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A Critical-Marxist Simple Approach to Capital Theory

1. Beyond conventional Marxism

The present paper aims at providing a logically consistent reformulation of Marx's theories of value and capital. The author's purpose is to draw the main lines of a critical-Marxist reconstructive approach to Marx's theory of capital. By critical-Marxist we mean an approach internal to the cultural tradition of Western Marxism which takes Marx's system as main reference point, but does not regard it as something that should be accepted or rejected *in toto*. Critical Marxists do not consider Marxism a science, the science of the laws of motion of society, but a method of social research.

The line of demarcation between 'critical' and fundamentalist Marxism is not easy to trace. Critical Marxism is a sociological mix of historical materialism and positive humanism. Its origin can be found in the critical theory of the Frankfurt school of social research active in Germany in the 20th century inter-war period. Its subsequent developments have evident connections with certain strands of French postmodernist social science, with Gramsci's idealistic historicism and with the last Lukács, who in his *Ontology of*

Social Being rejected dialectic materialism and replaced human beings at the centre of economics. Critical Marxists share Marx's project of an egalitarian society in which each person would be granted equal dignity and equal opportunities of social progress.

Marx saw communism and humanism as two ethical conceptions linked by ties of reciprocal implication. Communism was for Marx the demand for a radical social change, the design of a new society characterized by the abolition of individual asset ownership and heritage rights, by collective property of means of production, by self-government of producers and by communitarian and essential forms of consumption. Humanism was a positive philosophy of man that implied a conflicting classist vision, matched by a non-competitive personal attitude towards other people.

A peculiar mix of materialism and spiritualism, contrasting with the lack of humanity of capitalism, is evident in Marx's early writings. In his opinion, humanism and naturalism could be reconciled. Between man and nature there was no antagonism. Human beings were not subject to rigid natural laws. They were conscious protagonists of their history.

Theoretical Marxism is neither the anthropocentric humanism of the young Marx, nor the anti-humanist perspective that rejected the philosophy of spirit of idealistic kind as false consciousness, sometimes ascribed to the 'mature'

Marx, after the controversial 'epistemological break' described by Althusser that signed his alleged passage from ideology to science.

The purpose of this paper is to reconsider Marx's analytical treatment of value and capital and to advocate the labour-and-capital theory of value whose main lines were sketched in late version of his theoretical system. Using a post-structural methodology of textual reading, we shall first deconstruct and then reconstruct Marx's theoretical approach to value and capital. We shall retain his method of analysis of the evolution of the economic system, his description of the logic of capital accumulation, his idea of capitalism as a contradictor and, unstable and his approach to value as a social relation of production. We shall instead refuse to consider dialectical materialism the general science of human society and we shall reject Marx's distinction of variable and constant capital and his assertion of the 'new value' equality between net social output and total living labour. In our opinion, Marx's labour theory of value is logically flawed; and it is not required to determine the relative prices of commodities.

The Cambridge debate on the theory of capital that took place in the 1960s proved that the neoclassical assumption of a single homogeneous capital substance is logically untenable and should be abandoned. It made clear that capital is not a single factor, that profit is not the reward for capital, that there is no measure of capital intensity independent of the rate of interest, that no necessary and unidirectional relations exist in production between factor prices and quantities and that the social distribution of income is not univocally determined by the technology of the system. The Cambridge debate, however, was not conclusive. It did not provide an alternative approach to the theory of capital. Aggregate capital models continued to be used. We still need a satisfactory theory of capital.

2. A critical Marxist perspective

Marx looked at the development of productive forces as the main lever of social transformation and tried to reconcile this idea with an anthropocentric perspective, that of positive humanism. He pursued a dialectical synthesis of the subject and the object.

Historical materialism is a model of interpretation of the real world that needs a revision in a non deterministic direction, to keep in line with today reality. Marx's idea that modes of production come first and all the rest follows is still valid, but the univocal direction of causality implied by Marx's model of determination must be reconsidered. We must at least admit that the case can generate the necessity (Althusser's aleatory materialism) and that, as Marx used to say, "the real is the synthesis of many determinations".

In this changed cultural climate, critical Marxism has shown a tendency to diversify. It indeed includes a variety of different forms: Western cultural Marxism, Austro-Marxism, world-systemic Marxism, radical political economics, new-left Marxism and others. A simple enumeration of these 'thousand Marxisms' would take pages. But not all these forms of Marxism are really critical. Some of them are old versions of orthodox Marxism.

