Part II

Conversion of Profit into Average Profit

Chapter 9. Formation of a General Rate of Profit (Average Rate of Profit) and Transformation of the Values of Commodities into Prices of Production

The organic composition of capital depends at any given time on two circumstances: first, on the technical relation of labour power employed to the mass of the means of production employed; secondly, on the price of these means of production. This composition, as we have seen, must be examined on the basis of percentage ratios. We express the organic composition of a certain capital consisting 4/5 of constant and 1/5 of variable capital, by the formula 80c+20v. It is furthermore assumed in this comparison that the rate of surplus-value is unchangeable. Let it be any rate picked at random; say, 100%. The capital of 80c+20v then produces a surplus-value of 20s, and this yields a rate of profit of 20% on the total capital. The magnitude of the actual value of its product depends on the magnitude of the fixed part of the constant capital, and on the portion which passes from it through wear and tear into the product. But since this circumstance has absolutely no bearing on the rate of profit, and hence, in the present analysis, we shall assume, for the sake of simplicity, that the constant capital is everywhere uniformly and entirely transferred to the annual product of the capitals. It is further assumed that the capitals in the different spheres of production annually realise the same quantities of surplus-value proportionate to the magnitude of their variable parts. For the present, therefore, we disregard the difference which may be produced in this respect by variations in the duration of turnovers. This point will be discussed later.

Let us take five different spheres of production, and let the capital in each have a different organic composition as follows:

Capitals	Rate of Surplus-Value	Surplus-Value	Value of Product	Rate of Profit
I. 80c+20v	100%	20	120	20%
II. 70c+30v	100%	30	130	30%
III. 60c+40v	100%	40	140	40%
IV. 85c+15v	100%	15	115	15%
V. 95c+5v	100%	5	105	5%

Here, in different spheres of production with the same degree of exploitation, we find considerably different rates of profit corresponding to the different organic composition of these capitals.

The sum total of the capitals invested in these five spheres of production=500; the sum total of the surplus-value produced by them=110; the aggregate value of the commodities produced by them=610. If we consider the 500 as a single capital, and capitals I to V merely as its component parts (as, say, different departments of a cotton mill, which has different ratios of constant to variable capital in its carding, preparatory spinning, spinning, and weaving shops, and in which the average ratio for the factory as a whole has still to be calculated), the mean composition of this capital of 500 would=390c+110v, or, in per cent,=78c+22v. Should each of the capitals of 100 be regarded as one-fifth of the total capital, its composition would equal this average of 78c+22v; for every 100 there would be an average surplus-value of 22; thus, the average rate of profit would=22%, and, finally, the price of every fifth of the total product produced by the 500 would=122. The product of each fifth of the advanced total capital would then have to be sold at 122.

But to avoid entirely erroneous conclusions it must not be assumed that all cost-prices=100.

With 80c+20v and a rate of surplus-value=100%, the total value of commodities produced by capital I = 100 would be 80c+20v+20s=120, provided the entire constant capital went into the annual product. Now, this may under certain circumstances be the case in some spheres of production. But hardly in cases where the proportion of c:v=4:1. We must, therefore, remember in comparing the values produced by each 100 of the different capitals, that they will differ in accordance with the different composition of c as to its fixed and circulating parts, and that, in turn, the fixed portions of each of the different capitals depreciate slowly or rapidly as the case may be, thus transferring unequal quantities of their value to the product in equal periods of time. But this is immaterial to the rate of profit. No matter whether the 80c give up a value of 80, or 50, or 5, to the annual product,

and the annual product consequently=80c+20v+20s =120, or 50c+20v+20s =90, or 5v+20v+20s=45; in all these cases the redundance of-the product's value over its cost-price=20, and in calculating the rate of profit these 20 are related to the capital of 100 in all of them. The rate of profit of capital I, therefore, is 20% in every case. To make this still plainer, we let different portions of constant capital go into the value of the product of the same five capitals in the following table:

