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THE ROLE OF THE VALUE-FORM IN THE
LABOUR THEORY OF VALUE

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SUMMARY

It is repeatedly claimed that the labour theory of value is fatally flawed. Whether as a result of this claim, or as is more likely a change in the intellectual atmosphere, there has in recent years been little debate of the merits and weaknesses of the labour theory of value.

The principal objective of this thesis is to re-examine a number of the flaws more widely debated in an earlier period and to show that the claim that the labour theory of value is flawed is false.

The thesis claims that the work of Marx represents thus far the single most important contribution to the development of the labour theory of value. This contribution is contrasted with that of the Classical political economists, most notably Adam Smith and David Ricardo.

An examination is made of the works of Smith and Ricardo which demonstrates that the flaws within their labour theory of value are attributable to the shortcomings of their wider theoretical endeavours. In particular, they fail to identify the nature of value-creating labour; examine the role of the value-form and explain cogently the quantitative determination of value.

Marx's work is then examined with each of these points as a pivot of reference. The thesis concludes by drawing the three strands of analysis together to demonstrate that, against a history of criticism, Marx's theory presents a structured coherent whole, largely immune to the criticisms made of it, both from without and within the Marxist tradition of political economy.

PREFACE

The subject of this thesis is the labour theory of value (1). Throughout this term is taken to refer to the unique theoretical principle which states that labour is the substance of the value of commodities and that its measure is the labour-time taken to produce them. These characteristics distinguish the labour theory of value from both the utility and relative value theories (2) of modern economic thought. However, specifying the substance of value was not the only concern of labour theorists. Throughout its history proponents of the labour theory of value have contributed enormously to the development of cogent theories of the commodity, exchange and of value itself (3). This history to all intents and purposes concludes with the seminal contribution across this range of questions made by Karl Marx. For it was Marx who provided both a systematic analysis of commodity exchange and its characteristics of equivalence and commensuration, and formulated appropriate concepts of labour with which to produce an integrated labour theory of value. The objective of this thesis therefore is to demonstrate the coherence of this theory.

One of the characteristics of the labour theory, shared with greater or lesser degrees of commitment by different contributors, is a conception of the exchange process as essentially one which is objective in nature. Objective in this context means that the structure, objects and relationships which make up that process exist independently of what the exchange participators might be thinking or intending. This characteristic differentiated the labour theory from the subjective conception subscribed to by utility theorists, who

do import the thoughts and intentions of the participators into the structure of exchange itself (4).

Having identified that the exchange process is an objective one, it is then necessary to identify the structure of which it consists, culminating in the appropriate concept of value and a specification of its substance. In an early work of twentieth century political economy, Maurice Dobb argued that this theoretical process could be described as identifying a concept of value and its substance which satisfied the formal conditions which should be applied to any theory of value regardless of its specific character. Principally, these conditions are that the theory must be capable of arithmetical formulation, and that the substance of value should be expressible in a manner such that it is capable of determining for any given quantum, a configuration of economic terms; prices, wages and profits. Subsequent developments of theory, particularly in methodology, have departed from this conception of how the value problem should be approached. Whilst the labour theory of value is a particularly ripe subject for methodological discourse, it has become common to find amongst advocates of the labour theory of value in the last twenty years a certain mistrust, if not profound distaste for the philosophically positivist foundations of Dobb's conception (5). The strong reaction to the type of treatment advocated by Dobb arises from a belief that those philosophical foundations are not only weak, but may indeed be inimical to the labour theory of value itself (6).

To redress this lack of foundations, the efforts of the last twenty years have been to create a new set, new at least to twentieth century

political economy, and in many instances the development of those foundations has been found to be synonymous with a wider recovery of Marxist political economy and philosophy. A noticeable characteristic of this recovery is its proponents eschewal of the mathematical formalism of the positivist method advocated by, for example, Dobb, in favour of the social and historical methods of dialectics. These developments have also had an impact on value-theory and in particular have led to a much closer inspection of Marx's own work on value. One of the main conclusions of this inspection has been demonstrated by a growing consciousness of the distinction between the labour theory of value as it had been developed by the Classical school of political economy and that of Marx.

The main distinction between the two bodies of thought lies in their respective conceptions of how labour determines value. The Classical school is represented by a labour embodied theory in which values are determined linearly by the amount of actual labour required to produce them. In the Marxist conception, alternatively, value is the form taken by labour in a commodity-producing economy and the magnitude of value is determined by the quantity of social labour required to produce it represented by a quantity of the form of value, money. Some writers have gone further by arguing that a duality exists in Marx's account of value. Insofar as he talks about quantities of labour, he is regarded as Ricardian, and it is only in his analysis of the form of value that he is seen to advance beyond the Classical school of political economy. Representative of this view is the paper by Eldred and Hanlon, Reconstructing Value-Form Analysis (7) which argues not only that Marx's account of the relationship between value-

magnitude and value-form is inconsistent but that it is contradictory. For them, all reference to temporally measured quantities of labour are misleading when examining the magnitude of value which cannot be established without reference to the conventional measure of value - money.

It is the view of this thesis that this conception inadequately expresses the relationship between the quantitative and qualitative dimensions of value. In inaccurately presenting that relationship, the quantitative value dimension is suppressed, giving opportunity to a renewed relativism. The view put forward here is that this relationship is carefully articulated in Marx's explanation of value in which he is particularly attentive to the shortcomings of the Classical account of the labour theory of value provided by Adam Smith and David Ricardo.

The presentation of Marx's contribution broadly splits into two parts. The first part examines the principal works of Adam Smith and David Ricardo with the aim of identifying their specific contributions to the development of a labour theory of value. To claim that they did make an identifiable contribution is not without some controversy which is in part addressed as a subsidiary concern. The conclusion of the respective chapters on Smith and Ricardo is that their contribution is deeply flawed in three important respects, which are the three points which Marx attacks in his own examination of their work:

1. A failure to account for and describe the nature of value-creating labour.

2. The absence of any analysis of the value-form.
3. A failure to identify the relevant value-determining quantum of labour as socially necessary labour-time.

Chapters Three, Four and Five examine Marx's theory of value. Each chapter respectively addresses one of the points enumerated above, showing how Marx developed concepts to overcome the shortcomings of the Classical labour theory of value.

NOTES TO PREFACE

1. Whilst the term is almost universally recognised in the context of such theorists as William Petty, Adam Smith and David Ricardo, it is not always extended to Marx, where the term 'law of value' is very often proffered instead. The term 'labour theory of value' has been used throughout as the term 'law of value' begs the question of the nature of the law to which it refers. As such philosophical questions, minor references notwithstanding, are beyond the scope of this thesis, it employs a uniform terminology to refer to a systematic body of theory to which different contributions have been made.
2. These are the theories popular in the late Nineteenth Century, and are represented by T. R. Malthus and S. Bailey. Their principal characteristic is their opposition to the notion of 'intrinsic value'. See Chapter Three below.
3. By this is meant the complex of conditions which necessitate a value category in the first instance and not the subsequent identification of its substance.
4. It is not intended that this point be elaborated further as the relative merits of objective and subjective analyses is a question to be properly settled by philosophy, not political economy.
5. Cf Pilling, G., 1972 and Elson, D., 1979.
6. Initially working very much within the Dobb conception, R. L. Meek attempted to demonstrate its scientific compatibility with the labour theory of value. On realising the futility of this

exercise, however, Meek duly abandoned the labour theory of value. Meek's contribution is discussed in Chapter Five below.

7. Eldred and Hanlon, 1981.

CHAPTER ONE

THE LABOUR THEORY OF VALUE IN THE WEALTH OF NATIONS

I. Introduction

The aim of this chapter is to describe the chief characteristics of Smith's account of the problems of the source and measure of the value of commodities. Insofar as it is possible to speak of a unified theory of value in The Wealth of Nations (hereafter WN)(1), it will be argued that it belongs to that class of theories which treat labour and labour-time as the substance and measure of value respectively. Whilst, of course, Smith's thought on the problems of value-theory is interesting enough to study in its own right, the purpose of the present chapter is to explain his views as clearly as possible with the aim of rendering the nature of Ricardo's criticisms of them more transparent. A comparison between the theories of the two major thinkers of the Classical school of political economy, whilst revealing a number of pertinent divergences, also identifies the parallel components of their thought, which when taken together form the subject of many of Marx's critical remarks upon the theoretical successes and shortcomings of the Classical version of the labour theory of value. The chief characteristics of the Classical account are identified in this and the following chapter in preparation for an examination of Marx's critical commentary.

The account of Smith's theory of value which it is the purpose of this chapter to develop is one of which historians of economic thought have traditionally disapproved, disapproval perhaps borne by the antipathy

shown by orthodox economic thought to the very notion of a labour theory of value (2). Indeed, since on many occasions this antipathy has extended to a denial of the category of value altogether, the advocate of the labour theory of value is faced with the task of establishing its credentials, category by category. Similarly, therefore, it will be necessary to show how Smith proceeds to develop the category of value and the stages which his thought passes through in achieving that objective. It is not universally accepted within economic theory that 'value' itself represents a category distinct, say, from either 'exchange-value' or 'utility'. For many schools of thought, the category 'value' means little by itself and should be viewed in conjunction with one or other of these latter terms. It is not, however, always accepted that Smith himself employed a distinction. Thereafter therefore, the chapter examines ways in which Smith may be seen to possess a category of value which is distinct from either exchange-value or use-value, (the categories, it ought to be noted, customarily employed by the various orthodox schools of thought), and why he thinks that the substance and measure of value are labour and labour-time.