For Marx, social history was the result of a dialectical synthesis of opposites. He regarded historicism as a non-deterministic theoretical perspective and refused to conceive economics as an ontological way of thinking and to consider economic factors the ultimate origin of social changes. He did not believe that rigid economic laws determine the evolution of social history.

Some basic questions arise at this point. Does a 'return to Marx beyond the Marxisms' appear possible? And to which Marx? To the 'young-Hegelian' idealist, or to the elder and 'mature' historical materialist? And does the abandonment of the labour theory of value made by Marx in *Capital*, vol. III, where he admitted that the price of production of a commodity could diverge from its value and that the commodities are exchanged in proportion to the quantities of capital required by their production, implies a collapse of the entire Marx's theoretical system and sign the passage to the age of 'post-Marxism'? These are all open questions.

What we can say is that human labour is the ultimate source of value, its qualitative substance, but that the labour theory of value does not hold in its quantitative version in the framework of an economic system characterized by the presence of capital goods and in which production is made for profit.

3. On value forms

Capital is a complex and controversial economic category with a peculiar three-fold dimension – physical, financial and temporal – that performs the fundamental technical functions: those of making possible future production, intertemporal resource allocation and asset valuation.

There is no generally accepted definition of capital. It has been defined as a collection of heterogeneous and material instrumental goods, different for species, age and technical characters (the point of view of classical political economy); as a fund of productive values (the financial dimension of capital); as a link between the past, the present and the future (the temporal dimension of capital, that of Jevons and the Austrian school); and as a social relation of production (Marx).

Capital takes different forms: those of money-capital, productive capital and commodity-capital. This makes the determination of the value of capital a controversial theoretical issue. Capital goods should be valued in money, at their market price, that includes a profit margin. But the profit margin depends on the price of capital. Therefore, to avoid circular reasoning, the prices of commodities and the social distribution of income must be simultaneously determined. This point is unquestionable.

Marx regarded capital as a systemic totality. He measured capital and its components both in terms of quantities of labour-time and of quantities of money. He considered these methods of measurement equivalent. He also made the crucial assumption of a strict proportionality relation between the quantities of labour-time embodied in commodities and the quantities of money capital invested. There are numerical examples in the three volumes of *Capital* – as those in the reproduction schemes of vol. II, part 3, and in vol. III, chapters 9 and 41-44 – of his use of both these methods of measurement.

The idea of capital as a whole is logically untenable and should be rejected as a metaphysical concept, a pure abstraction, devoid of empirical content. In the real world there are heterogeneous capital goods, differing by substance, form, age and duration.

Capital is value in progress, valorizing value. Though not self-valorizing value, because production requires the joint availability of capital, labour and natural resources.

In the received Marxist theory labour is considered the only source of surplus-value. Its value equals the quantity of socially necessary labour-time which is needed to sustain the worker. Capitalists pay to the workers the value of their labour-power. They are then in the position to force labourers to supply extra-labour-time, that is to work for more time than what is needed to reproduce the value of their wage. This creates labour exploitation. Employers get a surplus-value, a profit, because labour-power is a peculiar commodity which, under suitable technical conditions, produces more than its value.

In Marx's opinion, on the contrary, physical means of production, as raw materials and machinery, cannot transfer to the product more than the value they lose in production. This is a wrong opinion. It may be objected that labour-power produces value and surplus-value only when it is combined with other factors of production, in proportions determined by the technological conditions in which the system operates. Surplus-value is the product of constant and variable capital.

We shall not follow Marx on this ground. Commodities prices will be valued at their social costs of production, in money terms, which will include a notional cost, the opportunity cost of invested capital.

Marx does not consider explicitly this notional cost, but he adds to the real cost of production of commodities a profit margin reckoned at a uniform 'normal' rate. Is his method correct? To answer this question, we must further analyze the nature of profit.

Profit is a residual category of income, the difference between a price and a cost of production. It is the result of wage labour exploitation. If workers were rewarded with the entire product of their labour, there would be no profit.

In the computation of profit, attention must be paid to the opportunity cost of invested capital – the expected return of the best alternative foregone when a specific investment choice is made – which represents the minimum level of return required by an investor. Is this the same thing of normal profit? This is a controversial point. An economist's answer would probably be affirmative. He does not regard normal profit as a surplus element, but as a cost. A professional accountant's answer would be negative, because in business accounting profit is the net worth of accumulated wealth, measured by the excess of assets money value over the money value of liabilities. It is the difference between total revenue and explicit costs (real expenses).