Capitals	Rate of Surplus-Value	Surplus-Value	Rate of Profit	Used up c	Value of commodities	Cost-Price	
I. 80c+20v	100%	20	20%	50	90	70	
II. 70c+30v	100%	30	30%	51	111	81	
III. 60c+40v	100%	40	40%	51	131	91	
IV. 85c+15v	100%	15	15%	40	70	55	
V. 95c+5v	100%	5	5%	10	20	15	
390c+110v	—	110	110%	—	—	—	Total
78c+22v	—	22	22%	—	—	—	Average

If we now again consider capitals I to V as a single total capital, we shall see that, in this case as well, the composition of the sums of these five capitals=500=390c+110v, so that we get the same average composition=78c+22v, and, similarly, the average surplus-value remains 22. If we divide this surplus-value uniformly among capitals I to V, we get the following commodity-prices:

Capitals	Surplus-Value	Value of Commodities	Cost-Price of Commodities	Price of Commodities	Rate of Profit	Deviation of Price from Value
I. 80c+20v	20	90	70	92	22%	+2
II. 70c+30v	30	111	81	103	22%	-8
III. 60c+40v	40	131	91	113	22%	-18
IV. 85c+15v	15	70	55	77	22%	+7
V. 95c+5v	5	20	15	37	22%	+17

Taken together, the commodities are sold at 2+7+17=26 above, and 8+18=26 below their value, so that the deviations of price from value balance out one another through the uniform distribution of surplus-value, or through addition of the average profit of 22 per 100 units of advanced capital to the respective cost-prices

of the commodities I to V. One portion of the commodities is sold above its value in the same proportion in which the other is sold below it. And it is only the sale of the commodities at such prices that enables the rate of profit for capitals I to V to be uniformly 22%, regardless of their different organic composition. The prices which obtain as the average of the various rates of profit in the different spheres of production added tithe cost-prices of the different spheres of production, constitute the prices of production. They have as their prerequisite the existence of a general rate of profit, and this, again, presupposes that the rates of profit in every individual sphere of production taken by itself have previously been reduced to just as many average rates. These particular rates of profit = s/c in every sphere of production, and must, as occurs in Part I of this book, be deduced out of the values of the commodities. Without such deduction the general rate of profit (and consequently the price of production of commodities) remains a vague and senseless conception.Hence, the price of production of a commodity is equal to its cost-price plus the profit, allotted to it in per cent, in accordance with the general rate of profit, or, in other words, to its cost - price plus the average profit.

Owing to the different organic compositions of capitals invested in different lines of production, and, hence, owing to the circumstance that — depending on the different percentage which the variable part makes up in a total capital of a given magnitude — capitals of equal magnitude put into motion very different quantities of labour, they also appropriate very different quantities of surplus-labour or produce very different quantities of surplus-value. Accordingly, the rates of profit prevailing in the various branches of production are originally very different. These different rates of profit are equalized by competition to a single general rate of profit, which is the average of all these different rates of profit. The profit accruing in accordance with this general rate of profit to any capital of a given magnitude, whatever its organic composition, is called the average profit. The price of a commodity, which is equal to its cost-price plus the share of the annual average profit on the total capital invested (not merely consumed) in its production that falls to it in accordance with the conditions of turnover, is called its price of production. Take, for example, a capital of 500, of which 100 is fixed capital, and let 10% of this wear out during one turnover of the circulating capital of 400. Let the average profit for the period of turnover be 10%. In that case the cost-price of the product created during this turnover will be 10c for wear plus 400 (c+v) circulating capital = 410, and its price of production will be 410 cost-price plus (10% profit on 500) 50=460.

Thus, although in selling their commodities the capitalists of the various spheres of production recover the value of the capital consumed in their production, they do not secure the surplus-value, and consequently the profit, created in their own sphere by the production of these commodities. What they secure is only as much surplus-value, and hence profit, as falls, when uniformly distributed, to the share of

