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INVISIBLE LEVIATHAN: MARX'S LAW OF VALUE IN THE TWILIGHT OF CAPITALISM

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Distinctive Features of *Invisible Leviathan*

- Delineates the **essential postulates of Marx's value theory** and their relationship to his theory of economic crisis, above all **the law of the tendency of the rate of profit to fall**.
- Offers a defense of Marx's labour theory of value via a critical survey of **Ricardian-Marxist, neo-Ricardian, neo-orthodox/ 'value-form' & fundamentalist approaches** to it.
- Discloses affinities between non-fundamentalist value-form theory and the idea that capitalist economic crises stem, at least sometimes, from problems of surplus-value **realisation** rather than from inadequate surplus-value **production**.
- Defends the non-conventional treatment of **tax revenues and unproductive labour costs** as elements of **constant capital**.
- Posits **Anticipated Future Value** as a **temporal mode of value** distinct from both new (current) & previously existing value.

Fundamental Postulates of Marx's Value Theory

- 1) **Living labour**, directly involved in producing commodities, is **the sole source of new 'value'**. Under capitalism, economic value appears as a *social relation of people to people*. Value is the principle underlying *the social division of living labour* and *the class-antagonistic measure of wealth* (via money).
- 2) **Value exists as a definite quantitative magnitude** that sets parametric limits on prices, profits, wages, interest, etc.
- 3) The substance of value is **abstract social labour**; its measure is **socially-necessary labour time**; and its necessary form of appearance is **money**.

Contending Camps in the Value Controversy

Ricardian-Marxism: Underestimates the importance of the 'value form' in Marx's analysis in favour of an embodied-labour ('physicalist') conception of the value magnitude. Commodity Value = Socially Necessary Labour Time.

Neo-Ricardianism: Regards Marx's 'value' accounting as 'redundant' to Sraffa's method of deriving prices from physical inputs to production – and also as logically problematic, since it embroils us in the unresolved 'problem' of transforming commodity values into prices of production.

Neo-Orthodox Value-Form Theory:

*Rejects an 'embodied-labour' in favour of an 'abstract labour' conception of value. Abstract labour is seen as a purely 'social reality' emerging from commodity exchange – or sometimes in the 'interaction' of production and exchange.

* Implicitly, the source of crisis is displaced from capitalist production (valorisation) to the sphere of exchange (realisation).

Fundamentalist Value Theory:

- The Ricardian-Marxist camp subordinates Marx's value-form analysis to his value-magnitude analysis; the neo-orthodox value-form theorists reverse this.
- Both camps tend to *dissociate* the 'quantitative' from the 'qualitative'; the macro from the micro; the 'world of commodities' from the 'individual commodity'. Relatedly, both also have inadequate understandings of Marx's concept of 'abstract labour'.
- The key postulates of Marx's theory of value discussed earlier can only be sustained if **abstract labour** – the substance of value – is considered as **a structural universal** specific to capitalism.

A DIGRESSION:
SOME SYMPTOMS OF GLOBAL
CAPITALISM'S HISTORICAL-
STRUCTURAL CRISIS

Average Annual Growth Rates of Global GDP by Decade, and from 2011-13

<u>1960s</u>	<u>1970s</u>	<u>1980s</u>	<u>1990s</u>	<u>2000s</u>	<u>2011-13</u>
4.9%	3.93%	2.95%	2.70%	2.58%	2.4%

Source: World Bank

Average Annual Growth Rates of Global GDP per Capita by Decade, and in 2011-12

1960s	1970s	1980s	1990s	2000s	2011-12
3.5%	2.4%	1.4%	1.1%	1.3%	1.2%

Source: World Bank

Average Annual Growth Rates of the Combined GDPs of the Top 35 'Advanced Capitalist Economies' by Decade, and from 2010-14

1980s	1990s	2000-09	2010-14
3.09%	2.64%	1.65%	1.70%

Note: China is not included

Source: IMF, World Economic Outlook Database

Neoliberal 'Financialization'

In the early 1980s, the U.S. financial sector accounted for just 10 percent of total corporate profits; by 2007, finance accounted for 40 percent.

