Third Lecture

Labour-Value and Capital: Marxist Controversies

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
- 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
- Samuleson’s redundancies
- Joint processes and Steedman’s impossibilities
- Can the value equations be specified?

Quality and quantity
- Marx and the neoclassicists: the common ground
- “Bottom up”: from production to distribution
- From utils to prices: hedonic indices and the naked emperor
- From value to prices: concrete and abstract labour

The Neo Marxist revision
- Power and the end of value
- Time to rethink capital
Circulation

Simple circulation: the reproduction of the worker

\[ C \rightarrow M \rightarrow C \]

Expanded circulation: capital accumulation

\[ M \rightarrow C \rightarrow M + AM \]

Enters production:

\[ M \rightarrow C \rightarrow \text{Production} \rightarrow C \rightarrow M + AM \]

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

\[ M \rightarrow C \rightarrow (c+v) \rightarrow (c+v+s) \rightarrow C \rightarrow M + AM \]

Historical Stages and “Fractions of Capital”

Sheer force: money capital

\[ M \rightarrow M + AM \]

Commercial: arbitrage capital and the “extensive” empires

\[ M \rightarrow C \rightarrow M + AM \]

Productive: industrial capital and the “intensive” empires

\[ M \rightarrow C \rightarrow \text{Production} \rightarrow C \rightarrow M + AM \]
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 \((\Delta M)\):

\[
c + v + s = M + \Delta M
\]

**Rate of profit** \(\pi\) (ratio of profit to invested capital)

\[
\pi = \frac{\Delta M}{M}
\]

Assuming the surplus value \((s)\) is equal to the profit \((\Delta M)\):

\[
\pi = \frac{s}{c + v}
\]

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

\[
\varepsilon = \frac{s}{v}
\]

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

\[
\theta = \frac{c}{v}
\]

Divide the numerator and denominator of the rate of profit equation by \(v\):

\[
\pi = \frac{s}{v} \div \frac{c}{v + 1}
\]

\[
\pi = \frac{\varepsilon}{\theta + 1}
\]
## Real Quantities?

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil (tonnes)</th>
<th>price</th>
<th>Grain (tonnes)</th>
<th>price</th>
<th>Real GDP (equilibrium in year 1)</th>
<th>Real GDP (equilibrium in year 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>quantity ratio of Oil to Grain = 2 (100/50)</td>
<td>quantity ratio of Oil to Grain = 6 (300/50)</td>
</tr>
<tr>
<td>1</td>
<td>10</td>
<td>$100</td>
<td>20</td>
<td>$50</td>
<td>$2,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>2</td>
<td>40</td>
<td>$300</td>
<td>20</td>
<td>$50</td>
<td>$5,000</td>
<td>$13,000</td>
</tr>
</tbody>
</table>

**increase**

|          | 150.0%       | 225.0%       |