every aliquot part of the total social capital from the total social surplus-value, or profit, produced in a given time by the social capital in all spheres of production. Every 100 of an invested capital, whatever its composition, draws as much profit in a year, or any other period of time, as falls to the share of every 100, the Nth part of the total capital, during the same period. So far as profits are concerned, the various capitalists are just so many stockholders in a stock company in which the shares of profit are uniformly divided per 100, so that profits differ in the case of the individual capitalists only in accordance with the amount of capital invested by each in the aggregate enterprise, i.e., according to his investment in social production as a whole, according to the number of his shares. Therefore, the portion of the price of commodities which replaces the elements of capital consumed in the production of these commodities, the portion, therefore, which will have to be used to buy back these consumed capital-values, i.e., their cost-price, depends entirely on the outlay of capital within the respective spheres of production. But the other element of the price of commodities, the profit added to this cost-price, does not depend on the amount of profit produced in a given sphere of production by a given capital in a given period of time. It depends on the mass of profit which falls as an average for any given period to each individual capital as an aliquot part of the total social capital invested in social production.

When a capitalist sells his commodities at their price of production, therefore, he recovers money in proportion to the value of the capital consumed in their production and secures profit in proportion to this advanced capital as the aliquot part in the total social capital. His cost-prices are specific. But the profit added to them is independent of his particular sphere of production, being a simple average per 100 units of invested capital.

Let us assume that the five different investments I to V of the foregoing illustration belong to one man. The quantity of variable and constant capital consumed per 100 of the invested capital in each of the departments I to V in the production of commodities I to V would, needless to say, make up a part of their price, since at least this price is required to recover the advanced and consumed portions of the capital. These cost-prices would therefore be different for each class of the commodities I to V, and would as such be set differently by the owner. But as regards the different quantities of surplus-value, or profit, produced by I to V, they might easily be regarded by the capitalist as profit on his advanced aggregate capital, so that each 100 units would get their definite aliquot part. Hence, the cost-prices of the commodities produced in the various departments I to V would be different; but that portion of their selling price derived from the profit added per 100 capital would be the same for all these commodities. The aggregate price of the commodities I to V would therefore equal their aggregate value, i.e., the sum of the cost-prices I to V plus the sum of the surplus-values, or profits, produced in I to V. It

would hence actually be the money-expression of the total quantity of past and newly applied labour incorporated in commodities I to V. And in the same way the sum of the prices of production of all commodities produced in society — the totality of all branches of production — is equal to the sum of their values.

This statement seems to conflict with the fact that under capitalist production the elements of productive capital are, as a rule, bought on the market, and that for this reason their prices include profit which has already been realised, hence, include the price of production of the respective branch of industry together with the profit contained in it, so that the profit of one branch of industry goes into the cost-price of another. But if we place the sum of the cost-prices of the commodities of an entire country on one side, and the sum of its surplus-values, or profits, on the other, the calculation must evidently be right. For instance, take a certain commodity A.. Its cost-price may contain the profits of B, C, D, etc., just as the cost-prices of B, C, D, etc., may contain the profits of A. Now, as we make our calculation the profit of A will not be included in its cost-price, nor will the profits of B, C, D, etc., be included in theirs. Nobody ever includes his own profit in his cost-price. If there are, therefore, n spheres of production, and if each makes a profit amounting to p, then their aggregate cost-price = k-np. Considering the calculation as a whole we see that since the profits of one sphere of production pass into the cost-price of another, they are therefore included in the calculation as constituents of the total price of the end-product, and so cannot appear a second time on the profit side. If any do appear on this side, however, then only because the commodity in question is itself an ultimate product, whose price of production does not pass into the cost-price of some other commodity.

If the cost-price of a commodity includes a sum = p, which stands for the profits of the producers of the means of production, and if a profit=p1 is added to this cost-price, the aggregate profit P=P+P1. The aggregate cost-price of the commodity, considered without the profit portions, is then its own cost-price minus P. Let this cost-price be k. Then, obviously, k+p=k+p+p1. In dealing with surplus-values, we have seen in Book I that the product of every capital may be so treated, as though a part of it replaces only capital, while the other part represents only surplus-value. In applying this approach to the aggregate product of society, we must make some rectifications. Looking upon society as a whole, the profit contained in, say, the price of flax cannot appear twice — not both as a portion of the linen price and as the profit of the flax.

There is no difference between surplus-value and profit, as long as, e.g., A's surplus-value passes into B's constant capital. It is, after all, quite immaterial to the value of the commodities, whether the labour contained in them is paid or unpaid. This

merely shows that B pays for A's surplus-value. A's surplus-value cannot be entered twice in the total calculation.