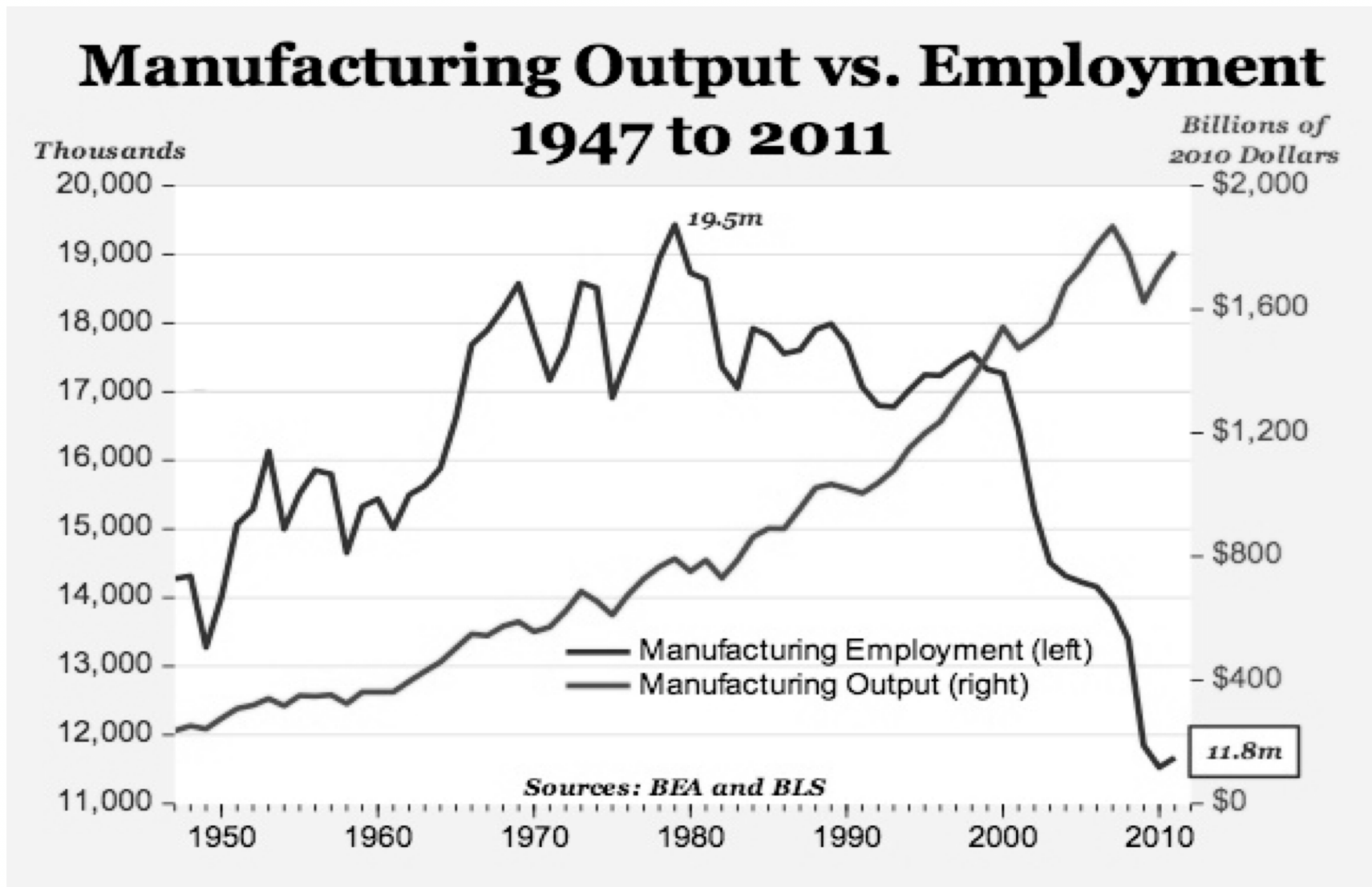
Between 1981 and 2008, credit-market debt in the U.S. mushroomed from 164 percent to 370 percent of Gross Domestic Product.

In 1980, world financial assets -- bank deposits, securities and shareholdings -- were valued at 119 percent of the value of global output; by 2007, on the eve of the Great Recession, this valuation had reached 356 percent.

Postulates of Marx's 'Law of the Tendency of the Rate of Profit to Fall'

- 1) *Technological innovation that displaces living labour from production depresses the average rate of profit*, since only living, productive wage-labour creates *surplus-value* (the social substance of profit, rent and interest).
- 2) The tendency for the rate of profit to fall is offset by *counteracting factors*, including measures taken by the state in support of capital accumulation, but these factors cannot entirely negate 'the law as such'.
- 3) Economic crises create conditions for restoring profitability (up to a point), but also tend to become more acute over time. **The secular trend of the rate of profit is downward, barring a massive 'slaughtering' of capital values.**
- 4) The fundamental issue in capitalist economic crises is not a problematic 'distribution of income,' but *insufficient production of surplus value*.

U.S. Manufacturing, 1947-2011



The Marxian Ratios and the LTRPF

- The Marxian rate of profit is the rate of return on the total capital 'advanced' in the process of capitalist production and reproduction: hence, s/C (Capital, Vol. 3) or $s/c+v$ (Capital, Vol. 1)
- The rate of surplus value is the rate of exploitation of productive wage-labour: hence, the ratio between total surplus value and variable capital, s/v .
- The composition of capital is the ratio of dead to living, productive wage-labour in the overall process of capitalist production and reproduction: C/V or $C/S+V$.
- If the ratio $C/S+V$ rises, this will find expression in a falling average rate of profit, s/C .

Theoretical Issues in Measuring the Marxian Ratios

How are the value categories (c , v and s) to be theoretically conceptualised and empirically specified using official economic data?

Also, should they be measured as stocks, as flows, or both?

