Third Lecture
Labour and Value: Marxist Capital

Capitalism: conflict over surplus
· Purpose: from defense 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
· Value theory: qualitative and quantitative.
· The transformation problem (I): from values to production prices
· Rate of profit, rate of exploitation and the organic composition of capital
· The transformation problem (II): from production prices to market prices
· A labour theory of value without perfectly competitive equilibrium?
· Inner logic: Samuleson's redundancies
· Inner logic: Joint processes and Steedman's impossibilities
· Existence: does labour value exist?
· Existence: can the value equations be specified?

Quality and quantity
· Marx and the neoclassicists: the common ground
· "Bottom up": from production to distribution

The Neo-Marxist revision
· Power without value
· Time to rethink capital

Circulation

Simple circulation: the reproduction of the worker

$$C \to M \to C$$

Expanded circulation: capital accumulation

$$M \to C \to M + \Delta M$$

Enters production:

$$M \to C \to Production \to C \to M + \Delta M$$

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

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

Historical Stages and "Fractions of Capital"

Sheer force: money capital

$$M \to M + \Delta M$$

Commercial: arbitrage capital and the "extensive" empires

$$M \to C \to M + \Delta M$$

Productive: industrial capital and the "intensive" empires

$$M \to C \to Production \to C \to M + \Delta M$$

The Transformation Problem: 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 (ΔM):

$$c + v + s = M + \Delta M$$

Rate of profit π (ratio of profit to invested capital)

$$\pi = \Delta M / M$$

Assuming the surplus value (s) is equal to the profit (ΔM):

$$\pi = s / (c + v)$$

Rate of exploitation ε (ratio of surplus value to the value of labour power)

$$\varepsilon = s / v$$

Organic composition of capital θ (ratio of constant capital to variable capital, or "mechanization")

$$\theta = c / v$$

Divide the numerator and denominated of the rate of profit equation by v:

$$\pi = (s / v) / (c / v + 1)$$

$$\pi = (\varepsilon) / (\theta + 1)$$

The Labour Theory of Value: One Question, or Two?

Labour Process ➔ *Commodity (Labour Value)* ➔ *Price*

1. Are prices derived from labour values?
2. Do commodities "have" a labour value?