Below is a recent exchange with Bruce McFarlane, continuing our fifty-six year conversation about capitalism. The issues are pertinent to my attempt to specific how capital became capital – i.e. value as self-expanding value. Comments are most welcome.

Dear H
The Russian book is very useful [K.K. Valtukh, *Marx's Theory of Commodity and Surplus-Value, Formalised Exposition*, Progress Publishes, Moscow, 1987.]
For one thing, his 'Intro' expresses what I take to be your own view of 'models' of the Marxism here. (pp. 7-14)
Maurice Dobb put the same view in a little book on *Marxism Today* (1930) some 7 years before *Political Economy and Capitalism*. He was reprimanded and suspended by the Cambridge Branch of the British CP for it.
There are two issues you haven't quite answered, or fully answered, in my opinion.
No 1. Still needs more argument is whether dead labour (embodied, past labour) contributes to (a) value (b) surplus value or both.
In your Cambridge critique you come close to an affirmative on page 30 line 11
No 2. While it is strictly correct that the tendency towards a falling rate of profit refers to a return on what you call 'social capital', it may also e true that a composition could be faced with a problem like that, and would be forced to find cheaper raw materials and cheaper inputs to offset the problem. What's your comment on that?
[I notice the Russian book talks of the law of fall rate but I disagree with this formulation – I must re-read what Marx actually said.]

17 March 2016
Dear Bruce,
As ever, your letter has helped to crystallize concerns/problems and thus contribute towards clearing a path towards more relative knowledge regarding the revolution-in-capital. I sense I'm reaching a turning point, and perhaps am already around the corner but have not yet taken my new bearings.

What I do know is that I must pay more attention to what is in *Capital* before I spend more time sorting through details on the 'what actually happened', of which I have a treasure house, and without which I would never have got to the stage of seeing the need to rise above them, and even to do a bit more than to glimpse how to do so.

I've gone back to the passages in volume three of the *Theories of Surplus-Value* to treble-check what it is that Marx is saying about Period One and Period Two. I shall print out the relevant pages so that you can mull them over for yourself; so you can see what I am making of the distinction I shall enclose my workings [insertions] over the key paragraph. I have placed the Period One and Two paragraph in the context of the 'Addenda' to vol 3 of *TS-V*, and also to dissect the paragraph itself, rather than to seize upon its manifest content as a blunt weapon against 'transition' and 'feudalism', with or without serfs.

Until now, I have used Period One to fill in the hole between pre-1400 feudalism and post-1800 capitalism, a ditch which Dobb etc acknowledged seventy years ago but did too little to fill, most often with commercial capital, and others more recently with agrarian capital. It goes without saying that, for me, the 'transition' is still out the window and 'revolution' in total possession of the house.

From my recent re-readings of Marx and also of Lenin on Hegel, I am gaining some sense of the significance of magnitudes and of proportionalities, which, while not at all the same, do impinge on each other as I shall try to suggest in a moment for the Law of a Tendential Fall in the Rate of Profit (LTFRP).

As you imply, the order of those words can be important – what is the difference between a Tendential Law of etc and a Law of a Tendential Fall etc? Either way, 'Tendential' is essential and so often omitted – as it was by Comrade Freney when he introduced me to give a talk on the Tendential Law – he could not get its dialectical nature into his head.

As I brought out in my 3CR notes for February, the chapter on the Law etc makes no mention of 'crisis'. That comes later, as do Marx's thoughts concerning the reduction of costs in other parts of the circuits, notably in section 3 on CHEAPENING OF THE ELEMENTS OF CONSTANT CAPTIAL.

Here are some of my thoughts about the Law in the light of magnitudes and proportionalities of the composition of capital, which flow from Marx's exposition across the four volumes.

Around 1800, the composition in textiles could be summed up in a ratio of 1:8:1 for fixed: constant-circulating: variable. Now, it is more likely to be 4:5:1. In mining and metals, we could get figures based on actual firms, but it is not unreasonable to suppose that the ratios in the Pilbara are 8:1:1. Other sectors will have different compositions, and all of them have ratios shifting across time. A well-funded econometric researcher might take snapshots every 30 years.

It seems to me that shifts in these ratios will impinge differently on profits, both absolute and even more as a rate, and thus have multiple – even unpredictable – consequences for a fall in the rate. So I am with you in not getting stuck in any one composition as the only way in which the Law can work itself out.

