stituting what he calls the Theory of the Law, said to explain the intrinsically uneven development of capitalism.

This Theory of Law can be summed up in the following:

The value of any commodity produced under capitalist conditions can be broken down into three component parts: constant capital (C), variable capital (V), and surplus value (S).

$$C + V + S = \text{Total Value}$$

From this basic formula, three ratios are derived:

First, the rate of surplus value defined as the ratio of surplus value to variable capital and is denoted by S':

$$\frac{S}{V} = S' = \text{Rate of Surplus Value}$$

The rate of surplus value is the capitalist form of what Marx calls the rate of exploitation, that is to say, the ratio of surplus labor to necessary labor.

Second, a measure of the relation of constant to variable capital in the total capital used in production. Marx calls this relation the organic composition of capital. This relation can be indicated most conveniently by the ratio of constant capital to total capital (Q):

$$\frac{C}{C+V} = Q = \text{Organic Composition of Capital}$$

Third, the rate of profit defined as the ratio of surplus value to total capital outlay (P):

$$\frac{S}{C+V} = P = \text{Rate of Profit}$$

For the capitalist, the crucial ratio is the rate of profit. In mathematical language, the rate of profit is a function of the rate of surplus value and the organic composition of capital. Remembering the