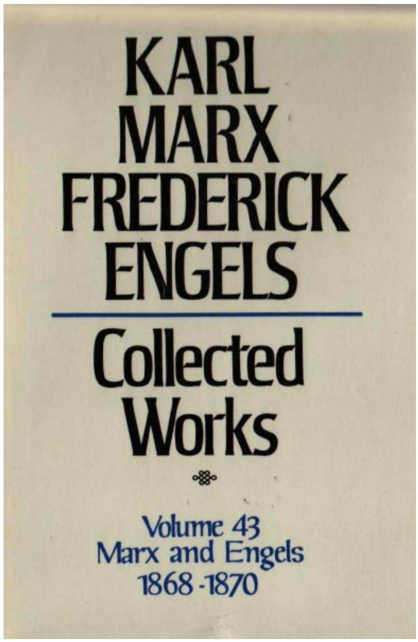
Letter from Marx to Engels, 30 April 1868

in *Marx-Engels Collected Works*, Volume 43



MARX TO ENGELS[33]

IN MANCHESTER

London, 30 April 1868

DEAR FRED,

For the CASE under discussion it is immaterial whether *m* (the surplus value) is *quantitatively* $>$ or $<$ than the surplus value created in the given branch of production itself. E.g., if

$\frac{100m}{400c+100v}$ =20%, and this becomes, owing to a fall in the value of money by $^1/_{10}$, $= \frac{110m}{400c+110v}$ (assuming that the value of the constant capital sinks), it is immaterial if the capitalist producer pockets only half of the surplus value which he himself produces. For the rate of profit for him then $= \frac{55m}{400c+110v} >$ than the former $\frac{50m}{400c+100v}$. I retain *m* here in order to show *qualitatively* in the expression itself where the profit comes from.

But it is proper that you should know the method by which the rate of profit is developed. I shall therefore give you the process in the *most general* outline. In *Book II*,[41] as you know, the *process of circulation* of capital is presented on the basis of the premisses developed in Book I. I.e. the new determinations of form which arise from the process of circulation, such as fixed and circulating capital, turnover of capital, etc. Finally, in Book I we content ourselves with the assumption that when, in the valorisation process,[a] £100 becomes £110, it *finds* the elements into which it is converted anew *already in existence* in the market. But now we investigate the conditions under which these elements are to be found in existence, that is to say, the social intertwining of the different capitals, of parts of capital and of REVENUE (=*m*).

In Book III[41] we then come to the conversion of surplus value into its different forms and separate component parts.

I. *Profit* is for us, for the time being, only *another name* for or another category of *surplus value*. As, owing to the form of wages, the whole of labour appears to be paid for, the unpaid part of it seems necessarily to come not from labour but from capital, and not from the variable part of capital but from the total capital. As a result, *surplus value* assumes the form of *profit*, without there being any *quantitative* difference between the one and the other. It is only an illusory manifestation of surplus value.

Further, the part of capital consumed in the production of a commodity (the capital, constant and variable, advanced for its production, *minus* the utilised but not consumed part of *fixed* capital) now appears as the *cost price* of the commodity, since for the capitalist that part of the value of the commodity that it costs *him* is *its* cost price, while the unpaid labour contained in the commodity does not enter into *its* cost price, from his point of view. The surplus value=profit now appears as the *excess of the*

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[a] In the original: Verwertungsprozeß. See also this volume, p. 360.

selling price of the commodity over its cost price. Let us call the value of the commodity W and its cost price K; then $W=K+m$, therefore $W-m=K$, therefore $W>K$. This new category, cost price, is very necessary for the details of the later analysis. It is evident from the outset that the capitalist can sell a commodity at a profit *below its value* (as long as he sells it *above* its cost price), and this is the *fundamental law* for comprehending the equalisations effected by competition.

Therefore, while profit is at first *only formally* different from surplus value, the *rate of profit* is, by contrast, at once really different from the *rate of surplus value*, for in one case we have $\frac{m}{v}$ and in the other $\frac{m}{c+v}$, from which it follows from the outset, since $\frac{m}{v} > \frac{m}{c+v}$, that the rate of profit < than the rate of surplus value, unless $c=0$.