Additionally, Smith considers a further candidate for the role of measure of value; the standard of 'labour commanded'. The overwhelming majority of commentators argue that this is Smith's main theory of value and minimise or deny altogether the theory of labour-embodied. Part of the task of this chapter is to show that this enthusiasm for the labour-commanded theory is not wholly supported by Smith's work. Indeed much of it can be shown to be misplaced by demonstrating that Smith's arguments subtly, but unmistakably, perform

a theoretical shift from labour embodied to labour commanded in order to avoid the consequences of his failure to properly formulate and solve the problem of commensurability which he implies in a number of places is the foundation of any coherent theory of value. Commentaries on Smith have failed to note this shift and consequently find it difficult to explain why Smith bothers with labour commanded at all, when any other commodity, particularly money, would serve equally as well. It shall be argued that Smith discovered, albeit in a primitive manner, the important problems of equivalence and commensurability, but, unable to surmount the obstacle of labour heterogeneity, reneges on the promise of his theoretically superior conception of value for the theoretically inferior device of labour commanded. This chapter therefore divides broadly along these lines. The second part examines Smith's implicit treatment of value as a separate category, to be given a distinct identity from either exchange value or utility. Section III proceeds to give further consideration to how Smith distinguishes value from utility and considers how, in failing to properly draw the distinction between use-value and utility, the latter can still be ascribed to his theory as one of its theoretical ambivalences. The fourth section examines Smith's explanation of the relationship between value and labour and the fifth concludes with an account of his unsuccessful attempt to deal with the problem of labour heterogeneity.

II. Money, Price and Value

Smith tackles the problem of value for the first time in Chapter Four (WN) which is entitled Of the Origin and Use of Money. The location

of this discussion in the conclusion of this chapter is generally interpreted as a matter of convenience, being simply a preparatory exercise, clearing the ground for Chapter Five, which explains the distinction between the real and nominal price of commodities (3). There is, however, a more concrete explanation for its location in Chapter Four.

It has already been indicated that it is part of the interpretation of Smith to be developed here that he thought it necessary to draw a distinction between, on the one hand, value and exchange-value and, on the other, value and use-value. Like any other theory of value, Smith's is composed of several elements developed with specific theoretical objectives in mind. And, as in the case of many early thinkers, the work of cohering those disparate theoretical elements is the task of subsequent workers in the field. However, it is part of the argument of this chapter that to the extent that Smith's work possesses any inherent coherence, the elements, taken one with another, imply the distinctions outlined. Furthermore, having made these distinctions he then proceeds to explain the substance and measure of this third term by labour and labour-time. Although there are two problems, Smith's account of the derivation of the category of value and of a concept of labour as its substance parallel one another in that they both proceed from his account of the origin of money and the necessity of its creation following the development within the division of labour. Perhaps at the expense of sacrificing some of the elegance of Smith's explanation, it is proposed to separate out the two problems and treat them independently for the purpose of clarity. Firstly, an explanation of how Smith develops his concept of value

from his concept of money is offered, and secondly, an explanation of how he arrives at the labour theory of value. Since both conceptions are derived by Smith from his theory of the division of labour, it is necessary to begin with this and consider the reasons why he thought that the development of money was a necessary consequence of the division of labour.

Smith's explanation of the initial cause of the division of labour is notorious. The limitations of arguing from exchange to the division of labour are obvious, but since this method is attacked by Marx in his criticisms of the Classical school as a whole, it is proposed not to say too much about it here (4). In any case, although Smith initially explains the original development of the division of labour by the 'propensity to truck, barter and exchange one thing for another' (5), its subsequent widening and increasing differentiation is seen by Smith more as a product of mankind's desire to improve its condition than, as one would be led to believe by some commentators, as the fulfilment of a psychological necessity (6). This 'improving' explanation of the division of labour is besides more consistent with the views expressed in WN 1.IV.1. The most important point to grasp about the division of labour is that once it 'has been thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply' (7). Restricted to the performance of a few or maybe only one productive activity, the individual producer is compelled to exchange his own products for those of others. Exchange, explains Smith, is the act of obtaining things required for needs:

He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for (8).

A society which routinely supplies its needs through the exchange of the products of independent producers connotes a specific type of society: 'Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society' (9). Exchange is the form of social connection which exists between the members of a society of independent producers. It might have been more appropriate if Smith had explained exchange in this way directly, instead of speculating upon man's supposed propensity to barter. But, since the point is eventually established that it is the refinement of the division of labour into independent private production which necessitates the exchange of products, this may be passed over for the time being.

The development of exchange, however, does not proceed unhindered; 'when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations' (10). The source of the clogging and embarrassment is the tricky circumstance that exchange can only take place where individuals require each others' products:

One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them (11).

The simple circulation of products is subject to the contingency of a mutual desire on the part of the exchangers for the produce of the

other. What each has to offer the other is simply the product of his own particular activity. The differences between the products are complemented by the differences between the needs of the producers. It is as the satisfier of a particular need that the object is wanted and its correspondence to a particular need, from the point of view of he who wants it, distinguishes that object from others. This frustrating circumstance, Smith suggests, is resolved historically at an early stage by the individual producer endeavouring to always possess some object which is universally acceptable and can, consequently, be exchanged for every other commodity. The development of exchange is restricted to direct barter unless some object can be found which possesses the specific useful quality of acceptability in exchange for any other product. Cattle are said to have been just such a commodity:

In the rude ages of society, cattle are said to have been the common instrument of commerce; and though they must have been an inconvenient one, yet in old times we find things were frequently valued according to the number of cattle which had been given in exchange for them (12).

Homer, Smith reports, says that the armour of Diomedes cost nine oxen to purchase, but that of Glaucus one hundred. If measured in cattle, the value of the latter is more than eleven times that of the former. Oxen, in this case, are the medium in which the price of armour is measured. Salt, shells, dried cod, tobacco, sugar, hides, dressed leather and nails have been or are used in exactly the same manner. Each serves as a measure of the value of other commodities and this capacity allows it to serve as a medium of exchange.

Universal acceptability, however, is not the only qualification which

a particular commodity must possess in order to serve as a general medium of exchange: 'The man who wanted to buy salt, for example, and had nothing but cattle to give in exchange for it, must have been obliged to buy salt to the value of a whole ox, or a whole sheep at a time' (13). Livestock, besides the inconvenience of their size, limit their owner to purchases measured in whole units of livestock. A beast cannot be divided and reconstituted as appropriate. If his 'currency' is cattle or sheep, their owner is restricted to purchases which are the equivalent of whole cattle or sheep: 'He could seldom buy less than this, because what he has to give for it could seldom be divided without loss; and if he had a mind to buy more, he must for the same reasons have been obliged to buy double or triple the quantity, the value, to wit, of two or three oxen, or two or three sheep' (14). To digress a little, in anticipation of later developments in WN Chapter Four, Smith introduces the notion that exchange is a quantitative relationship in which there is a determined regularity between the quantities of the objects exchanged. Although the point is incidental this marks the origin of Smith's consideration of the quantitative dimension of the value problem, an origin which will ultimately lead him into seemingly insuperable problems. The problem with employing cattle as a medium of exchange is that, as a measure of value, they restrict their owner to the purchase of objects in quantities which are in some sense proportionate, or equivalent to, one or two, etc., cattle or sheep. This problem, however, is not encountered in the use of precious metals as a medium of exchange.

The metals, gold and silver, Smith suggests, are naturally suited to employment as a measure of value and medium of exchange:

Metals can not only be kept with as little loss as any other commodity, scarce anything being less perishable than they are, but they can likewise, without any loss, be divided into any number of parts, as by fusion these parts can easily be re-united again; a quality which no other equally durable commodities possess, and which more than any other quality renders them fit to be the instruments of commerce and circulation (15).

Unlike livestock, which possess the drawback of perishability, the precious metals are relatively stable and enduring. More importantly, unlike livestock, they can be divided and reconstituted as appropriate. The owner of precious metals can purchase other commodities in the desired quantities because he can 'proportion the quantity of the metal to the precise quantity of the commodity which he had immediate occasion for' (16). This introduces a new concern into Smith's enquiry. It is at this point that he first broaches the problem of value beyond the recognition that exchange is essentially a relationship of quantitative equivalents. Commodities, Smith argues, exchange on the basis of equality. This equality, however, is only established if the commodities are exchanged in the appropriate proportions. Where the objects to be exchanged are different, it is impossible to conceive of their being proportioned to one another unless they are first reduced or translated into some common term. What Smith is working towards is the concept of value; not as exchange-value or use-value, but as a distinct category from either, in terms of which commodities are simply quantitative representations of the same homogeneous item. However, his conception is extremely undeveloped at this stage. His identification of a chief characteristic of the exchange-relation, viz. quantitative equality, is still bound in an exogenous way with money and its development.

Smith is never to be in a position to develop the relationship between value and money; that is a task that is taken up with Marx. However, Smith's elementary conception does undergo some development.

The greater part of the rest of Chapter Four, WN 1.IV.5 to 10 is taken up by Smith in a brief review of the history of the monetary use of the precious metals from their earliest use by the Romans to their modern coined forms. Though most of this discussion is irrelevant for the purposes of this description of the characteristics of Smith's theory of value, one part of his discussion, at WN 1.IV.7, is essential.