But the difference is this: Aside from the fact that the price of a particular product, let us say that of capital B, differs from its value because the surplus-value realised in B may be greater or smaller than the profit added to the price of the products of B, the same circumstance applies also to those commodities which form the constant part of capital B, and indirectly also its variable part, as the labourers' necessities of life. So far as the constant portion is concerned, it is itself equal to the cost-price plus the surplus-value, here therefore equal to cost-price plus profit, and this profit may again be greater or smaller than the surplus-value for which it stands. As for the variable capital, the average daily wage is indeed always equal to the value produced in the number of hours the labourer must work to produce the necessities of life. But this number of hours is in its turn obscured by the deviation of the prices of production of the necessities of life from their values. However, this always resolves itself to one commodity receiving too little of the surplus-value while another receives too much, so that the deviations from the value which are embodied in the prices of production compensate one another. Under capitalist production, the general law acts as the prevailing tendency only in a very complicated and approximate manner, as a never ascertainable average of ceaseless fluctuations.

Since the general rate of profit is formed by taking the average of the various rates of profit for each 100 of capital invested in a definite period, e.g., a year, it follows that in it the difference brought about by different periods of turnover of different capitals is also effaced. But these differences have a decisive bearing on the different rates of profit in the various spheres of production whose average forms the general rate of profit.

In the preceding illustration concerning the formation of the average rate of profit we assumed each capital in each sphere of production=100, and we did so to show the difference in the rates of profit in per cent, and thus also the difference in the values of commodities produced by equal amounts of capital. But it goes without saying that the actual amounts of surplus-value produced in each sphere of production depend on the magnitude of the invested capitals, since the composition of capital is given in each sphere of production. Yet the actual rate of profit in any particular sphere of production is not affected by the fact that the capital invested is 100, or m times 100, or xm times 100. The rate of profit remains 10%, whether the total profit is 10: 100, or 1,000: 10,000.

However, since the rates of profit differ in the various spheres of production, with very much different quantities of surplus-value, or profit, being produced in them,

depending on the proportion of the variable to the total capital, it is evident that the average profit per 100 of the social capital, and hence the average, or general, rate of profit, will differ considerably in accordance with the respective magnitudes of the capitals invested in the various spheres. Let us take four capitals A, B, C, D. Let the rate of surplus-value for all=100%. Let the variable capital for each 100 of the total be 25 in A, 40 in B, 15 in C, and 10 in D. Then each 100 of the total capital would yield a surplus-value, or profit, of 25 in A, 40 in B, 15 in C, and 10 in D. This would total 90, and if these four capitals are of the same magnitude, the average rate of profit would then be 90/4 or 22 1/2%.

Suppose, however, the total capitals are as follows: A=200, B=300, C=1,000, D=4,000. The profits produced would then respectively=50, 120, 150, and 400. This makes a profit of 720, and an average rate of profit of 13 1/11% for 5,500, the sum of the four capitals.

The masses of the total value produced differ in accordance with the magnitudes of the total capitals invested in A, B, C, D, respectively. The formation of the average rate of profit is, therefore, not merely a matter of obtaining the simple average of the different rates of profit in the various spheres of production, but rather one of the relative weight which these different rates of profit have in forming this average. This, however, depends on the relative magnitude of the capital invested in each particular sphere, or on the aliquot part which the capital invested in each particular sphere forms in the aggregate social capital. There will naturally be a very great difference, depending on whether a greater or smaller part of the total capital produces a higher or lower rate of profit. And this, again, depends on how much capital is invested in spheres, in which the variable capital is relatively small or large compared to the total capital. It is just like the average interest obtained by a usurer who lends various quantities of capital at different interest rates; for instance, at 4, 5, 6, 7%, etc. The average rate will depend entirely on how much of his capital he has loaned out at each of the different rates of interest.

The general rate of profit is, therefore, determined by two factors:

1) The organic composition of the capitals in the different spheres of production, and thus, the different rates of profit in the individual spheres.
2) The distribution of the total social capital in these different spheres, and thus, the relative magnitude of the capital invested in each particular sphere at the specific rate of profit prevailing in it; i.e., the relative share of the total social capital absorbed by each individual sphere of production.

