The Division of Profit Into Interest and Profit of Enterprise. (Industrial or Commercial Profit). Interest-Bearing Capital

On our first consideration of the general rate of profit and the average rate of profit that corresponds to this (Chapter Two of this book) we didn’t yet have the average rate of profit before us in its finished form, since the equalisation that produced it still appeared simply as an equalisation of the productive capitals invested in different spheres. This was supplemented in the last chapter, where we discussed the participation of commercial capital in equalisation (as well as mercantile profit). The general rate of profit or the average profit were then presented within more closely defined limits than before. In the further course of our analysis it is to be understood that when we speak of the general rate of profit or the average profit this is in the latter sense, hence exclusively with respect to the finished form of the average rate. Since in this version the average rate is the same for industrial and mercantile capital, it is also no longer necessary to make a distinction between industrial and commercial profit, to the extent that we are now dealing only with this average profit. Whether capital is invested industrially in the sphere of production or commercially in that of circulation, it yields the same annual average profit.

On the basis of the capitalist mode of production, money (i.e., money taken as the independent expression of a sum of value, whether this actually exists in money or in commodities) can be transformed into capital, and through this transformation it is turned from a given, fixed value into a self-valorising value, capable of increasing its own value. It becomes a producer of profit, i.e., it enables the capitalist to extract from the workers and to appropriate for himself a certain quantity of unpaid labour, surplus product and surplus-value. In this way the money receives an additional use-value, besides the use-value it possesses as money, namely the ability to function as capital. Its use-value here consists precisely in the profit that it produces when transformed into capital. In this capacity of potential capital, as a means for the production of profit, it
becomes a commodity, but a commodity of a special kind. Or, and this comes to the same thing, capital as capital becomes a commodity.\footnote{A few passages could be quoted here in which the economists see matters in this way: ‘You (the Bank of England) are very large dealers in the commodity of capital?’ (Report on the Bank Acts, 1857, answer no. 1194.)}

Let us take the average annual rate of profit as 20 percent. Under average conditions, then, and with the average level of intelligence and activity appropriate to the intended purpose, a sum of value of £100, expended as capital, will yield a profit of 20 percent. Thus a man who has £100 at his disposal holds in his hands the power of making this £100 into £120, and thus producing a profit of £20. He holds in his hands a potential capital of £100. If this man makes over his £100 for a year to someone else, who actually does use it as capital, he gives him the power to produce £20 of profit, a surplus-value that costs him nothing and for which he does not pay any equivalent. If the second man pays the proprietor of the £100 a sum of £5, say, at the end of the year, i.e., a portion of the profit produced, what he pays for with this is the use-value of the £100, the use-value of its capital function, the function of producing a profit of £20. The part of the profit paid in this way is called interest, which is thus nothing but a particular name, a special title, for a part of the profit which the functioning capitalist has to pay to the owner of the capital |287|, instead of pocketing it himself.

It is clear that the possession of this £100 gives its owner the power to demand an interest, in other words a certain part of the profit that his capital produces. If he did not give the other person the £100, the latter would be unable to produce the profit of £20, and unable to function at all as a capitalist.\footnote{‘That a man who borrows money with the intention of making a profit on it, should give a part of the profit to the lender is a self-evident principle of natural justice’. (Gilbart 1834, p. 163.) [Marx's version, given here, differs slightly from the original. Translator]}

It is nonsense for Gilbart to speak here of ‘natural justice’ (see note 2). The justice of transactions between the agents of production consists in the fact that these transactions arise from the relations of production as their natural consequence. The legal forms in which these economic transactions appear as voluntary actions of the participants, as the expressions of their common will and as contracts that can be enforced on the individual parties by the power of the state, are mere forms that cannot themselves determine this content. They simply express it. The content is just when it corresponds to the mode of production and is adequate to it. It is unjust as soon as it contradicts it. Slavery, for example, is unjust on the basis of the capitalist mode of production; so is cheating on the quality of commodities, etc.