Specifying the Value Categories

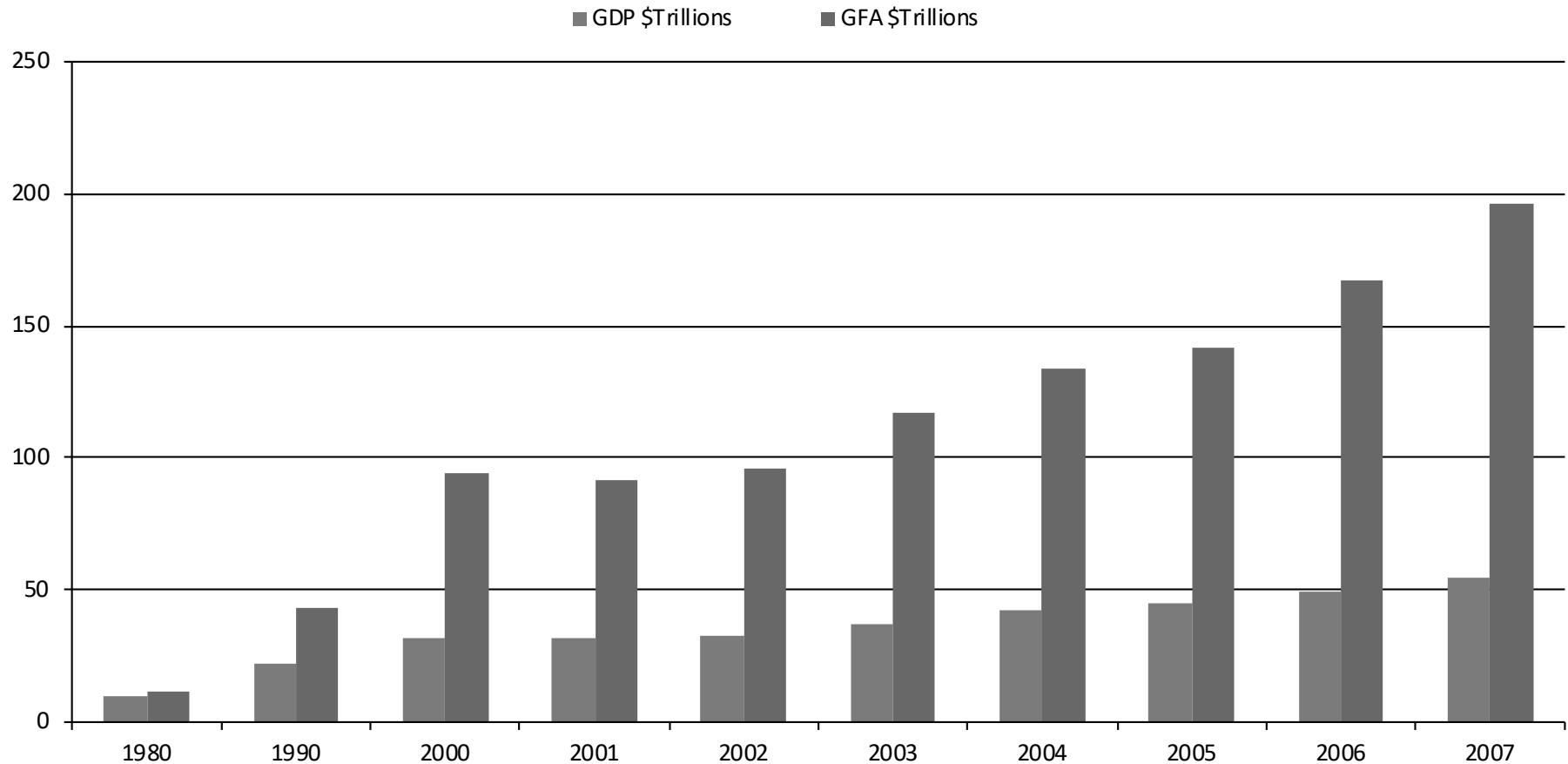
The most difficult problem is the value-theoretic specification of ***unproductive wage-labour*** – labour performed in the sphere of reproduction (especially the state, commerce, finance, etc.).

Among those upholding Marx's productive-unproductive distinction, there are two camps: those who subsume UL under S (the long-standing, conventional approach), and those who subsume UL under an expanded definition of constant capital (this is the approach I defend).

In my view, *all* of the costs of capitalist production and reproduction, with the exception of the productive-labour wage bill, should be seen as elements of the *constant capital flow*. But this flow should not be confused with *constant capital stock*, which is the denominator of the Marxian rate of profit (s/C) and the numerator of the composition of capital ($C/s+v$).

'Real' GDP Wealth & Global Financial Assets — 1980, 1990, and 2000-07

Source: McKinsey Global Institute



The Temporal Modes of Value

- Traditionally, Marxists have considered just *two* temporal modes of value: **new value** (S and V) and **previously existing value** (C).
- In the age of fictitious capital, we need to consider a *third* mode (one only hinted at by Marx): **anticipated future value** (AFV).
- To the extent it is measurable, AFV should be deducted from conventional measures of profit, just as capital gains are, in order to arrive at a more reliable estimate of surplus value.