

### Topic 3

## Marxist Theories of Capital: Labour

### Capitalism: conflict over surplus

- Purpose: from defence to destruction of capitalism
- Labour: from many to one factor of production
- Surplus: history, labour and class conflict
- Forms of surplus: physical and political
- Political economy: social totality, theory, ideology

### The labour theory of value

- Surplus and surplus value
- The Physiocrats and land, the classicists and labour
- Value and labour time
- Socially necessary labour
- Concrete and abstract labour
- Labour power
- Exploitation: labour vs. labour power
- Simple circulation: reproduction of the worker
- Expanded circulation: capital accumulation
- Constant capital, variable capital and surplus value
- Value theory and capitalist development
- Capitalist fractions

### Controversies

- The elementary particle: socially necessary abstract labour
- The origin: “production”
- Values → production prices → market prices: the two transformations

### The 2<sup>nd</sup> transformation: from production prices to market prices

- Why only labour? Böhm Bawerk’s critique
- The need for automaticity: excluding power
- The uncertain future: excluding capitalization
- Explanatory power: a weightless theory?

### Testing the labour theory of value

- Marx’s focus: general tendencies
- Squeezing truth out errors: Gauss’ least squares and Galton’s mean reversion
- Marx’s Value: the equilibrating centre of gravity
- Empirical assessment: what do we need to know?
- Prices: individual, average, aggregate
- Spurious correlation
- Values: the invisible target
- Running in circles: correlating prices with prices

### The 1<sup>st</sup> transformation: from values to production prices

- Three ratios: (1) the rate of profit, (2) the rate of exploitation and (3) the organic composition of capital
- Convergence?
- Augmenting the theory: values + the organic composition of capital
- Pulling and redistributing: deriving prices from values
- The importance of aggregates

**Bortkiewicz's inconsistency**

- Mismatch: incomes differ from spending
- Marx's error: mixing values and prices
- Borkiewicz's solution: the consistent dual system
- A price to pay: losing the material anchor

**Samuelson's complicating detour**

- Marx's redundancy: from production, to values, to prices
- Samuelson's reductions: from production to prices
- Jettisoning value: throwing the baby with the bathtub's water?

**Steedman's joint production**

- Production as a black box
- Many inputs, many outputs
- Simultaneous equations: what if their solutions aren't unique?
- The general case of joint production: can the labour theory of value survive?

**New Solutions**

- Changing the assumptions
- Morishima: from average to minimum labour time
- Laibman: from the rate of profit to the rate of exploitation
- Farjoun and Machover: from deterministic to stochastic process
- Occam's razor: can praxis survive complexity?

**New Interpretations**

- Changing the definitions
- The temporal single-system interpretation (TSSI)
- Temporal: from LIFO to FIFO
- Single-Systems: fusing prices with values
- Full consistency, by assumption
- TSSI: a theory or an accounting device?
- TSSI: where has all the labour gone?

**Production**

- The origin: "productive labour"
- Production and surplus value: are we going in a circle?

**Labour: productive & unproductive**

- The conflict: the bourgeoisie contra the nobility
- Descartes' cause: direct contact
- Quesnay's landed tillers
- Smith's entrepreneurs
- Marx's industrial workers
- Who is productive, who is not?

**Production & circulation**

- Production: mediating society and nature
- Circulation: mediating social relations
- Disentangling production from circulation: finance, advertising, insurance and amalgamation

**Objective exchange values?**

- Schizophrenia: can exchange value be determined independently of use value?
- Mismatch: capitalist answers for pre-capitalist questions

**Non-capitalist production?**

- State run production: administration, social services, government-owned enterprises
- The capitalist yardstick: private employment for profit
- Can there be other yardsticks?

**A qualitative labour theory of value?**

- The long retreat from quantities
- Eating the cake and having it to: Marxism sans labour values
- Marx's science: the promise
- Quantities and qualities: toward a new theory of value

**Circulation**

Simple circulation: the reproduction of the worker

$$C \rightarrow M \rightarrow C$$

Expanded circulation: capital accumulation

$$M \rightarrow C \rightarrow M + \Delta M$$

Enters production:

$$M \rightarrow C \rightarrow \text{Production} \rightarrow C \rightarrow M + \Delta M$$

Decomposition: constant capital ( $c$ ), variable capital ( $v$ ), surplus value ( $s$ ):

$$M \rightarrow C \rightarrow (c+v) \rightarrow (c+v+s) \rightarrow C \rightarrow M + \Delta M$$

**Historical Stages and “Fractions of Capital”**

Sheer force: money capital

$$M \rightarrow M + \Delta M$$

Commercial: arbitrage capital and the “extensive” empires

$$M \rightarrow C \rightarrow M + \Delta M$$

Productive: industrial capital and the “intensive” empires

$$M \rightarrow C \rightarrow \text{Production} \rightarrow C \rightarrow M + \Delta M$$

### **The Equilibrating Centre of Gravity**

“The assumption that the commodities of the various spheres of production are sold at their value implies, of course, only that their value is the center of gravity around which prices fluctuate, and around which their rise and fall tends to an equilibrium.”