Marx assumed, but did not demonstrate, the 'new value equality' between the net product of the economy and the living labour employed in the production of gross output. This alleged identity is devoid of explanatory power, but plays in Marx's theoretical system a fundamental role, as it allows to disregard the productivity of capital goods and to consider living labour as the only source of new value. This is the only case logically consistent with a labour theory of value.

In the presence of material means of production, the 'net value' equality would actually hold only if capital goods were not considered directly productive of net output (the erroneous meaning of Marx's 'constant capital'). Which is wrong. Dead labour embodied in capital goods is required to produce new value.

There is here a fundamental error that can be disguised, though not avoided, by centering the attention on the net product of the system, which does not include the depreciation of capital goods, instead than on the gross product of the economy, which includes depreciation. This is indeed what several neo-Marxist authors have done, on the footsteps of the so-called 'New Interpretation' of Marx's theoretical system, or of one of its variants, all of which imply the arbitrary assumption of the equivalence of the net output of the economy and the value of the living labour used in the production of gross output.[1]

[1] By referring to the net social product, rather than to the gross output of the system, the money value of labour-power does necessarily coincide with the monetary expression of Marx's variable capital, without any need to transform values into prices of production.

4. The distinct roles of real and money capital in production

Money is potentially value in progress, but it is not a factor of production. It is medium of exchange, means of payment, external measure of value, possible store of wealth and a logical premise of any production activity, which must be initially financed. To be able to buy or to hire what is needed to start a production activity, firms must dispose of an initial money fund, whose provision implies a financial cost.

For the young Marx, real capital had no autonomous productive power. It was dead labour embodied in capital goods, that could only absorb, 'vampire alike', the productive power of living labour. But later on Marx changed this theory. He reversed his previous conception of the productivity of capital and recognized that in advanced capitalist systems a large part of the productive power of labour was transferred to capital.

This radical change, a 180 degrees turning of the previous theoretical perspective, implied the passage from a pure-labour theory of value to a labour-and-capital theory. For Marx, labour and capital were not two opposing entities. They were linked by a relation of reciprocal implication. Wage-labour was 'variable capital'. And 'constant capital' was stored-up labour, the abstract objectified in the concrete. This conception made possible a rejection of the labour theory of value in its quantitative version, exposed in Marx's reproduction schemes, and its confirmation in its qualitative meaning, as labour continued to be seen as the ultimate source of value.

Profit can be defined as the excess of the selling-price over the cost-price of a commodity. The ratio of profit to invested capital is the profit rate. When the rate of surplus-value is given, the rate of profit depends on the capital intensity of production and on the speed of rotation of capital. As classical economists, Marx thought that in the long run competition would tend to equalize the rate of profit of the different sectors of the economy, as convenient transfers of capital would take place from the less profitable towards the more profitable industries.

In the course of time, fixed capital, being subject to depreciation and amortization, is gradually transformed into circulating capital. The phenomenon is known as 'rotation of capital'. An increasing part of constant capital takes money form and moves temporarily out of the production process, but enters again in it later on, when the renewal of the plant takes place. In the meanwhile, this money capital remains in short-term disposal of the firm.

Fixed and circulating capital have different speeds of rotation. That of circulating capital is higher. As the capital intensity of production usually increases in the long-run, the rate of profit tends to fall, if there is no lengthening of the working day, intensification of labour or reduction of the wage rate.

For Marx, on logical grounds, priority should be recognized in production to possession of money capital. He regards money as the point of departure of the immediate process of production. His circuit of capital starts from a money form, not from physical quantities of inputs (differently from Sraffa).

The concept of capital is obviously related to that of income, that is to the flow of wealth that can be consumed while keeping capital intact in value terms. Income can be depicted as the sum of final consumption and of the net increase in the value of the existing stock of capital, inclusive of capital gains and losses. In the accounting practice, however, income is differently defined, as the excess of revenues over costs.

The origin of profit, for Marx, was the systematic exploitation of wage labor by capitalists. But with the abandonment of the labour theory of value, Marx's concept of capitalist exploitation is hardly tenable. The causal nexus between surplus-labour and exploitation is no longer evident. It is therefore impossible to compare the quantity of labour-time that a worker makes for a capitalist with that embodied in the wage goods that the worker receives as remuneration, or with that commanded in the market by his money wage. Marx's concept of labour exploitation needs therefore to be reconsidered.