This paragraph contains Smith's explanation of the transition from the primitive bar form of money to its modern publicly coined form. The purpose of publicly coined money is to prevent the potential fraud and abuse associated with the use of crude forms of gold and silver as money. In order to prevent such abuse, the precious metals had to be first weighed and then assayed for their purity, both operations entailing some unavoidable inconvenience:

The weighing of gold in particular is an operation of some nicety. In the coarser metals, indeed, where a small error would be of little consequence, less accuracy would, no doubt, be necessary. Yet we should find it excessively troublesome, if every time a poor man had occasion either to buy or sell a farthing's worth of goods, he was obliged to weigh the farthing. The operation of assaying is still more difficult, still more tedious, and, unless a part of the metal is fairly melted in the crucible, with proper dissolvants, any conclusion that can be drawn from it is extremely uncertain (17).

Precision in the weighing and assaying of gold and silver is necessary because in their crude metallic forms there must always have been the possibility of fault; 'people must always have been liable to the

grossest frauds and impositions, and ... might receive in exchange for their goods an adulterated composition of the coarsest and cheapest metals, which had, however, in their outward appearance, been made to resemble those metals' (18). Maintaining accuracy and consistency when dealing with the precious metals is necessary because 'a small difference in the quantity makes a great difference in the value' (19). It is interesting to note the use Smith makes of an implied relationship between value and weight. It does not occur to him, however, to question how value comes to be expressed in weight or indeed how that operation is effected, but he does extend his discussion of quantitative equivalence. Protection from fraud is to ensure that exchanges between commodities and the precious metals are conducted on the basis of equality, that whatever is exchanged for gold is exchanged for gold of equal value (20). The gold itself is not value, but in possessing value it is qualified to measure the value of other commodities. In a very elementary form this is the origin of a distinction which is to become crucial for Marx. The values of commodities expressed in gold, or whatever other material performs the function of the measure of value, are not their 'values', but their prices. This distinction is to be found in an elementary form in Smith, and Ricardo after him, where it takes the form of a distinction between the natural values of commodities and their nominal, fluctuating prices. In Smith's explanation of value, it is as 'values' that commodities are of like substance and can on the basis of the quantities of value they contain be compared and so appear as equivalents of each other in proportions corresponding to those equal quantities of value (21).

Having made in an elementary form the distinction between real value and money price, Smith now proceeds to explain the next item on his agenda, disposing of, in the process, the erroneous view that it is money (or their exchange for money) which makes commodities values: 'What are the rules which men naturally observe in exchanging them either for money or for one another, I shall now proceed to examine' (22). One of these rules has already been established, viz.; that commodities must exchange as quantitative equivalents. They are equivalents because they contain equal quantities of value. This value has to be distinguished from that for which they exchange, which is their value-expression. Discovering the nature of value, it is then possible to explain the rules which determine why one particular kind of commodity exchanges in specific proportions, and not just any proportions, for any other. 'These rules determine what may be called the relative or exchangeable value of goods' (23). The next task which Smith now sets for himself is to discover the cause or substance of value itself, and the first step in this direction is to dispose of the view that use-value constitutes the value of commodities.

III. Value and Utility

Smith briefly discusses a utility theory of value at WN 1.IV.13, a paragraph held in some notoriety in the history of economic literature for what is seen as its reckless disregard for the sensibilities of those who like the marginalist school prefer to appear circumspect in matters likely to offend. What such commentators find offensive is not so much Smith's argument against utility, which they think can be deftly avoided by marginalism anyway, but simply the peremptory nature

of his comments. Campbell and Skinner, for example, feel the need to supplement Smith's comments with passages trawled from the Lectures on Jurisprudence, in order to temper his apparent rashness in throwing out utility altogether (24). Smith, however, has good argument for throwing it out, even though this is bound to jar on marginalist sensibilities.

The best way to approach this well-known paragraph is not to take it all in one reading, as most commentators upon its contents seem to insist, but instead break it down and take each idea as it occurs and receives expression. There are basically two parts to the paragraph. The first, and perhaps the most important, contains Smith's explanation of the distinction between value in use and value in exchange, the second the famous water and diamond illustration of this distinction. The latter, it ought to be noted, is generally emphasised more by economic theorists than the former. Thus, the first part:

'The word VALUE', observes Smith, 'has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use"; the other, "value in exchange"' (25).

In describing his thought as an observation, Smith has been deceptively casual about his explanation. He could, however, afford to be casual, since the issue before him was straightforward. Unfortunately, economists and historians of economic thought with the theoretical predilections of the Neo-classical school are unable to see what Smith is getting at. The matter is quite simple; use-value

is always the quite specific useful quality of some 'particular object'. Objects which are exchanged are exchanged because they are different. They serve different needs and their ability to do so originates in the describable collections of specific qualities which makes each one different from any other. However, as exchangeable objects they possess one quality which they share alike, but which paradoxically is not one of their natural qualities, that of possessing the power of purchasing other goods. This power originates not in the object itself, but in its possession by its owner and the desire for it by another in a legal system of private property. What distinguishes this power of purchasing from use-value is that it is universal in quality where use-value differs from product to product. The former is the commodity's exchangeability, that quality which, in addition to an item's specific usefulness, transforms it into a commodity. The latter, use value, is specific to each type of object and, whilst a necessary pre-requisite for the object's transformation into a commodity, is by itself insufficient for that operation to take place. Therefore, commodities are both use-values and exchange-values. By virtue of one they are different and cannot be objectively compared, by the other they shed their different forms and present themselves merely as different quantities of value (26).

Schumpeter and Hollander offer different and diametrically opposed interpretations of Smith's thought to that which has been proposed here. Whilst recognising that Smith disposes of the use-theory of value, Schumpeter is not prepared to allow him to entertain any other notion of value than one which is entirely relative (27). Thus, on the grounds that Smith says his intention is to inquire into the

rules which men naturally observe in exchanging goods either for money or one another, Schumpeter declares: 'This means he was not primarily interested in the problem of value', defined in the sense of 'the problem of causal explanation of the phenomenon of value' (28). As has been shown, the two problems are intimately related in Smith's thought, not, however, because he confuses the problem of value with that of exchange-value, but precisely because the two things are not the same. Smith considers the exchange-relation and concludes that it is a necessary aspect of that relation that the things exchanged are commensurable. They are this, he says, because they are values. Therefore, before it is possible to consider that aspect of the exchange-relation in which the value of one kind of commodity is expressed in another kind of commodity, it is necessary to first investigate the category of value and its distinction from the category of exchange-value. If Schumpeter had followed through Smith's argument from the beginning of WN Chapter Four this aspect of his theory of value would have become apparent, and would, consequently, make a nonsense of the unsubstantiated claim that what Smith 'wanted was a price theory by which to establish certain propositions that do not require going into the background of the value phenomenon at all' (29). It is precisely this background which Smith has unearthed implicitly in turning over the problems encountered in his analysis of money. Schumpeter, faced by the unfamiliar, has no option but to resort to the most superficial interpretation of the contents of WN Chapter Four in order to make it acceptable to the Neo-Classical economist, but which would render it unrecognisable to Smith.

Schumpeter is not the only economist schooled in Neo-classical theory to have attempted to make Smith amenable to that tradition's sensibilities. Hollander equally demonstrates an undue haste in his assessment of Smith. He too examines the passage at WN 1.IV.13, but unlike Schumpeter is not prepared to admit that Smith rejects the use-theory of value outright. Indeed, argues Hollander, Smith merely disposes of one definition of use-value, not the notion tout court. According to Hollander, 'value in use' referred to by Smith in the passage in question 'must be understood in the narrow sense of biological significance and not in the economist's broad sense of desirability' (30). Arguing that the general significance of this passage in Smith's overall theory of value has been overestimated, he says: 'The "paradox of value" was not formulated as a problem requiring a solution; it was rather a statement of fact regarding the irrelevance for exchange-value of the physical (biological or cultural) properties of commodities'. And then in conclusion: 'Smith did not reject utility in the economist's sense of the term as a necessary condition of exchange-value; on the contrary he accounted for the latter in terms of utility and scarcity in the traditional manner' (31). However much Smith employs the demand and supply apparatus in other sections of the WN, it is always used with respect to price, where price, it is made clear, is distinct from value. Although Smith does not deny that a product's having use-value is a necessary condition of its being a value, Hollander seems to take this to imply that it is possible to dispense with value altogether, which is what he takes Smith to do, and explain prices 'in the traditional manner.' Whatever remark Marshall is reputed to have made about 'it

all being in Smith', it is most certainly not all in Marshall. Smith tackles the problem of value in terms of quantitative equivalence and commensurability, problems unknown to Marshall, and certainly unrecognised by Hollander, who appears only too happy to go along with Smith's rejection of one concept of utility, if only to saddle him with another, i.e., demand.

This brings us briefly to the second half of WN 1.IV.13, the so-called water and diamond paradox:

Nothing is more useful than water: but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it (32).

It is not difficult to understand why marginalist commentaries on Smith emphasise this part of the paragraph in preference to the first part discussed above. Observing Smith in difficulties, they seem only too willing to step in, to save him from drowning in embarrassment by throwing out the marginalist lifeline: 'Needless to say', offers Hollander, helpfully, 'the latter approach (i.e., the one which Hollander falsely ascribes to Smith) was not water-tight because of the absence of an explicit incremental conception, but this "deficiency" did not preclude an explanation of price in terms of relative scarcity' (33). The absence of an 'incremental conception' should not come as too much of a surprise. Indeed, the very reverse, reserving any surprise for the unlikely event of discovering an 'incremental conception' where one would least expect to find it, in precisely the kind of theory of value which Smith is developing (34).

