CHAPTER V.

The Theory of Profit (Continued)

1. Two causes for an overestimation of present goods; (*a*) the difference in the relation between needs and the means for their fulfilment at various times; (*b*) the systematic underestimation of future goods.

2. Third cause for the overestimation of present goods; their technical superiority.

3. The subsistence fund; the demand for present goods and the supply; the origin of profit.

1. Two Causes for the Overestimation of Present Goods.

In the preceding section we found that the *realisation* of profit is made when the capitalist sells goods; potentially, however, the profit arises when labour is purchased. As a rule, the subjective evaluations of present goods exceed those of future goods. But since the subjective evaluations determine the objective exchange value of the price, present goods as a rule surpass future goods of the same type not only in their *subjective value,* but also in *price.*[133] The difference between the prices paid by the capitalist when purchasing future goods, particularly labour,[134] and those obtained in the sale of the commodity resulting from the production process (the "maturing of future goods into present goods"), constitutes capital's profit. We must therefore trace the formation of this profit and begin with an analysis of the subjective evaluations from which the objective value—in each concrete case, the price—takes its origin.

Böhm-Bawerk points out *three* causes for a higher evaluation of present goods as compared with future goods: (1) the difference in the relation between requirements and the means for their fulfilment at various times; (2) the systematic underestimation of future goods; (3) the technical superiority of present goods. Let us consider each of Böhm-Bawerk's arguments in order. As to the first "cause": "The *first* chief