One of Marx's insights into the system is that a change in any one of the three components – fixed:constant-circulating:variable - will bring about changes in the other two. (See v I on Large scale industry) In the short- to medium-terms, the agents of capital will resort to capital-sweating and labour-sweating, to avoid devalorisation of 'stock'. The former means that the turnover period for the machinery is shortened. Will the replacement be more or less costly? Usually, its real price falls, and in recent years, machinery design, and its marketing, are intended to shrink both the initial cost and the gap between the first model and mass sales. These moves should be stressed in chapter 14 on the counter-tendencies, though they are no means recent.

Alongside the rebalancing from changes in the proportionalities is the import of magnitudes. Perhaps I should say, 'before' rather than 'Alongside'? To put the issue baldly: proportional growth will not apply to small volumes of money, tools, labour, raw materials etc. The question is when does what system-theorists call the 'threshold effect' kick in? How big do the forms of capital need to become for one of them to compel – not just impel - expansion in either or both of the other two? Can we assume that money-capital or labour is the more likely to be the trigger, or 'cumulator' in Lange's terms? Or is the initiator always a matter of time/manner/place – as I am inclined to accept. Activated categories are no substitute for relative knowledge through empirical research

To go a little further into the impact of magnitudes we can see that the same rules, patterns, laws do not apply to petty production in cottages supplied by putting-out merchants as in large-scale machino-facture. Here the law of proportionalities is affected by sheer size – perhaps 'effected'. One of my questions is how that increase in magnitude fits into the revolution-in-capital. Can we use 'effected'? as well as 'affected?' and, if so, how do proportionalities and magnitudes 'affect' and/or 'effect' each other? We are in the realms of dialectical systems theory – which need not be an oxymoron.

The Marxist accountant Rob Bryer stresses that it was not until the agents of capital paid attention to the rate of return on investment (RoRoI) rather than the size of their surpluses that we can speak of modern capitalism. Such calculations do not show up in most account books until well into the nineteenth century, which is not to say that RoRoI was not operating 'behind their backs', as Marx often put it. Double-Entry Bookkeeping was more or less confined to the textbooks far more than in the account books.

Your question of whether the dead labour in the machinery enters into both value and into surplus-value of the new commodities runs us into the distinctions and intersections between the labour process (l/p) and the valorisation process (v/p). We have touched on this before with my disquiet at how academics since the 1970s have protected themselves from been seen to take sides in the class struggle by promoting Labour Process Studies, thereby eliding exploitation – unlike Auntie Joan. I can't see how you can have Marxism without putting the valorisation process front and center.

A wage-slave might try do no more than produce value equal to the 'price' of the commodity he has sold, his labour-power. There are workplaces where one or more of the wage-slaves will be doing no more than that – if they can get away with it. Marx acknowledges this variation as a general possibility for some labourers when he contends that his analysis is one of average labour, so that the slowest and the fastest are leveled out. In practice, the way that factories and offices are organised sets a pace which does more than average them out – it makes the slowest go faster. The whole of factory discipline with the doctorates in O&M, aims at that. Otherwise, the capitalist mode would never exist. Were production not to do more than reproduce previous value we would be still in the epoch of petty-production of M-C-M, with no sign of M+. I raise this social practice of go-slow versus discipline to spotlight the conceptual question of what it is that makes accumulation possible.

As Marx acknowledges, the heuristic device of dividing the working day into one part which reproduces the cost of living labour and a second part which supplies the surplus-value for the agents/personifications of capital to expropriate is not how the system works.

Problems flow from mistaking Marx's pedagogical move for his understanding, and far worse for actuality. One trouble is that (l/p) and (v/p) are made to appear to be consecutive instead of being simultaneous, with value supplied by the workers before lunch and surplus-value added in the afternoon. This false temporal dichotomy distracts from how some dead labour (in our discussion, fixed) has to be present in both processes since they are in practice proceeding together, split-second by split-second. Moreover, the artificial division encourages the mindless militants' rhetoric that the extraction of surplus-value is a swindle rather than an equal exchange, taking us back to Property is Theft and casting aside Marx's science.

Marx often moves away from illustrating exploitation through splitting the working day to the somewhat less misleading forumlation of how much the workers get in wages compared with how much value they add.

Were we dealing with very rudimentary petty production, it might be possible to make out a case for an absolute demarcation of l/p from v/p, and of dead labour going into value but not into surplus value, though I find it impossible to think up one instance from the making of physical commodities which does not involve some fixed capital. Where the 'commodity' is a 'service' and not a 'thing', we could dream up a prostitute's servicing customers on the street, or a busker who sings *a capella*. The exotic nature of those examples shows how remote we are from realities of capital expansion should we eliminate dead labour from both the labour and valorisation processes. Moreover, in the two exotic cases, it is unlikely that surplus-value is involved, first, because the whore and the singer will be lucky to earn more than their bare keep, and it is less than likely that they will be employed by capital – even a pimp – to perform those services.