Smith's elaboration of the labour theory of value exercises care in

its use and development of categories. The category of value, unlike that of exchange-value, which in orthodox economic theory is very often substituted for it, does not lie around on the surface, as marginalism and related schools of thought imagine. It has to be extracted by means of analysis. Part of that process of extraction is the recognition that the exchange-relationship is a relationship of equivalence in which different commodities can be substituted for one another as equivalents. Furthermore, in order to explain how things which differ materially as use-values can be substituted for one another in exchange, it is necessary, as a part of the overall process of analysing exchange, to address the problem of commensurability. It is in the context of his solution to this problem that Smith introduces the category of value. As substitutes for one another, commodities differ only as to quantity - i.e., how much value they represent. It is only by representing themselves as items of like substance that it is possible to explain the proportions in which they exchange. Identifying the existence of the value category, however, is only the first part of the analysis; it is then necessary to explain its magnitude. The first step in answering this question is to identify the 'cause' or substance of the value category itself (35). Smith addresses his thought to this problem in WN Chapter Five with supplementary consideration in Chapters Six and Seven.

IV. Value, Labour and Labour-Time

It occurred to Smith that this part of his analysis might appear the most obscure to the reader, if not indeed the most tedious. Thus, begging the reader's patience and assuring him that he will take 'the

utmost pains that I can to be perspicuous', Smith begins on the elaboration of a 'subject in its own nature extremely abstracted' (36).

Most commentators agree that it is possible to detect in WN something that can be said to fall within the broad description of a labour theory of value. Opinions differ, however, as to what degree of significance this 'something' has within Smith's overall theoretical concern. Those, like Marshall and Schumpeter, who think of the theoretical endeavours of the Classical school as possessing no small resonance with the character of their own, have unmistakably sought to minimise the importance of the labour-embodied theory, trading heavily on the labour commanded version (37). Hollander, as can be deduced from his earlier comments on utility, does not set too much store by Smith's references to labour, preferring to describe the labour theory of value discovered by some commentators in WN as the product of overworked and unscholarly ideological wishful thinking. The overwhelming focus of comment is on Smith's use of a labour commanded concept of value.

It is not too difficult to see, however, that this focus is misplaced. The labour commanded concept can be seen as one element of a theoretical partnership, the labour embodied concept being the other. Sometimes Smith employs these two concepts in quite distinct ways and in the context of different problems. At other times, they are used interchangeably as if they were the same thing, giving an overall appearance of arbitrariness to Smith's account. This appearance however, should be seen as illusory. Smith's use of the two concepts

possesses a definite pattern. Close analysis shows that the labour-embodied theory takes precedence over the labour-commanded. Given Smith's analysis of the value category there should be little room for surprise, since the labour-commanded theory would contradict it (38). What has to be explained, therefore, is not the customary problem of whether or not Smith employed a labour theory of value, but why he was unable to do so successfully and why he was eventually lead to reject it in resorting to the expedient but theoretically inferior concept of labour commanded.

Smith sets about his analysis of the 'causes' and real measure of value in the first few paragraphs of WN Chapter Five, and it is here that he develops the labour-embodied and labour commanded conceptions.

The advent of the division of labour is the key to Smith's explanation of the causes of value. He begins the chapter, however, not directly with the division of labour, as one might have expected, but with a general observation: 'Every man is rich or poor according to the degree in which he can afford to enjoy the necessities, conveniences and amusements of human life' (39). If Smith's intention has been interpreted correctly, the question which naturally follows is what is the determinant of the degree in which these things can be enjoyed? How much, in other words, can the individual afford? What he can afford depends upon the price he must pay in order to acquire it. The lower the price, the more he can afford and enjoy; the higher the price the less he can afford and enjoy. The question, therefore, which must be answered, is what determines price?

Smith answers this question in a very particular way. The original price paid for everything is labour: 'The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it' (40). And again: 'Labour was the first price, the original purchase-money that was paid for all things' (41). The cost of acquiring any particular object is the amount of labour which is required to produce it, that is, labour conceived as the objective cost of production (42). The more labour that is required to produce an object and, consequently, the greater the cost of acquiring it, the lesser the degree to which he who wants it can enjoy 'the necessities, conveniences and amusements of human life'. The less the quantity of labour required to produce things, the greater the degree in which the individual can afford to enjoy them. Smith is clearly employing a wider definition of 'price' than that understood by modern economic theory.

In a state of individual isolation, the degree to which the individual can enjoy wealth is dependent upon how much labour he must expend himself in order to acquire it. Every object of wealth possesses an objective cost of production, calculated in terms of the amount of labour required to produce it. This, however, is to presuppose a state of independence in which each individual disposes of his labour in order to acquire useful items in accordance with his needs: 'But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him' (43). This eventuality does not, however, contradict the basic premise. If, prior to the division of labour, the wealth or poverty of the individual was proportional to the quantity of useful

objects which his labour could procure for him, his new need for the products of others makes his wealth or poverty proportionate to the quantity of their labour, as embodied in their products, which he can now command; 'and he must be rich or poor according to the quantity of that labour which he can afford to command, or which he can afford to purchase' (44). It would appear that Smith has already abandoned the labour embodied theory of value even in the transition from a state of isolated independent producers to a state in which production is carried out according to a division of labour (45). As he explains quite unambiguously:

The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities (46).

On the evidence of this passage, the labour-embodied theory of value is written-out of many accounts of Smith's theory of value. Certainly, it is possible to agree with O'Brien that WN Chapter Five 'is arguably (and despite strong competition, notably from Ricardo) the most convoluted chapter ever to emerge from the pen of a great economist' (47). But the convolution occurs because the ideas which Smith is grappling with are difficult. One of these ideas is that of equivalence and it is his attempt to tackle this problem in WN I.V.2 which leads to the suggestion that restricting Smith to a labour commanded conception of the measure of value is to say the least premature and at best a misunderstanding of the nature and course of his inquiries.

It appears that Smith's first thought in developing a 'labour' theory

of value is the relative one of labour commanded. This by itself, however, is not enough to explain why commodities can be exchanged in equivalent proportions. What is required is some notion of their representing quantities of a common item. This seems to be precisely what Smith is working towards when he says: 'What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose on other people' (48). Smith does not dispense with labour per se but the particular labour of producing the item which is to be acquired through exchange. As he points out in the very next sentence: 'What is bought with money or with goods is purchased by labour as much as what we acquire by the toil of our own body' (49). The possession of money or goods does not do away with the necessity of labour. They represent a means to acquire the product of a different kind of labour, i.e. through their exchange. But their exchange presupposes their comparability as commensurables. And it is only as commensurables that they can be exchanged in definite proportions (50). Thus Smith concludes that commodities can be compared and exchanged as equivalents because they embody equal quantities of labour:

It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command (51).

The labour embodied and labour commanded concepts of the measure of value appear interchangeable because by virtue of the equivalence condition they are by definition of like magnitude. However, it is

only possible to think of the labour commanded standard because commodities which are exchanged in equivalent proportions embody equal quantities of labour. Uppermost in Smith's mind is the proposition that the real measure of exchangeable value is the amount of labour required to produce things. This is in turn based on the idea that the degree to which the individual can enjoy 'the necessities, conveniences and entertainments of human life' very much depends upon the quantity of labour which he has to expend in order to produce or acquire them. This is the real or original price paid for all things useful. The 'labour commanded' standard is a derivation of this idea, and its definition is initially confined simply to the labour materialised in the commodities for which anything exchanges, the latter representing an equal quantity of embodied or materialised labour. It is not until later that this definition changes to encompass labour itself, i.e., living labour, as a commodity, and one which measures the value of other commodities.

The next unambiguous expression of Smith's fundamental concept of value is contained in the opening paragraph of WN Chapter Six:

In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportions between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour (52).

Taking into account the assumption harboured by Smith's 'natural' supposition, this illustration gives full account of the problems of

equivalence and commensurability which have been his main theoretical objective thus far. It is as quantities of labour that commodities are commensurables and as equal quantities of labour that they are equivalents (53). From a quantitative point of view, the magnitude of value is the same whether it is expressed in terms of the quantity of the one commodity or the other. Since both embody the same quantity of labour it is equally possible to say that the real value of beaver, determined by labour-time embodied, is two days, or, that it is equal two deer or two days of labour-time commanded. Smith forcefully makes this point in the next paragraph.

Many accounts of Smith's theory of value argue that it contains a dual explanation right from the start, i.e. both the labour embodied theory and the theory that values are measured by wages. In WN 1.V.3 Smith makes it clear that this is not what he means. The exchange-value of a commodity, it will be recalled, was defined by Smith as 'the power of purchasing other goods which the possession of that object conveys'. Reiterating the definition, Smith now explains that although wealth is power, it is not political power which is begot through the possession of wealth. To him in possession of wealth: 'The power which that possession immediately and directly conveys to him, is the power of purchasing; a certain command over all the labour, or over all the produce of labour which is then in the market' (54). This passage contains one of the fundamental antinomies of Classical political economy. In his attempts to explain profit, Smith is unable to reconcile the labour-embodied theory of the value of commodities with a labour theory of the value of labour - in which it appears that the labourer receives less than what he gives. The

problem which Smith cannot resolve is how the value of labour can be accounted for on the basis of a labour theory of value. He is unable to distinguish the peculiarity of labour as a commodity from the generality of commodities. This identity is further reinforced when he goes on to say: 'His fortune is greater or less, precisely in proportion to the extent of this power; or to the quantity of either of other men's labour, or, what is the same thing, of the produce of other men's labour, which it enables him to purchase or command' (55). When Smith speaks of labour commanded, it is ambiguous whether he means materialised labour or living labour. Labour as itself a commodity, i.e. wage-labour, has not yet entered the theoretical picture. Its eventual appearance in Smith's account occurs in the context of another quite specific problem and his attempts to resolve it. The assumption that labour commanded refers to labour as itself a commodity from the outset, runs the risk of not fully appreciating the significance either of its first proper appearance or the problem to which it is addressed as a possible solution (56).

