved significance to what in my opinion is in fact a matter of little importance. I [i.e. Engels] refer to what he calls the "setting-free" of money capital.'[52]

Engels then sets out how he understands the matter.

> No matter what the ratio between the length of the working period and the circulation time may be, and thus between capital I and capital II, once the first turnover has occurred there returns to the capitalist, at regular intervals equal in length to the working period, the capital needed for one such working period—thus a sum equal to capital I.[53]

Engels gives a concrete example. 'If the working period is five weeks, the circulation time four weeks and capital I £500, then a sum of £500 flows back each time, at the end of weeks 9, 14, 19, 24, etc.' This is the example set out in **figure 8** above. Engels then repeats the same essential point with respect to the production processes summarised in figures **7** and **11**, and goes on to argue that

[49] C2, p. 357.

[50] C2, p. 357.

[51] *Karl Marx Frederick Engels Collected Works*, vol. 36, p. 282.

[52] C2, p. 359.

[53] C2, p. 359.

> [w]hether and to what degree this capital that has returned is superfluous for the current working. period, and is thus set free, makes no difference. It is assumed that production proceeds uninterruptedly on the existing scale, and, for this to occur, money must be present, and thus flow back, whether it is 'set free' or not. [...] [T]here is in any case a release of money, i.e. a formation of latent, only potential capital, in the money form; but this happens in all circumstances, and not only under those particular conditions specified in the text.[54]

But Engels seems to miss Marx's point. Although it *is* true that there is always capital present in money form during production processes, what Marx has shown is that when additional capital is advanced so that production be maintained on a continuous basis, it is necessarily the case (outside of exceptional circumstances) that the capital that flows back to production from circulation does so during already underway production periods, with the result that a part of what flows back is immediately—rather than absolutely—superfluous to productive requirements (this is what 'set free' means in this context), and that necessarily one part of this must exist in money form. This effect, which occurs when one part of capital is productive while another is passing through circulation, is inevitable and additional to the existence of capital in money form temporarily superfluous to productive requirements for *other reasons* during capitalist reproduction, and this effect is the greater the greater is capital's drive to continuity of production.

When Engels says, therefore, that '[t]he main thing in the text is the proof that a considerable part of industrial capital is always present in the money form, while a still more considerable part must assume this form from time to time,'[55] he misses the argument that *additional* to this is the appearance of a *greater* mass of capital (some of which in money form) superfluous to immediate productive requirements in function of capital's drive towards continuity of production.]

5 Effects of changes in price

(The thrust of Marx's remarks here appear to be towards the effect of the changes in the length of the turnover period and of the prices of the elements of production and of the commodity product itself on the money market.)

Up to now, we have assumed constant prices and lengthening and shortening of circulation time. Now we shall assume the opposite: a constant turnover period and a fall or rise in the prices of raw materials, ancillaries and labour.

Let us return to the assumptions of the first example we saw in this chapter, *viz.*

- a commodity capital that is the product of a working period of nine weeks;
- that the value of the product be equal to the circulating capital advanced for its production, i.e. we disregard—abstract from—the value transferred from the wear and tear of the fixed capital and the surplus-value added;
- that £100 be advanced to production each week, i.e. that the commodity capital value be £900;
- and a circulation period (independently of why) of three weeks.

Now let us assume that the price of the raw and ancillary materials falls by half, such that only £50 is needed per week rather than £100. Now, instead of £900 returning in the form of money capital at the

[54] C2, p. 360.

[55] C2, p. 360.

end of the first circulation period only £450 returns.[56] £450 will be precipitated out as money capital. The value of the annual product—the same as before in volume—will fall by half. Owing to the fall in price of the elements of productive capital the capital concerned will cast less money capital into the market. This is the 'first effect' of the fall in the price of the elements of the productive capital.

To the extent that the £450 precipitated out is not diverted towards the consumption of means of subsistence on the part of the capitalist it will enter the money market and function there as additional money capital.[57] (Alternatively it may be deployed by the business in question as an additional advance of capital to expand the scale of production.)

Should the elements of productive capital rise in price, then, of course, additional capital would be necessary to maintain the scale of production.

If the price of the commodity product of the business in question should fall (below its value, although Marx does not explicitly say this) then the capital that flows back from circulation will be insufficient to maintain production on the same scale; if the price rises, then capital will be set free (and, I suppose, if the new, higher, price is permanent, capital will be 'precipitated out').

Case I: Scale of production remaining the same, constant prices of elements of production and products; change in the period of circulation and hence in the turnover period.

Let us suppose a reduction in the circulation period of one week. The production periods governed by what we are calling capital II (see **figure 4** above) will now require not £300 but £200 capital advanced and the total capital advanced will fall by one ninth, from£900 to £800. £100 will be 'precipitated out'. £100 of the capital in circulation will not be transformed into elements of productive capital and will constitute new money capital—'a new element on the money market'[58]—seeking investment.