In view of what has been developed in Book II, it follows, however, that we cannot compute the rate of profit on the commodity product of any period we select, e.g. that of a week, but that $\frac{m}{c+v}$ denotes here the surplus value produced *during the year* in relation to the capital *advanced* during the year (as distinct from the capital *turned over*). Therefore, $\frac{m}{c+v}$ stands here for the *annual rate of profit.*

Then we shall first examine how variations in the *turnover* of capital (partly depending on the relation of the circulating to the fixed portions of capital, partly on the number of times the circulating capital turns over in a year, etc., etc.) modify the *rate of profit* while the *rate of surplus value remains the same.*

Now, taking the turnover as given, and $\frac{m}{c+v}$ as the annual rate of profit, we examine how the latter can change, independently of changes in the rate of surplus value, and even of its total amount.

Since m, the total amount of surplus value, = *the rate of surplus value multiplied by the variable capital*, then, if we call the rate of surplus value r[a] and the rate of profit p', $p'=\frac{r \cdot v}{c+v}$. Here we have the 4 quantities p', r, v, c, with any 3 of which we can work, always seeking the 4th as unknown. This covers all possible cases of movements in the rate of profit, in so far as they are distinct from

[a] Otherwise Marx designates the rate of surplus value as r only in his economic manuscript of 1861-63. In Volume I of *Capital* he designates it as the ratio $\frac{m}{v}$, and in Volumes II and III as m'.

the movements in the rate of surplus value and, TO A CERTAIN EXTENT, even in its total amount. This has, of course, hitherto been *inexplicable* to everybody.

The laws thus found—very important, e.g., for understanding how the price of the raw material influences the rate of profit—hold good *no matter how* the surplus value is later divided among the producer, etc. This can only change the *form of appearance*. Moreover, they remain *directly* applicable if $\frac{m}{c+v}$ is treated as the relation of the socially produced surplus value to the social capital.

II. What were treated in I as *movements*, whether of capital in a particular branch of production or of social capital—movements changing its composition, etc.—are now conceived as *differences* of the *various masses of capital invested in the different branches of production*.

Then it turns out that, assuming *the rate of surplus value*, i.e. the exploitation of labour, as *equal*, the production of value and therefore the production of surplus value and therefore the *rate of profit* are *different* in different branches of production. But from these varying rates of profit a mean or general rate of profit is formed by competition. This rate of profit, expressed absolutely, can be nothing but the *surplus value* produced (annually) by the *capitalist class* in relation to the total of *social* capital advanced. E.g., if the social capital$=400c+100v$, and the surplus value annually produced by it$=100m$, the composition of the social capital$=80c+20v$, and that of the product (in percentages)$=80c+20v \mid +20m=20\%$ rate of profit. This is the *general rate of profit*.

What the competition among the various masses of capital—invested in different spheres of production and differently composed—is striving for is *capitalist communism*, namely that the *mass of capital employed in each sphere of production* should get a fractional part of the total surplus value proportionate to the part of the total social capital that it forms.

This can only be achieved if in each sphere of production (assuming as above that the total capital$=80c+20v$ and the social rate of profit$=\frac{20m}{80c+20v}$) the annual commodity product is sold at *cost price + 20% profit on the value of the capital advanced* (it is immaterial how much of the advanced fixed capital enters into the annual cost price or not). But this means that the *price determination* of the commodities must *deviate* from their *values*.

Only in those branches of production where the percentual composition of capital is $80c+20v$ will the price K (*cost price*) + *20% on the capital advanced* coincide with the *value* of the commodities. Where the composition is higher (e.g. $90c+10v$), the price is *above* their value; where the composition is lower (e.g. $70c+30v$), the price is *below* their value.

The price thus equalised, which divides up the social surplus value equally among the various masses of capital in proportion to their sizes, is the *price of production* of commodities, the centre around which the oscillation of the market prices moves.