V. The Problem of Labour-Heterogeneity and some Possible Solutions

Commodity-exchange is a relationship of equivalence. But the nature of this equivalence poses an immediate problem. It cannot arise out of the natural properties of the objects themselves because these are not homogeneous. In order to explain as what commodities are equivalent, it is first necessary to explain what makes them commensurable, because it is as quantities of what makes them commensurable that commodities can be exchanged as equivalents. This argument is forcefully stated by practical illustration in WN 1.VI.1.

Commodities, Smith argues, are commensurable because they are the common products of human labour. Containing the same term, they can be measured and consequently exchanged in equivalent proportions. This is, however, assuming that all labours can be measured by conventional units of time, the minute, hour, day etc. This assumption however rests in turn upon another - that of labour-homogeneity, and such an assumption is, of course, unrealistic. Recognising this, Smith identifies the precise problem:

It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work than in two hours' easy business; or in an hour's application to a trade which it cost ten years' labour to learn, than in a month's industry at an ordinary and obvious employment (57).

Labour, Smith explains, differs not only as to kind, but also in the degree of hardship, ingenuity, intensity, and skill with which they may be performed. The existence of these differences cannot be ignored since to do so would simply be to make an unrealistic assumption. The problem is, how are they to be taken into account in the determination of exchange-ratios?

His first thoughts on the problem are not altogether encouraging; '...it is not easy to find any accurate measure either of hardship or ingenuity' (58). It is tempting to dismiss this simply as an observation supported by common sense. There is, however, more to it than that. Although Smith does not provide us with any clue to the argument which underwrites this conclusion it is difficult to believe that he would not have contemplated the possibility of there being

some common measure for labours of differing characteristics, or at the very least some shared characteristic which overshadowed their differences and established their essential unity (59). Even if there were some characteristic, however, this would still not resolve the practical problem of comparing one kind of labour with another. With this practical conception of the problem in mind, he next offers for consideration an equally practical solution.

In exchanging indeed the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the haggling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life (60).

There being no accurate common measure of the duration of different labours, the necessary adjustment has to be made in the market-place. For a number of reasons this has to be regarded as a retreat on Smith's part. Firstly, it fails to provide a coherent account of exchange-ratio determination. Hitherto Smith has been at pains to point out that a theory of value must include an element of regular determination. With this solution that condition is broken and an indeterminable random element is introduced into the theory. Secondly, in the way that it is presented by Smith it is inherently circular. After attempting to use labour-time as an explanation of phenomena in the market, Smith is compelled to argue in reverse in order to resolve the awkward problem of labour-heterogeneity. Thirdly, and certainly the most damaging, is his introduction of the living-labour commanded concept of the measure of value. The superior value of the products of qualified labour, he explains,

may frequently be no more than a reasonable compensation for the time and labour which must be spent in acquiring them. In the advanced state of society, allowances of this kind, for superior hardship and superior skill, are commonly made in the wages of labour; and something of the same kind must probably have taken place in its earliest and rudest period (61).

Meek is not altogether convinced that the charge of circularity is one that is borne out (62). Smith, he argues, does not suggest that the reduction of skilled to unskilled labour, and pari passu of more intensive to less intensive, 'should be carried out by referring to the rewards actually received in the market by the labourers concerned' (63). However, what Meek has failed to recognise is that the 'rewards' of which he speaks are none other than wages, an element which is, this far at least, alien to the basic model of commodity production with which Smith has been working. As the above reference taken from WN 1.VI.3 shows, Smith quite explicitly suggests that just as adjustments are made in the wages of labour to allow for differences in skill in the advanced states of society, so must such adjustments have also taken place in its earliest states. But since, as Smith himself points out, the earliest states of society are defined as prior to the accumulation of stock and the appropriation of land, it is difficult to see how, without either profit or rent, there can be wages. The result is not just circularity, but anachronism (64).

It is difficult to say whether or not Smith thought in these terms about his proffered solution to the problem of labour heterogeneity. That he was dissatisfied with it is plain to see, it being one of the few occasions on which he resorts to special pleading and appeals to

'sufficiency'. With this general dissatisfaction in mind, on Smith's part, his thought now turns a new corner, albeit one that has always been in view: 'But although labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated' (65). At this point Smith begins to tread a path which will lead him away from his original conception of the measure of value, i.e. labour-time, to the relative concept favoured by virtually every school of orthodox economic thought since: 'Every commodity besides, is more frequently exchanged for, and thereby compared with, other commodities than with labour. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labour which it can purchase' (66). However, not before he has explained what is preventing him from coherently formulating the labour theory of value:

The greater part of people too understand better what is meant by a quantity of a particular commodity, than by a quantity of labour. The one is a plain and palpable object; the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious (67).

Smith's thought is forced to make this turn because he can see no solution which, in practice, can solve the problem of labour-heterogeneity. Homogeneous labour is simply an 'abstract notion' which appears to possess no counterpart in reality where labours are characterised by their particularities (68).

Following this expedient shift in his consideration of the value problem, Smith devotes the greater part of the rest of Chapter Five to a preoccupied, but ultimately frustrated and unsatisfying pursuit of a standard measure of value. At various points money, corn and labour

are considered as candidates for the post. But his presentation becomes awkward and confused with different trains of thought running counter to one another. For example, he explains at one point: 'Gold and silver ... like any other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase' (69). But after rejecting gold and silver on the grounds of their variability, he proceeds to qualify his general observation that commodities as a whole are subject to fluctuations in value in the case of labour: 'Labour alone ... never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared' (70). Henceforward, the 'labour theory of value', if such it can be called, enjoys at most a vestigial existence in the concept of 'labour commanded':

But though equal quantities of labour are always of equal value to the labourer, yet to the person who employs him they appear sometimes to be of greater and sometimes of smaller value. He purchases them sometimes with a greater and sometimes with a smaller quantity of goods, and to him the price of labour seems to vary like that of all things. It appears to him dear in the one case, and cheap in the other. In reality, however, it is the goods which are cheap in the one case and dear in the other (71).

It is difficult to see in this formulation anything other than a retreat on Smith's part from his initial understanding in which value is distinguished from exchange-value. The distinction has been collapsed, obscuring the problems of equivalence and commensurability, but not, it has to be said, reducing in any way their pertinence to the construction of a coherent theory of value.

VI. Smith's Contribution

It can be argued that Smith successfully identified the crux of value-theory in the problems of equivalence and commensurability, rejecting in due course the notion of value as mere price. Armed with a distinct category of value, he then identifies its substance as labour and its magnitude as determined by labour-time. This is the theory of value for which there is textual evidence within Smith's work. It has been necessary, therefore, to reject other interpretations of the same text where appropriate. In the main those interpretations which either explicitly or implicitly deny the presence of a recognisable labour theory of value in Smith's work have been rejected. The reason for rejecting them is that they are based on a misinterpretation of the nature of Smith's inquiry and of the questions he considers pertinent to the development of a theory of value. Those questions are of central significance in the development of any adequate theory of value and the fact of Smith's failure to supply satisfactory answers to them in no way diminishes the importance of his contribution. Smith's influence, however, extended beyond his own period. Many of the problems which he addressed and some of his solutions resurface in the work of Ricardo, and it is to this work that it is now necessary to turn.

NOTES TO CHAPTER ONE

1. Throughout I refer to the edition of the Wealth of Nations prepared by R. M. Campbell and A. S. Skinner in 1976 for the Oxford publication of the Glasgow Edition of the Works and Correspondence of Adam Smith.
2. In a book the purpose of which is to explain the main characteristics of each of Smith's works, Campbell and Skinner omit from their account of WN any reference whatever to the theory of value which it contains. Explaining that the 'first and most obvious problem in the context of the exchange economy is that of price and its determinants' (Campbell and Skinner, 1982. Emphasis as in original), they proceed to ignore the material in WN Chapters Four and Five, in which Smith explains the necessity of making a distinction between value and price, in favour of the Neo -classical interpretation of Smith. One of the principle characteristics of Neo-classical economics is its treatment of these categories as one homogeneous form, resulting in, amongst other things, a travesty of the aim of explaining the determinants of price.
3. Roll, for example, notes the peculiarity of the location of Smith's initial probing of the problem of value but is unable to make anything of it except to conclude negatively that Smith was simply getting 'it out of the way before beginning the really important work, the analysis of exchange-value' (Roll, 1966, 136). The argument of this chapter is that Smith considers the distinction between the two definitions of the term value where

he does because his examination of money has led him to conclude something about the nature of value which cannot be said of use-value.