(Marx notes that the reduction in circulation time will mean that the stock of productive capital represented by that part of capital II destined for advance in the form of constant capital will fall by the proportion by which the circulation period will have been reduced. This will have consequences for the suppliers of the stock. The *demand* for ancillaries and raw materials will remain the same but '[p]urchases, on [, for example,] the cotton market, for instance, are repeated more frequently and in smaller quantities. The same amount of cotton is withdrawn from the market, since the quantity produced remains the same. But the withdrawal is differently distributed in time, and over a longer period.'[59] As a consequence, '[t]he same cotton lies as much longer in the broker's warehouse as a commodity, as it exists for a shorter time as a production stock in the stores of the manufacturer.'[60])

It may be the case that the reduction in circulation time occurs, rather than due to a fall in the time it takes to sell the commodity product, owing to a reduction in the time required to transform money capital into elements of production (the $C_c - M$ segment of the circulation phase), because, for example,

[56] Strangely, Marx here makes no mention of labour-power.

[57] This is how I interpret the following sentence. 'This £450 set free in money functions as money capital not because it is money that has become superfluous for the conduct of [the] business [...] [in question], but rather because it is a component of the original capital value, hence continues to operate as capital and is not spent as a mere means of circulation.' (C2, p. 361)

[58] C2, p. 363.

[59] C2, p. 364.

[60] C2, p. 365.

of a change in the working period or circulation time of the suppliers of the means of production, i.e. in the $M - C_p$ part of the circulation cycle. In this case, if the replacement of raw materials (say) takes less time than it did before, then this in turn will allow a reduction in the necessary size of productive stocks.

An increase, on the other hand, in circulation time (and hence turnover) will require an advance of additional capital. This can be supplied by the capitalist herself, if she possesses extra capital. 'But this will have been invested in some form or other as part of the money market; in order to make it available, it must be prised out ('*losgeschält*') from its old form, e.g. shares sold, deposits withdrawn [...].'[61] This is also the case, to the extent that the additional capital needs to be present in money form (for the payment of wages, for example), if it has to be borrowed.[62]

Case II: Change in price of the materials of production, all other circumstances being unchanged.

A fall in the price of raw materials and/or ancillaries would clearly lead to money capital being precipitated out, and then this money capital would form an addition to the money market, in an absolute and permanent sense in the case of this fall being, rather than due to accidental or contingent factors, a consequence of a rise in productivity.

Case III: Change in the market price of the product itself.

If the price of the commodity capital product falls in price, a part of its value is lost to its producer. If this fall is a consequence of conjunctural circumstances (i.e., if the price of the product falls temporarily below its value), then there is effectively a transfer of value from seller to buyer.

If, however, the fall in price is due to a rise in productivity which changes the labour socially necessary for the production of the good in question, then the sale of goods produced previously to this change will sell at value but its producer will also see a loss of value for it will have cost her more to produce the good than she can now sell it, assuming the good sells at value (we are still abstracting here from the production and realisation of surplus-value, or, more precisely, from that part of the commodity capital equivalent to this). In this latter case, if the good produced enters into another production process, then its fall in value (and price) will occasion the setting free (or, better, precipitation out) of a proportionate amount of capital there.

(This is my interpretation of, respectively, the meanings of 'directly' and 'indirectly' in this following rather oblique statement of Marx's.

> In the case of a fall in price, a part of the capital is lost and has therefore to be replaced by a new

[61] C2, p. 366.

[62] Marx now (C2, p. 366) makes a curious remark. With respect to that part of the additional capital to be advanced in the form of raw materials, if the capitalist can meet her needs through 'credit', she 'does not exert a direct influence on the money market, as the additional capital is then advanced directly as a productive stock, and not in the first instance as money capital. In so far as [...] [her] creditor directly puts the bill [of exchange] received from [...] [the capitalist] back into the money market, has it discounted, etc., this has an indirect, second-hand effect on the money market. But if [s]he uses this bill to meet a debt that [s]he has later to settle, then this additionally advanced capital has neither a direct nor an indirect effect on the money market.' Marx here seems to suggest that a relation of credit, in the form of a bill of exchange, as long as it remains in that form, has no effect on the money market, and, as such (this is the inference) does not therefore in itself constitute money.

> advance of money capital. This loss for the seller may be recouped by the buyer. Directly, if the market price of the product has been affected only by accidental conjunctures, and the price subsequently rises again to its normal level. Indirectly, if the change in price has been brought about by a change in value reacting on the old product, and if this product again enters another sphere of production as an element of production, and sets free a proportionate amount of capital there.[63])

If, in both these cases, the capitalist in question makes good her loss through credit and borrowing then, directly or indirectly, there will effectively occur a transfer of value.

If, on the other hand, the price of the product rises, 'a portion of capital that was not advanced is appropriated from the circulation sphere.'[64] Without an expansion of production this 'appropriated' ('*angeeignet*') capital will form capital precipitated out. As in the case of a fall in price, a rise in the commodity capital's price may be either a consequence of transitory market conditions or change in value of elements of production. In the latter case, it may additionally also be the case that the rise in the price of the elements of production in question took place after the capitalist bought them, such that the capitalist will have profited on the commodity capital product *and* her stock of means of production. 'This profit would then supply him with the additional capital he now needs to carry on his business as a result of the increased prices of the elements of production.'[65]

In the case of a price rise caused by contingent market circumstances then the additional capital that one capitalist will then need will be precipitated out elsewhere 'to the extent that his product forms an element of production for other branches of business. What the one lost, the other has gained.'[66]

[63] C2, p. 367.

[64] C2, p. 367.

[65] C2, p. 368.

[66] C2, p. 368.