In Books I and II we dealt only with the *value* of commodities. On the one hand, the *cost-price* has now been singled out as a part of this value, and, on the other, the *price of production* of commodities has been developed as its converted form.

Suppose the composition of the average social capital is 80c+20v and the annual rate of surplus-value, s', is 100%. In that case the average annual profit for a capital of 100=20, and the general annual rate of profit=20%. Whatever the cost-price, k, of the commodities annually produced by a capital of 100, their price of production would then be k+20. In those spheres of production in which the composition of capital would = (80-x)c +(20+x)v, the actually produced surplus-value, or the annual profit produced in that particular sphere, would be 20+x, that is, greater than 20, and the value of the produced commodities=k+20+x, that is, greater than k+20, or greater than their price of production. In those spheres, in which the composition of the capital=(80+x)c+(20-x)v, the annually produced surplus-value, or profit, would= 20-x, or less than 20, and consequently the value of the commodities k+20-x less than the price of production, which=k+20. Aside from possible differences in the periods of turnover, the price of production of the commodities would then equal their value only in spheres, in which the composition would happen to be 80c+20v.

The specific development of the social productivity of labour in each particular sphere of production varies in degree, higher or lower, depending on how large a quantity of means of production are set in motion by a definite quantity of labour, hence in a given working-day by a definite number of labourers, and, consequently, on how small a quantity of labour is required for a given quantity of means of production. Such capitals as contain a larger percentage of constant and a smaller percentage of variable capital than the average social capital are, therefore, called capitals of *higher* composition, and, conversely, those capitals in which the constant is relatively smaller, and the variable relatively greater than in the average social capital, are called capitals of *lower* composition. Finally, we call those capitals whose composition coincides with the average, capitals of average composition. Should the average social capital be composed in per cent of 80c+20v, then a capital of 90c+1Ov is *higher*, and a capital of 70c+ +30v *lower* than the social average. Generally speaking, if the composition of the average social capital=mc+nv, in which m and n are constant magnitudes and m+n=100, the formula (m+x)c+(n-x)v represents the higher composition, and (m-x)c+ +(n+x)v the lower composition of an individual capital or group of capitals. The way in which these capitals perform their functions after establishment of an average rate of profit and assuming one turnover per year, is shown in the following tabulation, in which I represents the average composition with an average rate of profit of 20%.

I) 80v+20v+20s. Rate of profit=20%.

Price of product=120. Value=120.

II) 90c+10v+10s. Rate of profit=20%.

Price of product=120. Value=110.

III) 70c+30v+30s. Rate of profit=20%.

Price of product=120. Value=130.

The value of the commodities produced by capital II would, therefore, be smaller than their price of production, the price of production of the commodities of III smaller than their value, and only in the case of capital I in branches of production in which the composition happens to coincide with the social average, would value and price of production be equal. In applying these terms to any particular cases note must, however, be taken whether a deviation of the ratio between c and v is simply due to a change in the value of the elements of constant capital, rather than to a difference in the technical composition.

The foregoing statements have at any rate modified the original assumption concerning the determination of the cost-price of commodities. We had originally assumed that the cost-price of a commodity equalled the value of the commodities consumed in its production. But for the buyer the price of production of a specific commodity is its cost-price, and may thus pass as cost-price into the prices of other commodities. Since the price of production may differ from the value of a commodity, it follows that the cost-price of a commodity containing this price of production of another commodity may also stand above or below that portion of its total value derived from the value of the means of production consumed by it. It is necessary to remember this modified significance of the cost-price, and to bear in mind that there is always the possibility of an error if the cost-price of a commodity in any particular sphere is identified with the value of the means of production consumed by it. Our present analysis does not necessitate a closer examination of this point. It remains true, nevertheless, that the cost-price of a commodity is always smaller than its value. For no matter how much the cost-price of a commodity may differ from the value of the means of production consumed by it, this past mistake is immaterial to the capitalist. The cost-price of a particular commodity is a definite condition which is given, and independent of the production of our capitalist, while the result of his production is a commodity containing surplus-value, therefore an excess of value over and above its cost-price. For all other purposes, the statement that the cost-price is smaller than the value of a commodity has now changed practically into the statement that the cost-price is smaller than the price of production. As concerns the total social capital, in which the price of production is equal to the value, this statement is identical with the