4. For Marx's critique of the Classical School's unhistorical method of investigation see Chapter Three.
5. WN I.II.1.
6. 'Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men'. WN IV.IX.51. An obvious corollary of this freedom would be to pursue one's self interest through specialisation.
7. WN. I.IV.1
8. Loc Cit.
9. Loc Cit.
10. WN. I.IV.2
11. Loc Cit.
12. WN. I.IV.3
13. WN. I.IV.4
14. Loc Cit. In Leviathan, Hobbes explains that a medium of exchange must also be portable, 'as not to hinder the motion of men from place to place; to the end a man may have in what place

soever, such Nourishment as the place affordeth'. Hobbes, 1976, 300.

15. Loc Cit.

16. Loc Cit.

17. WN. I.IV.7

18. Loc Cit.

19. Loc Cit.

20. Smith's treatment of money as a commodity with a value, i.e. like any other commodity, is superior to the subjective explanation of the 'value' of gold offered by Hobbes: 'For Gold and Silver, being (as it happens) almost in all countries of the world highly valued, is a commodious measure of the value of all things between nations; and Mony (of what matter soever coyned by the Sovereign of a Commonwealth), is a sufficient measure of the value of all things else, between the subjects of that commonwealth'. Hobbes, 1976, 300. It is the discovery of the commodity-nature of money that is one of the achievements of Aristotle that Marx singles out for inclusion in his own theoretical work. See Chapter Three below.

21. Since Smith deals more fully with the distinction in WN Chapter Five further exploration of his views on this is best reserved until the appropriate time.

22. WN. I.IV.12

23. Loc Cit.
24. WN. 45n.
25. WN. I.IV.13
26. Commenting on Smith's explanation of the different meanings of the word value, according to whether it is taken to mean 'value in use' or 'value in exchange', Marshall advises: 'But experience has shown that it is not well to use the word in the former sense'. The reason for this reservation, he explains, is because value, or as he uses alternatively - price, 'is taken provisionally to represent general purchasing power'. Utility, in the special sense defined by Smith, cannot therefore be the cause of exchange-value, which is, as Marshall himself has just explained, something general by nature. Unfortunately, Marshall does not recognise that it is impossible to speak of exchange-value without first explaining how commodities are commensurable, i.e. how they can be compared for the purposes of exchange. As he goes on to explain: 'The value, that is the exchange-value, of one thing in terms of another at any time and place, is the amount of that second thing which can be got there and then in exchange for the first. Thus the term value is relative, and expresses the relation between two things at a particular place and time'. There can be no relationship between two commodities in exchange unless they are commensurable, because it is only after their commensuration, i.e. their 'translation' into quanta of some common term that they can be compared. Declining to investigate value, Marshall, echoing Hobbes, Locke and every

shade of mercantilist thought from the seventeenth century to the present day, opts for the miraculous measuring powers of gold and silver: 'Civilised countries generally adopt gold or silver or both as money. Instead of expressing the values of lead and tin, and wood, and corn and other things in terms of one another, we express them in terms of money in the first instance; and call the value of each thing thus expressed its price'. Marshall, 1920, II.ii.6. The circularity of this reasoning seems to have escaped Marshall. It did not escape Marx, from whose theory it is possible to develop a critique of the utility-theory. See below Chapter Three.

27. Having 'distinguished value in use and value in exchange', Smith, says Schumpeter, 'dismisses the former by pointing to what has been called above the 'paradox of value' - which he evidently did believe to be a bar to progress on this line - thereby barring, for the next two or three generations, the door so auspiciously opened by his French and Italian predecessors'. Schumpeter, 1954, 309.
28. Loc Cit.
29. Loc Cit.
30. Hollander, 1975, 136. He continues: 'The proposition amounts to an insistence that physical properties of commodities are quite irrelevant to the determination of exchange-value. It is solely this category of utility which Smith rejected as a value determinant and, indeed, as a necessary condition of exchange-value'. Loc Cit.

31. Ibid, 137.
32. WN. I.iv.13
33. Hollander, 1973, 137.
34. 'It is sometimes suggested that if Smith's attention could have been drawn to the marginal utility theory of value he would have welcomed it as affording the basis for a solution of the so-called 'paradox of value' which was exemplified in the water-diamond illustration. But quite apart from the fact that there is no evidence that Smith ever looked upon the apparent discrepancy between 'value in use' and value in 'exchange' as if it were a paradox requiring solution, it cannot be too strongly emphasised that any approach to the problem of the determination of value from the side of utility and demand (as opposed to that of cost and supply) would have been regarded by him as quite alien to the general outlook of the Wealth of Nations', Meek, 1973, 73.
35. 'In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavour to show, First, what is the real measure of this exchangeable value; or, wherein consists the real price of all commodities, Secondly, what are the different parts of which this real price is composed or made up. And lastly, what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below their natural or ordinary rate; or, what are the causes which sometimes hinder the

market price, that is, the actual price of commodities, from coinciding exactly with what may be called their natural price'. WN. I.IV.14-17. The overwhelmingly quantitative conception of the value-problem held by Smith is an important key to understanding why, having successfully extracted the category of value from the random appearance of the exchange-relation, he is unable to solve many of the subsequent problems which arise in the course of developing the category further. Some aspects of Smith's thought are criticised by Ricardo, but it is not until Marx that it becomes clear how the further development of the value-category is to be elaborated.

36. WN. I.IV.18.

37. The absence of this dual conception in Ricardo's work helps to explain why economists in the Neo-classical school favour Smith rather than Ricardo. The latter's unambiguous commitment to the labour-embodied theory of value has generally put his work at a discount in the twentieth century, where even Sraffa, his most serious defender, particularly against the misinterpretations favoured by J. H. Hollander and E. Canaan, feels unable to make anything of the labour theory of value. Robinson, however, is simply mischievous when for altogether different reasons she explains that the difference between Marshall and Ricardo is just a matter of scale!

38. Labour commanded is a commodity like any other. For that reason it cannot be the value of any other commodity, no more than in the exchange of shoes for money, the money is the form of value

of the shoes.

39. WN. I.V.1.

40. WN. I.V.2

41. Loc Cit.

42. Blaug writes: 'The "real value" of a commodity is its labour price, meaning by labour not a certain number of man-hours but units of disutility, the psychological cost of work to the individual, and meaning by value, esteem value rather than exchange-value'. Blaug, 1968, 52. Halevy, in his study of the sources of the doctrine of Utilitarianism, also favours this subjective interpretation of Smith's theory of value: 'The "natural" measure of value results, according to Adam Smith, from the comparison made between the amount of pain suffered, or if you like, of pleasure sacrificed, to produce the object, and the amount of pleasure which is expected to result from the acquisition of the object, whether this acquisition occurs directly through labour or indirectly through labour followed by exchange'. Halevy, 1972, 94. What underlies these interpretations is the marginalist notion of labour as 'disutility'. Clearly, in the context of Smith's thought on the labour commanded measure of value, there is some room for just such an interpretation. However, to argue that this is Smith's only conception is without foundation. In his working out of the idea of value, Smith explains that commodities exchange as equivalents because they embody some item in the same amount.

This is an objective conception of value which does not coincide with the subjectivism of marginalist thought and the concept of labour as disutility. It is difficult to see, for example, how Smith's explanation of value can be reconciled with the interpretation recommended by Hollander. The concept of 'ultimate psychic cost' is an idea which is as alien to Smith as the concept of demand which Hollander attempts to foist onto WN. I.iv.13. Hollander, 1975, 129. The problem with these kind of interpretations is that they fail to recognise that 'labour commanded' is very much of secondary importance in Smith's theory of value. What has to be explained is the process or chain of reasoning by which he is led to abandon his primary conception of value - 'labour embodied'. To interpret Smith as being, from the outset, involved in a search for a solution to the 'index-number' problem, as Schumpeter, Hollander and Blaug would have him, is to ignore the process by which Smith arrives at the category of value, and having arrived there, proceeds to explain why it is different from both exchange-value and use-value. The index-number problem is an entirely formal invention of orthodox economic thought which possesses no counterpart in Smith's political economy.

43. WN. I.V.1

44. Loc Cit.

45. To speak of value in the context of a state of isolated independent self-subsistent producers would be inappropriate. It is only with exchange that there arises the need to compare

products as 'values'. Despite Smith's unhistorical understanding of the relationship between value and labour, the very fact that he makes the connection between them distinguishes his political economy from that strand of economic thought which has to yet distinguish between use-value and value. An example of such confusion is cited by the editors of the WN. Criticising Smith's identification of value with labour, Pownall says: 'We must consider also the objects on which labour is employed; for it is not simply the labour, but the labour mixed with these objects, that is exchanged; it is the composite article, the laboured article; some part of the exchangeable value is derived from the object itself ...' WN. I.V.3n. Pownall does not realise that it is necessary to draw the distinction between value and use-value in the explanation of the proportions at which commodities exchange. Consequently, his own explanation of exchange-ratios would be incoherent since there is no space in his account for tackling the problem of commensurability. Smith is also criticised, on the same grounds, by J-B Say. As Ricardo points out, in Smith's defence, it is necessary to distinguish between the production of useful objects, the substance of wealth, and the production of value, into which no physical properties of the object enter. See Chapter Two.

46. Loc Cit.

47. O'Brien, 1975, 82.

48. WN. I.V.2

49. Loc Cit.

50. At this point Smith says: 'That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity'. Loc Cit. Smith's reference to the 'value' of labour, in effect, the wage, in this context is a product of the thought that all commodities, including labour, exchange as equivalents. Thus it is possible for him to identify labour as a commodity with the quantity of labour-time which is embodied in commodities. As long as Smith presupposes the pre-capital 'natural state', labour-embodied must equal labour commanded. It is then only a short step to identifying the wage as a measure of value since by definition it is the equivalent of the quantity of labour actually embodied in the commodities.