5. The integration of money in the theory of capital

In a capitalist society the value-form of commodities acquires special relevance. The valorization of capital becomes the primary aim of economic activity and in the pursuit of profit human beings are treated as simple means. Labour and capital are recognized as the basic elements in any production activity. They must necessarily be combined to produce an output. Nothing can be produced with unassisted labour or unassisted capital.

This is however denied by orthodox Marxists, who assign an active role in production only to living labour. They do not consider real capital a productive factor, but a simple magnifier of the productivity of living labour, which is regarded as the only source of value.

A problem arises in conventional Marxism also as concerns the integration of money in the theory of capital. That is the treatment of the theoretical links between the financial sector of the economy and the real one. The direction of causal relations must be specified. Do they go from the financial sector to the real one, through the bank-lending policy? Or is the financial sector conditioned by the needs of the real sector? Which is the driving force at work in the system?

While traditional Marxists emphasize the conditioning role of economic structure over the superstructure, we are inclined to believe in the existence of a bidirectional asymmetrical causal nexus. In our opinion, the supply of money has a mixed nature, partly exogenous, for the presence in the economy of fiat money discretionarily issued by the monetary authority, and partly endogenous, as the money supply is completed by credit money, which is issued by commercial banks on demand of firms, in form of bank loans or overdraft facilities.

This mixed nature of the nominal supply of money is commonly acknowledged, but the determination of the prevalence in it of the endogenous or the exogenous component is still an open problem in the literature. While the real supply of money, which depends on the velocity of circulation of money, has an evident endogenous nature, the characterization of the nature of the nominal supply of money is a controversial issue.

Some post-Keynesians, working in the banking school tradition, simplistically conceive the central bank as an accommodating price-maker and quantity-taker. They erroneously consider the supply of money as infinitely interest-elastic at the interest rates established by the monetary authorities (or taken by them as an inflation target) and represent it by a horizontal line in the interest-money space. For this reason they called ‘the ‘horizontalists’. Focusing the attention on credit money, that has a flow character, they disregard the possible use of money as a store of wealth (a stock variable) and consider the central bank a compliant lender of last resort.

Their vision is opposed by other post-Keynesians, the ‘verticalists’, who follow the old view of money of the currency school and represent money supply as a vertical line, intersected at the current market interest rate by a downward-sloping curve of the demand for money.

Our personal position is an intermediate one.[2] It is that of the ‘structuralists’, who represent the supply of money by a positively sloped line, because of the presence of institutional constraints, uncertainty and increasing financial risk. We recognize the functional interdependence of the demand and the supply of money. Hence we think that it is not correct to trace two distinct curves for the demand and the supply of money in the quantity-price space, as is still conventionally done, following Marshall’ analytical treatment, in most textbooks.

6. Problems of dimensional conversion.

Two problems of dimensional conversion, typical of stock-and-flow models, must now be afforded. They concern the conversion of capital stock estimates into corresponding

[2] See Cavalieri (2004).

estimates of flows of capital services and depreciation allowances, and vice versa.

The prices of capital services must depend on the level of technology and are subject to change over an asset life. User costs, or rental prices, are paid for the use of assets. The quantities of capital services reflect assets productive efficiency and vary with assets ages and vintages and with their physical and technical deterioration.

Serious difficulties must be overcome to measure capital assets and capital services. Several valuation methods are known, but all of them are subject to criticisms. Treating capital as a reserve of value with constant purchasing power – the method used by Marshall, Walras, Fisher and other neoclassical economists – implies knowledge of unknown future prices. A second method of valuation, based on the current replacement cost, used by Denison and others, is influenced by changes in relative prices and by the social distribution of income and cannot be employed to estimate of the value of old assets that are no longer produced but can still be utilized, this method. Another traditional method, that of perpetual inventory, based on historical cost of production, employed by Jevons and the Austrians, implies compound discounting by a constant interest rate and a subjective estimate of the duration of capital goods.

Quality changes of capital goods due to technological progress are difficult to appraise. They imply disaggregation of changing mixes of capital assets and attention paid, as concerns their services, to the degree of capacity utilization of the stock of capital, which may not be constant over time and should therefore be estimated as an average.

Another important dimensional problem which arises in the theory of capital concerns the reciprocal conversion of labour-time and money costs. Time and money are fundamental capital dimensions, whose conversion requires use of special price indexes.