(Marx, Karl. 1894. *Capital. A Critique of Political Economy. Vol. 3: The Process of Capitalist Production as a Whole*. Edited by Friedrich Engels. New York: International Publisher, p. 210)

### **Spurious Correlation: An Illustration**

[http://bnarchives.yorku.ca/308/04/20101200\\_cockshott\\_nitzan\\_bichler\\_testing\\_the\\_ltv\\_spurious\\_correlation.xls](http://bnarchives.yorku.ca/308/04/20101200_cockshott_nitzan_bichler_testing_the_ltv_spurious_correlation.xls)

### **The First Transformation: From Values to Prices of Production**

Decomposing the value of a commodity, with constant capital ( $c$ ), variable capital ( $v$ ), surplus value ( $s$ ), the initial investment ( $M$ ) and the profit ( $\Delta M$ ):

$$1. \quad c + v + s = M + \Delta M$$

**Rate of profit  $\pi$  in money terms** (ratio of profit to invested capital):

$$2. \quad \pi = \frac{\Delta M}{M}$$

**Rate of profit in value terms** (ratio of surplus value to the sum of constant and variable capital):

$$3. \quad \pi = \frac{s}{c + v}$$

**Rate of exploitation  $\varepsilon$**  (ratio of surplus value to the value of labour power):

$$4. \quad \varepsilon = \frac{s}{v}$$

**Organic composition of capital  $\theta$**  (ratio of constant capital to variable capital, or “mechanization”):

$$5. \quad \theta = \frac{c}{v}$$

Divide the numerator and denominator of Equation 3 by  $v$ :

$$6. \quad \pi = \frac{\frac{s}{v}}{\frac{c}{v} + 1} = \frac{\varepsilon}{\theta + 1}$$

### **Marx's Hologram**

“As large-scale industry advances, the creation of real wealth depends less on the labour time and quantity of labour expended than on the power of the instrumentalities set in motion during the labour time. . . . Human labour then no longer appears enclosed in the process of production – man rather relates himself to the process of production as supervisor and regulator. . . . He stands outside of the process of production instead of being the principal agent in the process of production. In this transformation, the great pillar of production and wealth is no longer the immediate labour performed by man himself, nor his labour time, but the appropriation of his own universal productivity, i.e. *his knowledge and his mastery of nature through his societal existence* – in one word, the development of the *societal individual*. . . . As soon as human labour, in its immediate form, has ceased to be the great source of wealth, labour time will cease, and must of necessity cease to be the measure of wealth, and the exchange value must of necessity cease to be the measure of use value. . . . The mode of production which rests on the exchange value thus collapses.”

(Karl Marx, *Grundrisse der Kritik der politischen Oekonomie*: 592f, translated from the German by Marcuse 1964: 35–36, emphases added)

### **Objective Exchange value?**

“[A] society can only increase its **wealth** through the **purposeful transformation of nature** and only that **amount** that has thus been produced can be distributed among the individual members or social classes of society. No amount of exchanging parts of the social product already produced can increase this **product itself**. . . . This means that any activity which is not **directly necessary for humanity's intercourse with nature** in order to transform aspects of it in accordance with **human needs** cannot be regarded as productive labour in general, nor therefore, as productive labour under capitalism.”

(Sungur Savran and Ahmet E. Tonak. 1999. Productive and Unproductive Labour: An Attempt at Clarification and Classification. *Capital & Class*, No. 68, Summer, pp. 143-144).

### **Eating the Cake and Having it too**

“While the idea of value as an accounting tool or as an empirically observable magnitude plainly had to be abandoned, it could still be treated as a “real phenomena with concrete effects”. . . . It could be constructed as the “essence” that lay behind the “appearance”, the “social reality” behind the fetishism of everyday life.”

David Harvey 1982. [1999]. *The Limits to Capital*. London and New York: Verso, p. 36.