former, namely that the cost-price is smaller than the value. And while it is modified in the individual spheres of production, the fundamental fact always remains that in the case of the total social capital the cost-price of the commodities produced by it is smaller than their value, or, in the case of the total mass of social commodities, smaller than their price of production, which is identical with their value. The cost-price of a commodity refers only to the quantity of paid labour contained in it, while its value refers to all the paid and unpaid labour contained in it. The price of production refers to the sum of the paid labour plus a certain quantity of unpaid labour determined for any particular sphere of production by conditions over which it has no control.

The formula that the price of production of a commodity=k+p, i.e., equals its cost-price plus profit, is now more precisely defined with p=kp' (p' being the general rate of profit). Hence the price of production=k+kp'. If k=300 and p'=15%, then the price of production is k+kp'=300+300x15/100, or 345.

The price of production of the commodities in any particular sphere may change in magnitude:

1) If the general rate of profit changes independently of this particular sphere, while the value of the commodities remains the same (the same quantities of congealed and living labour being consumed in their production as before).
2) If there is a change of value, either in this particular sphere in consequence of technical changes, or in consequence of a change in the value of those commodities which form the elements of its constant capital, while the general rate of profit remains unchanged.
3) Finally, if a combination of the two aforementioned circumstances takes place.

In spite of the great changes occurring continually, as we shall see, in the actual rates of profit within the individual spheres of production, any real change in the general rate of profit, unless brought about by way of an exception by extraordinary economic events, is the belated effect of a series of fluctuations extending over very long periods, fluctuations which require much time before consolidating and equalising one another to bring about a change in the general rate of profit. In all shorter periods (quite aside from fluctuations of market-prices), a change in the prices of production is, therefore, always traceable prima facie to actual changes in the value of commodities, i.e., to changes in the total amount of labour-time required for their production. Mere changes in the money-expression of the same values are, naturally, not at all considered here.

On the other hand, it is evident that from the point of view of the total social capital the value of the commodities produced by it (or, expressed in money, their price)=value of constant capital+value of variable capital+surplus-value. Assuming the degree of labour exploitation to be constant, the rate of profit cannot change so long as the mass of surplus-value remains the same, unless there is a change in either the value of the constant capitaL the value of the variable capital, or the value of both, so that C changes, and thereby s/C, which represents the general rate of profit In each case, therefore, a change in the general rate of profit implies a change in the value of commodities which form the elements of the constant or variable capital, or of both.

Or, the general rate of profit may change, while the value of the commodities remains the same, when the degree of labour exploitation changes.

Or, if the degree of labour exploitation remains the same, the general rate of profit may change through a change in the amount of labour employed relative to the constant capital as a result of technical changes in the labour-process. But such technical changes must always show themselves in, and be attended by, a change in the value of the commodities, whose production would then require more or less labour than before.

We saw in Part I that surplus-value and profit are identical from the standpoint of their mass. But the rate of profit is from the very outset distinct from the rate of surplus-value, which appears at first sight as merely a different form of calculating. But at the same time this serves, also from the outset, to obscure and mystify the actual origin of surplus-value, since the rate of profit can rise or fall while the rate of surplus-value remains the same, and vice versa, and since the capitalist is in practice solely interested in the rate of profit. Yet there was difference of magnitude only between the rate of surplus-value and the rate of profit and not between the surplus-value itself and profit. Since in the rate of profit the surplus-value is calculated in relation to the total capital and the latter is taken as its standard of measurement, the surplus-value itself appears to originate from the total capital, uniformly derived from all its parts, so that the organic difference between constant and variable capital is obliterated in the conception of profit. Disguised as profit, surplus-value actually denies its origin, loses its character, and becomes unrecognisable. However, hitherto the distinction between profit and surplus-value applied solely to a qualitative change, or change of form, while there was no real difference of magnitude in this first stage of the change between surplus-value and profit, but only between the rate of profit and the rate of surplus-value.