The labour cost of output can be reckoned in money terms at market prices by a valuation parameter correctly individuated by Marx, 'the monetary expression of value' (MEV). This is the ratio px/L of the total social product reckoned at market prices to the total amount of social labour-time, present and past, used in production (p is a price index and x a volume index of the product). It is therefore a measure of the average unit labour cost of output in money terms, an expression of the quantity of money that corresponds to a unit of abstract labour-time. [3]

If we call C_R the money cost of real capital, C_L the money cost of direct labour and C_K the money cost of all other inputs,

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[3] 'Monetary expression of value' is the name used by Marx in *Value, Price and Profit*, an English paper in which he pointed out that "price, taken by itself, is nothing but the *monetary expression of value*". On this point, see Kristjanson-Gural, 2008.

summing up these components and adding the opportunity-cost of financial capital, $r\ (C_R + C_L + C_K)$, we can write MEV as a proportionality factor:

$$\text{MEV} = (C_R + C_L + C_K)(1 + r)$$

not affected by the particular type of monetary system. This valuation parameter can be used to convert abstract labour values into money prices. The relation linking the quantities of labour-time to the corresponding quantities of money is not of simple proportionality.

Marx's monetary expression of value must be distinguished from the 'monetary expression of labour-time' (MELT), a different valuation parameter, later introduced in the literature and commonly used by those neo-Marxists who accept the quantitative version of the labour theory of value. This index is the ratio of the net social product reckoned at market prices to the living labour-time used in production, not to total labour time, living and past. Living labour is regarded as the only source of net of social product. No account is taken, on the cost side, of the financial cost of capital. On the benefit side, attention is focused on the money value of net total product, instead than on the money value of gross total product. The result is an underrating of the productive role of the dead labour.

7. Measuring labour-time in money terms.

MEV is different from MELT. We must therefore establish which of them should be chosen. The money value of commodities reckoned at their current market prices, a variable that accounts for all explicit and implicit costs, including the financial cost of capital? Or the money value of the living labour-time which commodities command at the current wage level? This is a different valuation parameter, measured by the ratio of the money value of the net product reckoned at market prices to the living labour used in the economy. As we explained, MELT does not consider the productive contribution of dead labour and does not account for the financial cost of capital.

A general principle of valuation has to be devised. This is not an easy task, since it implies the separation of asset values into price and volume components combined into a single weighted index. For this purpose, commodities should be divisible into distinct homogeneous groups and should satisfy a weak separability econometric condition.

There are two substantial reasons why the money value of total labour-time should be preferred to the money value of living labour. One of them, recognized by the senior Marx, is the awareness that in a sufficiently developed capitalist system the role of living human labour is not preponderant. Living labour reduces a simple appendix of the dead labour embodied in capital goods. The other reason is that the financial cost implied by the provision of capital cannot be ignored.

8. Some textual evidence

In a famous passage of *Grundrisse* (1857-58), the 'Fragment on Machines', Marx wrote: "*In the machine, and even more in machinery as an automatic system, the use value, i.e. the material quality of the means of labour, is transformed into an existence adequate to fixed capital and to capital as such; and the form in which it was adopted into the production process of capital, the direct means of labour, is superseded by a form posited by capital itself and corresponding to it… The worker's activity, reduced to a mere abstraction of activity, is determined and regulated on all sides by the movement of the machinery, and not the opposite*". [4]

As we said, the quantitative aspect of the labour theory of value was revived by the appearance of the New Interpretation (NI) of Marx's economic theory, proposed by Foley and Duménil along neo-Ricardian but non-Sraffian lines, to reaffirm Marx's theory of value. In their approach to the subject money had a central place. It was no longer assigned

[4] Marx, *Grundrisse,* 1857-58, notebook VI, pp. 692-93. There is here an explicit acknowledgment that in a technologically advanced industrial society machines are directly productive of surplus-value. They are not constant capital. They add to the value of output more than what they lose by depreciation in exchange.

the simple role of a *numéraire*, but was conceived as the standard expression of social labour-time and was granted the task of providing a technical mediation between values and prices.

NI recognizes that money represents abstract labour-time and that value and capital can be measured either in labour-time units, expressing the physical effort involved in production, or in money units, in efficiency terms. But it is not sufficiently clear that for this purpose the money unit has to be chosen in such way to ensure the equality of the money value of the net product with the money value of the living labour employed in the production of total output.