51. Loc Cit.

52. WN. I.VI.1

53. Schumpeter, unlike Hollander, for example, is prepared to allow that there is sufficient ambiguity in Smith's account of the problem to admit an interpretation in terms of the labour-embodied theory of value. However, he is only prepared to admit that this is a product of Smith's ambiguous presentation rather than of his conscious design. Smith, Schumpeter explains, 'considers the quantity of labour a commodity can command in the market the most useful substitute for its price in money, that is to say he chooses labour for numeraire', Schumpeter, 1954, 310.

This account ignores an important factor in Smith's explanation. In that explanation, Smith points out that exchange is a relationship between equivalents, a relationship which moreover presupposes the commensurability of the articles exchanged. Commodities are commensurable as values. The quantity of value which each commodity represents is its natural value or real value as opposed to its relative value as expressed in terms of some quantity of another commodity. Schumpeter does not explain why it should have occurred to Smith to substitute anything for the money-price of commodities. Smith, however, is adamant upon this point. The money-price of commodities is an expression of their relative value. If one wants to explain why commodities possess relative values of this magnitude and not others one needs to explain their real value, which is, as he has argued, their values as determined by labour-time. The operation of any numeraire, in Smith's terms, is problematical because it would always beg the question of its own commensurability with the commodities which it is supposed to measure the value of. Not understanding this aspect of Smith's theory, Schumpeter finds his own account of Smith difficult to sustain; Smith, he says, 'seems himself as little clear about what is and what is not implied in choosing something for numeraire'. The lack of clarity is not in Smith, but in Schumpeter's attempt to shepherd him into the Neo-classical fold. Cf. Hollander, 1975, 127-8. Schumpeter's comments, however, might apply to Ricardo. See Chapter Two.

54. WN. I.V.3.

55. Loc Cit.

56. 'In a society characterised by the division of labour, the exchange of commodities is in essence the exchange of social labour. This was the simple abstraction from which Smith started. It might have been thought, therefore, that he would have concluded that the 'real measure' of the value of a commodity was the quantity of labour embodied in the other goods for which it would exchange on the market. But in actual fact he concluded that the 'real measure' of the value of a commodity was the quantity of labour for which it would exchange on the market. It was in this decision to make commandable labour rather than the labour embodied in commandable commodities the 'real measure' of value that most of the difficulties associated with Smith's theory of value had their origin.' Meek, 1973, 63-4. This latter suggestion is arguably true. But at this stage in his presentation, the measurement of the value of commodities by the quantity of living labour which they can purchase, as opposed to materialised labour, is, whilst present in Smith's account, merely a source of ambivalence. It could be argued that the main point is not at what stage Smith introduced the concept of the living labour-commanded measure of value, but that his theory suffers from the basic flaw of dualism. This is, for example, the view of I. I. Rubin. Rubin, 1979, 186-7. It is important, however, to recognise where it makes its first real introduction, because Smith resorts to the living labour-commanded standard in a subtle but unmistakable re-definition of the problem of value as a means of resolving the awkward problem of labour-heterogeneity. Arguing that both concepts of value are present

all along and that therein lies the source of Smith's confusion obscures the basic contradiction which Smith introduces into his theory when faced with the necessity of accounting for differences between one kind of labour and another, and of their relative skill and intensity.

57. WN. I.V.4

58. Loc Cit.

59. Kay and Mott argue that a theory of natural equivalence underlay the Classical labour theory of value which said that labours belonging to different individuals were naturally equivalent by virtue of the individuals common humanity. Kay and Mott, 1982, 51. The natural equality of individuals was as taken for granted by the political economists of the eighteenth century as their natural inequality was by Aristotle:

'There was ... an important fact which prevented Aristotle from seeing that to attribute value to commodities, is merely a mode of expressing all labour as equal human labour, and consequently as labour of equal quality. Greek society was founded upon slavery, and had, therefore, for its natural basis, the inequality of men and of their labour-powers. The secret of the expression of value, namely that all kinds of labour are equal and equivalent, because and so far as they are human labour in general, cannot be deciphered, until the notion of human equality has already acquired the fixity of a popular prejudice. This, however, is possible only in a society in which the great mass of

the produce of labour takes the form of commodities, in which, consequently, the dominant relation between man and man, is that of owners of commodities.' Marx, 1970, 65-6.

60. WN. I.V.4. 'If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship; and the produce of one hour's labour in the one way may frequently exchange for that of two hours in the other.' WN. I.VI.2.
61. WN. I.VI.3
62. Meek, 1973, 76.
63. Loc Cit.
64. 'At the very start of its enquiries political economy was confronted with the consequences of its naturalistic premises; attempting to explain exchange (the market) in terms of labour, it was forced at the outset to go into reverse and use the market to determine the quantity of labour. This problem and the attempt at a solution recur in all the writings of natural law, where, time after time, the origins and mechanisms of political society are explained pragmatically in terms derived from the finished forms of this society.' Kay and Mott. loc cit. In his defence of Smith's explanation, against the charge of circularity, Meek is already thinking of how to defend Marx against the same charge.
65. WN. I.V.4

66. WN. I.V.5

67. Loc Cit.

68. This turn in Smith's thoughts is also identified by Wieser who describes it as the substitution of an 'empirical' measure of value for a 'philosophical' measure of value. Wieser. Cited in Hollander, 1904, 23. The 'philosophy' in Smith's case, being that which affirms the innate equality of human labours, if only to leave their heterogeneous empirical characteristics problematical for any theory of value. Smith's adoption of an 'empirical' i.e. in reality, a relative measure of value, is a retreat from his initial conception of value which is formulated in terms of their commensurability and equivalence. Focusing exclusively on the problem of discovering the measure of value, the problem of the 'cause' or the 'substance' of value is eliminated from Smith's account altogether. Paradoxically, it is precisely in the context of the problem of the measure of value that Ricardo reintroduces the notion of the 'causes' of value.

69. WN. I.V.7

70. Loc Cit.

71. WN. I.V.8. Ricardo's critique of this passage is an important component of his own contribution to the development of the labour theory of value. See Chapter Two.

CHAPTER TWO

RICARDO ON THE LABOUR THEORY OF VALUE

I. Introduction

The greater part of Ricardo's thought on the labour theory of value is devoted to the discovery of a measure of value which is consistent with the basic principle of labour embodied (1). In this chapter, it is the intention to examine the content of this thought and where possible offer some assessment of its results in terms of Ricardo's stated objectives. Part of those objectives and the means for attaining them are derived from the tradition of political economy which, it could be said, culminates with Ricardo. The purpose of this chapter is to examine Ricardo's thought as the theoretical high point of political economy with a view to identifying its principal problems.

Much of what Ricardo has to offer on the problem of value itself is transmitted via a review of the work of his predecessors and contemporaries, most notably Smith, Say, de Tracy, Lauderdale, Malthus and Torrens. Although often polemical in tone, these reviews are analytical in substance and provide a rich source from which the chief characteristics of Ricardo's own thought on the nature of value can be distilled. Of particular importance in the development of his conception of value are his critiques of, in turn, Smith's dual conceptions of the value substance, Say's utility theory, and Lauderdale's demand and supply explanation.

Upon extracting the category of value from the encumbrances placed

upon it by his predecessors, Ricardo proceeds to analyse the problem of its measurement. At this point, the progress of Ricardo's thought is brought to a halt by the problem previously encountered by Smith. In order to measure the 'real' values of commodities by reference to labour-time it is necessary to discount the different characteristics of each kind of labour. Practically admitting that this is an impossible theoretical operation to perform, Ricardo is forced to retreat into the expedient, but admittedly theoretically inferior 'invariable measure of value'. Whilst the structure of Smith's account of value possessed an inherent dualism, thus allowing a re-definition of the value-problem in terms of relative-value, albeit problematically, no such dualism exists in Ricardo's account, and consequently he is forced into an inconsistency which reveals the weakness of the Classical account of the labour theory of value as a whole.

In the first part of the account given here of Ricardo's contribution to the development of the labour theory of value, his critiques of Smith and Malthus in which he extracts the category of labour-embodied from labour-commanded are examined. This takes place in part two. The third part examines how he secures this theory in his arguments against the utility and scarcity theories of Say and Lauderdale respectively. The fourth part examines his thought on the 'invariable measure of value', concluding that this falsely conceived problem is nothing other than an unsuccessful formulation of the real problem of value-theory, viz., the nature of value-creating labour itself.

II. 'Labour Embodied' and the Fallacy of 'Labour Commanded'

In Chapter One, section one of the Principles (2), Ricardo proposes an explanation of exchange-ratio determination which is indistinguishable from Smith's original conception of labour-embodied:

In the early stages of society, the exchangeable value of ... commodities, or the rule which determines how much of one shall be given in exchange for another, depends almost exclusively on the comparative quantity of labour expended on each (3).

Citing Smith's authority, in particular the passages at WN I.V.2 and I.VI.1, he adds:

That this is really the foundation of the exchangeable value of all things, excepting those which cannot be increased by human industry, is a doctrine of the utmost importance in political economy; for from no source do so many errors and so much difference of opinion in that science proceed, as from the vague ideas which are attached to the word value (4).