But it is different, as soon as a general rate of profit, and thereby an average profit corresponding to the magnitude of invested capital given in the various spheres of production, have been established.

It is then only an accident if the surplus-value, and thus the profit, actually produced in any particular sphere of production, coincides with the profit contained in the selling price of a commodity. As a rule, surplus-value and profit and not their rates alone, are then different magnitudes. At a given degree of exploitation, the mass of surplus-value produced in a particular sphere of production is then more important for the aggregate average profit of social capital, and thus for the capitalist class in general, than for the individual capitalist in any specific branch of production. It is of importance to the latter only in so far as the quantity of surplus-value produced in his branch helps to regulate the average profit. But this is a process which occurs behind his back, one he does not see, nor understand, and which indeed does not interest him. The actual difference of magnitude between profit and surplus-value — not merely between the rate of profit and the rate of surplus-value — in the various spheres of production now completely conceals the true nature and origin of profit not only from the capitalist, who has a special interest in deceiving himself on this score, but also from the labourer. The transformation of values into prices of production serves to obscure the basis for determining value itself. Finally, since the mere transformation of surplus-value into profit distinguishes the portion of the value of a commodity forming the profit from the portion forming its cost-price, it is natural that the conception of value should elude the capitalist at this juncture, for he does not see the total labour put into the commodity, but only that portion of the total labour for which he has paid in the shape of means of production, be they living or not, so that his profit appears to him as something outside the immanent value of the commodity. Now this idea is fully confirmed, fortified, and ossified in that, from the standpoint of his particular sphere of production, the profit added to the cost-price is not actually determined by the limits of the formation of value within his own sphere, but through completely outside influences.

The fact that this intrinsic connection is here revealed for the first time; that up to the present time political economy, as we shall see in the following and in Book IV, either forcibly abstracted itself from the distinctions between surplus-value and profit, and their rates, so it could retain value determination as a basis, or else abandoned this value determination and with it all vestiges of a scientific approach, in order to cling to the differences that strike the eye in this phenomenon — this confusion of the theorists best illustrates the utter incapacity of the practical capitalist, blinded by competition as he is, and incapable of penetrating its phenomena, to recognise the inner essence and inner structure of this process behind its outer appearance.

In fact, all the laws evolved in Part I concerning the rise and fall of the rate of profit have the following two-fold meaning:

1) On the one hand, they are the laws of the general rate of profit. In view of the many different causes which make the rate of profit rise or fall one would think, after everything that has been said and done, that the general rate of profit must change every day. But a trend in one sphere of production compensates for that in another, their effects cross and paralyse one another. We shall later examine to which side these fluctuations ultimately gravitate. But they are slow. The suddenness, multiplicity, and different duration of the fluctuations in the individual spheres of production make them compensate for one another in the order of their succession in time, a fall in prices following a rise, and vice versa, so that they remain limited to local, i.e., individual, spheres. Finally, the various local fluctuations neutralise one another. Within each individual sphere of production, there take place changes, i.e., deviations from the general rate of profit, which counterbalance one another in a definite time on the one hand, and thus have no influence upon the general rate of profit, and which, on the other, do not react upon it, because they are balanced by other simultaneous local fluctuations. Since the general rate of profit is not only determined by the average rate of profit in each sphere, but also by the distribution of the total social capital among the different individual spheres, and since this distribution is continually changing, it becomes another constant cause of change in the general rate of profit. But it is a cause of change which mostly paralyses itself, owing to the uninterrupted and many-sided nature of this movement.
2) Within each sphere, there is some room for play for a longer or shorter space of time, in which the rate of profit of this sphere may fluctuate, before this fluctuation consolidates sufficiently after rising or falling to gain time for influencing the general rate of profit and therefore assuming more than local importance. The laws of the rate of profit, as developed in Part I of this book, likewise remain applicable within these limits of space and time.