In NI profits are defined as total revenues minus total costs, as in the accounting practice; the value of net product is equal in money terms that of living labour and the value of money is the inverse of the labour expression of money. Money expresses directly, without mediations, the value of output in price terms. Constant capital is assumed as initially given in terms of money and the aggregate quantities of money capital which are used to purchase means of production and to pay money wages to workers, as well as the general rate of profit, are directly given and unexplained initial data, determined before the corresponding individual quantities.

Three interesting results follow from this approach: (i) no transformation problem from values to prices of production of commodities can arise, because values and prices necessarily coincide, as parts of a single analytical system; (ii) Marx's two aggregate equalities or 'invariance postulates' between total values and total prices and between total surplus-value and total profit are satisfied for the net product of the system; (iii) the theory of value appears as a necessary prerequisite for the determination of the rate of profit and production prices. Differently from what happens in Sraffa's theoretical model.

9. A criticism

The value of a commodity, however, is not measured by the amount of social labour-time embodied in the commodity, as in the traditional quantitative version of the labour theory of value, but by the amount of social labour-time that can be bought with the quantity of money that the owner of the commodity can obtain by selling the commodity in the market. The basic assumption is that in each period of time the money value of the net product reckoned at market prices is a correct expression of the productivity of living labour.

There is therefore a substantial revival of the quantitative version of the labour theory of value, in a money-form consistent with a labour commanded theory of value. No particular theory of price formation and level of money wage are implied. Prices are determined independently of labour values and are equal to the money value of abstract labour-time. The value of the labour-power is not represented by a basket of wage goods. It is the share of wages in the net product, reckoned at market prices. All is reckoned in money terms, in a labour-commanding value perspective. And the labour theory of value holds for the economic system as a whole, though not at a lower level of abstraction.

Some serious objections can however be raised against this approach to the problem. It does not clear sufficiently the disequilibrium dynamics of the capitalist system, the fall of the rate of profit and the existence of labour exploitation. It does not explain why the exchange-value of labour-power should be identified with the money wage, rather than with the real wage, which is what really matters. It denies Morishima's and Okishio's controversial Fundamental Marxian Theorem, by allowing for the possible coexistence of positive surplus-values and negative profits. And it incurs in circular reasoning, because the monetary expression of labour-time cannot be determined without a previous knowledge of the aggregate price of the net product, and vice versa.

This is why we cannot accept the logical premises of the NI approach to the theory of capital, and of its variants. At least two variants of NI should be mentioned. One is the *Simultaneous Single System Interpretation* (SSSI), suggested by Wolff, Callari, Roberts and other Sraffian scholars, in which money is regarded as a form of labour value and all values are directly expressed in money terms, at production prices. There is therefore no need to transform values into money prices. Input and output prices are simultaneously determined and they necessarily coincide. A stationary equilibrium of the economy is assumed.[5]

A second variant of NI – the *Temporal Single System Interpretation* (TSSI), or *Marxian Disequilibrium Approach*, proposed by a group of fundamentalist Marxists (Kliman, Freeman, Carchedi and others) – regards production as a time consuming process in which inputs precede outputs in historical time and prices can change. The labour theory of value is preserved, but prices are not logically deduced from values. They are simultaneously and interdependently determined. Therefore they can be different and the claims of internal inconsistencies that had been moved to Marx's theory of value could be rejected.

TSSI has been criticized for its dubious hermeneutical correctness, for its arbitrary assumption of an equivalence of new value and living labour and because it does not ensure in the long-run a uniform rate of profit in the various sectors of the economy. This interpretation, however, deserves attention, for it reintroduces in the pricing problem the time element and thus allows to account for technical progress.

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[5] This explains the name *Equilibrium Marxism* given to this approach by some critics.

10. Conclusion.

We have shown that a logically consistent critical Marxist reformulation of Marx’s theory of capital, conceived as valorizing value, or value in progress, is possible in the analytical framework of the up-to-now neglected labour-and-capital theory of value outlined by Marx in his late years.

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Abstract: *A Critical Marxist Approach to Capital Theory*.

This essay provides a simple, non-technical reformulation of Marx's theoretical treatment of value and capital. It implies the abandonment of the 'pure' labour theory of value and of the 'new value' equality between the net product of the economy and the living labour employed in production of gross output, and a development of the different theoretical perspective outlined by the mature Marx. A correct method for converting quantities of labour-time in terms of money, which accounts for both explicit and implicit costs, is proposed.

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