Those branches of production which constitute a natural *monopoly* are exempted from this *equalisation process*, even if their rate of profit is higher than the social rate. This is important later for the development of *rent*.[a]

In this chapter,[42] there must be further developed the various *causes of equalisation* of the various capital investments, which appear to the vulgar conception as so many *sources* of profit.

Also to be developed: the *changed form of manifestation* that the previously developed and still valid laws of value and surplus value assume now, *after the transformation of values into prices of production.*

III. *The tendency of the rate of profit to fall as society progresses.* This already follows from what was developed in Book I on the *change in the composition of capital with the development of the social productive power.*[43] This is one of the greatest triumphs over the *pons asini*[b] of all previous political economy.

IV. Until now we have only dealt with *productive capital.*[44] Now there enters modification through *merchant capital.*

According to our previous assumption the *productive capital* of society = 500 (millions or billions, *n'importe*[c]). And the formula was $400c+100v \mid +100m$. The general rate of profit, p', = 20%. Now let the merchant capital = 100.

So, the $100m$ has now to be calculated on 600 instead of 500. The general rate of profit is thus reduced from 20% to $16\,^2/_3$%. The *price of production* (for the sake of simplicity we will assume here that all of the $400c$, i.e. the whole fixed capital, enters into the *cost price* of the annual output of commodities) now $=583\,^1/_3$. The merchant sells at 600 and therefore realises, if we ignore the fixed portion of his capital, $16\,^2/_3$% on his 100, as much as the productive capitalists; or, in other words, he appropriates $^1/_6$ of the social surplus value. The commodities—*en masse* and on a social

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[a] Marx means the theory of absolute rent (see present edition, Vol. 37). - [b] asses' bridge - [c] it doesn't matter

scale—are sold at *their value.* His £100 (apart from the fixed portion) only serve him as circulating money capital. Whatever the merchant swallows over and above that, he gets either simply by trickery, or by speculation on the oscillation of commodity prices, or, in the case of the actual retailer, as wages for labour—wretched unproductive labour that it is—in the form of profit.

V. We have now reduced profit to the form in which it appears in practice, according to our assumptions $16^{2}/_{3}\%$. *Next comes the division of this profit into entrepreneur's gain and interest. Interest-bearing capital. The credit system.*

VI. *Transformation of surplus profit into rent.*

VII. At last we have arrived at the *forms of manifestation* which serve as the *starting point* in the vulgar conception: rent, coming from the land; profit (interest), from capital; wages, from labour. But from our standpoint things now look different. The apparent movement is explained. Furthermore, A. Smith's nonsense, which has become the *main pillar* of all political economy hitherto, the contention that the price of the commodity consists of those three revenues, i.e. only of variable capital (wages) and surplus value (rent, profit (interest)), is overthrown.[45] The entire movement in this apparent form. Finally, since those 3 items (wages, rent, profit (interest)) constitute the sources of income of the 3 classes of landowners, capitalists and wage labourers, we have the *class struggle,* as the conclusion in which the movement and disintegration of the whole shit resolves itself.

Our young couple[a] back again since last week, very love-SICK. Apartment for them near Primrose Hill, where they moved in this evening.

Enclosed letters from Kugelmann, etc. I have sent Schily what he wanted,[46] but not in the childish way he requested. In a few days I shall be 50. As that Prussian lieutenant said to you: '20 years of service and still lieutenant', I can say: half a century on my shoulders, and still a pauper. How right my mother was: 'If only Karell had made capital instead of etc.'

Salut.

Your

K. Marx

Of carbuncles only a very small trace on the right thigh, but will probably vanish without trace.

[a] Paul and Laura Lafargue

Ernest Jones has made a fool of himself by his lukewarm and *nisi prius*[a] way of defending Burke.[47] Burke has at least won a victory in forcing the old jackass Bramwell to abandon the hypocrisy of TEMPER, and allowing his mean dog's soul to rampage free of *carrière*.[b]

First published in *Der Briefwechsel zwischen F. Engels und K. Marx*, Bd. 4, Stuttgart, 1913

Printed according to the original

Published in English in full for the first time