The theoretical conception concerning the first transformation of surplus-value into profit, that every part of a capital yields a uniform profit, expresses a practical fact. Whatever the composition of an industrial capital, whether it sets in motion one quarter of congealed labour and three-quarters of living labour, or three-quarters of congealed labour and one-quarter of living labour, whether in one case it absorbs three times as much surplus-labour, or produces three times as much surplus-value than in another — in either case it yields the same profit, given the same degree of labour exploitation and leaving aside individual differences, which, incidentally, disappear because we are dealing in both cases with the average composition of the entire sphere of production. The individual capitalist (or all the capitalists in

each individual sphere of production), whose outlook is limited, rightly believes that his profit is not derived solely from the labour employed by him, or in his line of production. This is quite true, as far as his average profit is concerned. To what extent this profit is due to the aggregate exploitation of labour on the part of the total social capital, i.e., by all his capitalist colleagues — this interrelation is a complete mystery to the individual capitalist; all the more so, since no bourgeois theorists, the political economists, have so far revealed it. A saving of labour — not only labour necessary to produce a certain product, but also the number of employed labourers — and the employment of more congealed labour (constant capital), appear to be very sound operations from the economic standpoint and do not seem to exert the least influence on the general rate of profit and the average profit. How could living labour be the sole source of profit, in view of the fact that a reduction in the quantity of labour required for production appears not to exert any influence on profit? Moreover, it even seems in certain circumstances to be the nearest source of an increase of profits, at least for the individual capitalist.

If in any particular sphere of production there is a rise or fall of the portion of the cost-price which represents the value of constant capital, this portion comes from the circulation and, either enlarged or reduced, passes from the very outset into the process of production of the commodity. If, on the other hand, the same number of labourers produces more or less in the same time, so that the quantity of labour required for the production of a definite quantity of commodities varies while the number of labourers remains the same, that portion of the cost-price which represents the value of the variable capital may remain the same, i.e., contribute the same amount to the cost-price of tho total product. But every one of the individual commodities whose sum makes up the total product, shares in more or less labour (paid and therefore also unpaid), and shares consequently in the greater or smaller outlay for this labour, i.e., a 1arger or smaller portion of the wage. The total wages paid by the capitalist remain the same, but wages differ if calculated per piece of the commodity Thus, there is a change in this portion of the cost-price of the commodity. But no matter whether the cost-price of the individual commodity (or, perhaps, the cost-price of the sum of commodities produced by a capital of a given magnitude) rises or falls, be it due to such changes in its own value, or in that of its elements, the average profit of, e.g., 10% remains 10%. Still, 10% of an individual commodity may represent very different amounts, depending on the change of magnitude caused in the cost-price of the individual commodity by such changes of value as we have assumed.

So far as the variable capital is concerned — and this is most important, because it is the source of surplus-value, and because anything which conceals its relation to the accumulation of wealth by the capitalist serves to mystify the entire system — matters get cruder or appear to the capitalist in the following light: A variable

capital of £100 represents the weekly wage of, say, 100 labourers. If these 100 labourers weekly produce 200 pieces of a commodity=200C, in a given working-time, then 1C — abstracted from that portion of its cost-price which is added by the con stant capital, costs £100/200=10 shillings, since £100=200C. Now suppose that a change occurs in the productiveness of labour. Suppose it doubles, so that the same number of labourers now produces twice 200C in the time which it previously took to produce 200C. In that case (considering only that part of the cost-price which consists of wages) 1C=£100/400 = 5 shillings, since now £100=400C. Should the productiveness decrease one-half, the same labour would produce only 200C/2 and since £100= 200C/2, 1C=£200/2 = £1. The changes in the labour-time required for the production of the commodities, and hence the changes in their value, thus appear in regard to the cost-price, and hence to the price of production, as a different distribution of the same wage for more or fewer commodities, depending on the greater or smaller quantity of commodities produced in the same working-time for the same wage. What the capitalist, and consequently also the political economist, see is that the part of the paid labour per piece of commodity changes with the productivity of labour, and that the value of each piece also changes accordingly. What they do not see is that the same applies to unpaid labour contained in very piece of the commodity, and this is perceived so much less since the average profit actually is only accidentally determined by the unpaid labour absorbed in the sphere of the individual capitalist. It is only in such crude and meaningless form that we can glimpse that the value of commodities is determined by the labour contained in them.

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