In making my way through Lenin's notebooks on Hegel, I find plenty of instances of Hegel's *Logic* offering encouragement to Marx for his coquetting.
Towards the end of the *Logic* comes this Addendum:

> The philosophical method is both analytical and synthetical, but not in the sense of a bare juxtaposition or a mere alternation of these two methods of finite cognition, but rather in such a away that it holds them transcended in itself, and **in every one of its movements**, therefore, it proves itself simultaneously analytical and synthetical. (quoted p. 237 in vol 38 of Lenin's *Collected Works*)

Against which Lenin writes '*tres bien'*, and in which I can see the shade of how l/p and v/p go together, not as concepts, but as actualities. On another occasion, I shall say more about Lenin and reflection theory.

{DIGRESSION Money, production-commodities and vendible-commodities, like machinery, are all dead labour, so why is only fixed capital supposed to add value? Why not the fluid forms too, along with auxiliaries? My guess is because machines are most obviously dead labour whereas the others do not have the connection of replacing labour directly. I raise this distinction in how the several manifestations of dead labour are treated as a first line of inquiry into the ideological need to find an excuse for profit-taking. However, if that cover-up were all that there was to it, the focus of the apologists might be on money-capital, which is what its personifications are alleged to 'supply' through abstinence. Or is lucre a tad too embarrassing?

On a different tack, my chemist friend tells me that the electricity that goes into aluminum actually enters the metal and is not like an auxiliary which provides heat for other processing. If so, it is a reminder to pay attention to the empirical and not just throw around categories. Enough of these stray musings and back to the matter in hand.}

What I sense as your hesitation about 'social capital' is more than understandable given the debasement of the phrase as science. Social capital is another of the terms that has been rendered null and void by the cackle of one strata of feminists and a bourgeois 'bowling alone' brigade who worry about the collapse of community – which is real enough under the prevailing regime of labour scurrying from one scrap of paid work to the next.

'Social capital' as a catch-cry is like 'human capital' in the 1960s – adopted by some progressives as a device to gain attention for a number of reforms by employing the language of the enemy. That risky tactic is understandable among those who lack any depth of knowledge about capital, which is the vast majority in the intelligentsia.

We cannot use 'aggregate' because 'social capital' is not a number.

Marx sometimes uses 'capital in general' and I could experiment by hyphenating those three words for a new compound, but this is not German. However, I fear that any application of 'general' is likely to lead people back to the false notion that capital as a kind of generality has always been around. I shall stick with 'social capital' for Marx's Great Subject, and buttress it with his uses of 'social labour' and 'socially necessary' prefacing this, that and the other.

Here too I confront my King Charles' head: how does the expansion of socialised capital - a magnitude and a relationship – affect the prospects for a revolution-in-capital? Once that new mode has triumphed, how does the ever-increasing socialisation of capital in joint-stock with limited liability affect the CMP? Is it towards monopolising capitals? And is Lenin's Imperialism actually the actualisation of 'social capital'?

I enclose two articles by Richard Levins, one of the Harvard Marxists. His 1998 piece is the best I know on the field and is very helpful in letting me see how to assemble evidence and arguments towards the revolution-in-capital. The print-outs are a bit askew but you will be able to follow from the page numbers. It took me a while to work out how negative and positive feedbacks are supposed to operate, and then to appreciate the significance of closed and open systems.

PS

On the coming crash, I do keep wondering whether I have stuck more than my neck out. Even if we are in for no worse than secular stagnation, the almost total failure of the Left here to pay attention to the blockages in global capital means that my warnings of a crash might have a shock value – unless they end up like the boy who cried 'wolf'. For the moment I am in good company – or bad, as you prefer. I shall change my tack if the BIS changes its prognostications in the annual report due late in June.

New Statesman has a three-page article on 'The Coming Storm' by Felix Martin who wrote a history of money. He knows a lot more than I ever shall about how global monetary systems interact but he thinks that that is all there is to know. No physical production in his account at all, no excess capacity, not even under-consumption. Even inside his own expertise, he writes about 'investors' as if they were just grown-up versions of the mums and pops instead of Trusts shifting billions per split-second and manipulating all the markets to cut a sliver of profit. The chaos on the markets makes no sense if you omit the Wealth Management arms of the biggest banks such as UBS – whose ex-honcho in that realm of tax dodging is now secretary of Treasury here.