The larger part of PPE Chapter One, section one, is taken up in an examination of some of those errors, differences of opinion and vague ideas, particularly with reference to the theories of Smith and Malthus which are reviewed in turn. The object of the review is to clarify the nature of the problem of value, and to establish the conditions which any acceptable solution must satisfy. As if to dispel any doubts as to the nature of his own theory, Ricardo explains: 'If the quantity of labour realised in commodities, regulate their exchangeable value, every increase of the quantity of labour must augment the value of that commodity on which it is exercised, as every diminution must lower it' (5). Ricardo, we can say, shares the view held by Smith that commodities exchange in proportions determined

by equivalent quantities of labour. The greater the quantity of labour that is required to produce a particular commodity, all other things being equal, the greater the quantity of other commodities for which it will exchange and vice-versa.

Ricardo distinguishes his theory from Smith's by formulating it in more quantitatively coherent terms (6). Thus, midway through his presentation of Smith and Malthus he gives the following curt explanation of the object of a theory of value: 'Two objects vary in relative value, and we wish to know in which the variation has really taken place' (7). From the outset, one circumstance stands in the way of a direct solution to the problem. An examination of the proportions in which commodities exchange does not of itself discover the cause of the change in their relative value since it is impossible to determine whether an increase or decrease in the relative value of a commodity is a product of a rise in its own unit-value in addition to which or alternatively a decrease in the unit-value of the other, or in the latter case from a decrease in its own unit-value in addition to which or alternatively an increase in the unit-value of the other. Explaining changes in relative value is therefore a two-fold problem, firstly that of identifying the source of the change, which may lie with one or both commodities, and secondly, that of identifying the cause of the changes in value in the first instance (8).

His proffered solution to the first problem is explained in the following terms:

If we compare the present value of one, with shoes, stockings, hats, iron, sugar, and all other commodities, we

find that it will exchange for precisely the same quantity of all these things as before. If we compare the other with the same commodities, we find it has varied with respect to them all: we may then with great probability infer that the variation has been in the commodity, and not in the commodities with which we have compared it (9).

By comparing the past and present relative values of both commodities against the various commodities for which they exchange, it is possible, argues Ricardo, to identify which of the two has undergone a change. The question begged therefore is what is it that has actually changed? Observation, according to Ricardo, has clearly shown that the relative value of a particular commodity has changed because it no longer exchanges for other things in the proportions that it once did. This, however, does not constitute the explanation of the change. Movements in relative or exchangeable value are determined by movements in a commodity's value - and this is connected with the circumstances of its production:

If on examining still more particularly into all the circumstances connected with the production of these various commodities, we find that precisely the same quantity of labour and capital are necessary to the production of the shoes, stockings, hats, iron, sugar, etc.; but that the same quantity as before is not necessary to produce the single commodity whose relative value is altered, probability is changed into certainty, and we are sure that the variation is in the single commodity; we then discover also the cause of its variation (10).

According to Ricardo, value is the product of labour, and labour alone. What causes the relative values of commodities to change is a change in their values and these values are in turn determined by the quantity of labour required to produce them (11). Observation of the relative values of commodities cannot, in itself, explain the causes of their change. In order to explain the causes of change in the

values of commodities it is necessary to abstract to what they possess in common because it is this which determines their respective values. The notion of value purely as relative or exchangeable value misses this essential point. Ricardo thus concurs with Smith's original notion of labour-time as the immanent measure of the value of commodities. The greater part of his disagreement with Smith, however, relates to the latter's subsequent thought on the measure of value.

Smith, suggests Ricardo, who possessed an otherwise correct conception of the immanent measure of the value of commodities, 'has himself erected another standard measure of value'. 'Sometimes he speaks of corn, at other times of labour, as a standard measure; not the quantity of labour bestowed on the production of any object, but the quantity which it can command in the market.' (12) Consequently, commodities, according to Smith, are valuable in proportion to the quantity of labour which they will command.

Ricardo's objection to Smith's alternative measure of value is an objection to the assumption made by Smith after establishing that equivalence is a necessary condition of exchange. If commodities are equivalent, the value of X commodity A can be measured either by the labour required to produce it, or the labour required to produce Y commodity B for which it exchanges. Beyond this point Smith separates the labour embodied in Y commodity B from the physical product itself and, treating it as itself a commodity sold at a price (the wage) employs the wage, signifying a quantity of labour commanded, as a measure of the value of other commodities. What Ricardo objects to is Smith's speaking of the labour embodied as X commodity A and the

labour embodied in Y commodity, measured by the wage paid to it 'as if these were two equivalent expressions' (13). Excusing the anachronistic usage of the term 'wage', under the conditions of the model of the 'rude state' the two items mentioned are quantitatively equal. Qualitatively, however, they are not, a point reinforced in Smith's employment of the wage category in this context. Labour sold as a commodity, like anything else, is sold at a value and price. It is tautological to explain values by values. A conflation of labour embodied with a quantity of labour commanded leads to the false conclusion that wages, i.e., the value of labour, are equal to the quantity of labour which is supplied by the labourer: 'and as if because a man's labour had become doubly efficient, and he could therefore produce twice the quantity of a commodity he would necessarily receive twice the former quantity in exchange for it' (14). However, this is not just a point about Smith's erroneous theory of the wage (which, it might be pointed out, Ricardo shared to some extent) but explains an important point about the value-relationships between commodities:

If this indeed were true, if the reward of the labourer were always in proportion to what he produced, the quantity of labour bestowed on a commodity would purchase, would be equal, and either might accurately measure the variations of other things: but they are not equal; the first is under many circumstances an invariable standard, indicating correctly the variations of other things: the latter is subject to as many fluctuations as the commodities compared with it (15).

Smith's explanation would not only be circular because it uses a value to explain a value, but because any commodity employed as a measure of value is subject to fluctuations in its own value, thus begging the question of how this change is measured. A solution to the problem as

it is posed would never be found, since every commodity selected to measure the values of other commodities would, in turn, imply another which could measure the value of the measure of value, and so an ad infinitum.

Smith himself was not unaware of this problem, as shown in his own rejection of gold and silver as suitable standard measures of value. But then Smith was simply inconsistent: 'Adam Smith, after most ably showing the insufficiency of a variable medium, such as gold and silver, for the purpose of determining the varying value of other things, has himself, by fixing on corn or labour, chosen a medium no less variable' (16). Gold, silver and corn, as commodities, are subject to fluctuations in value just as any other: 'Is not the value of labour equally variable', asks Ricardo, 'being not only affected, as all other things are, by the proportion between the supply and the demand, which uniformly varies with every change in the condition of the community, but also by the varying price of food and other necessaries, on which the wages of labour are expended' (17) ? The measurement of value by wages (signifying quantities of labour commanded) leads to a confusion of value and exchangeable value, 'things perfectly distinct'. As the following illustration shows, Smith, and subsequently Malthus, are led into circularity by not properly drawing the essential distinction:

If I have to hire a labourer for a week, and instead of ten shillings I pay him eight, no variation having taken place in the value of money, the labourer can probably obtain more food and necessaries, with his eight shillings, than he before obtained for ten: but this is owing, not to a rise in the real value of his wages, as stated by Adam Smith, and more recently by Mr. Malthus, but to a fall in the value of the things on which his wages are expended (18).

Relatively speaking, the quantity of commodities which the labourer can purchase with eight shillings is greater than the quantity which he buys with ten. Conflating real value with relative value, Smith argues that the real value of labour, compared with other things, has risen. Without the erroneous conflation, argues Ricardo, the true state of affairs is revealed. The labourer's consumption has not risen because his real wage has risen, but because the fall in the value of the things on which his wage is spent is greater than the resulting fall in the real value of his wages. In the context of any movement in relative values it is necessary to discover the cause of the movement and the identity of the commodity which has changed in value. Superficiality in the understanding of the nature of value is in keeping with the approach Malthus adopts throughout his works. In Smith's case, the superficial expedient of labour commanded represents a retreat from an earlier and superior theoretical position.

The distinction between value and exchange-value is a necessary one in Ricardo's understanding of exchange-ratios. Whilst this is implicit to his thought throughout the Principles, he only begins to concern himself with the distinction in an explicitly practical way in his last paper on Absolute Value and Exchangeable Value (19). The paper itself is largely devoted to a consideration of the varied possibilities of an 'invariable measure of value', this item, of course, occupying much of the theoretical space in Chapter 1 of the Principles (20). The paper does not, however, occupy itself with the invariable measure of value problem alone. As the title suggests, it is also concerned with that which has been pointed out with respect to

the Principles, i.e., the notion of absolute, or as Ricardo also calls it sometimes 'real' or 'natural' value. In an early draft of the paper Ricardo contrasts his own view with that of the 'relativist' conception of value favoured by Colonel Torrens:

Colonel Torrens does not scruple to confound two things which ought to be kept quite distinct - if a piece of cloth will exchange for less money than formerly he would say that cloth had fallen in value but he would also say that money had risen in value because it would exchange for more cloth. This language may be correct as he uses it to express only exchangeable value but in Political Economy we want something more, we desire to know whether it be owing to some new facility in manufacturing cloth that its diminished power in commanding money is owing, or whether it be owing to some new difficulty in producing money. To me it appears a contradiction to say a thing has increased in natural value while it continues to be produced under precisely the same circumstances as before (21).

Torren's contradiction results from his not considering any problem deeper than that of observing and recording changes in the apparent exchange-ratios in which commodities exchange. Consciously distinguishing his own theoretical efforts from this superficial approach, Ricardo devotes his thought to the causes of change in exchange-ratios and an account of how the magnitudes of such change are determined. Hitherto, however, Ricardo has done little to secure the category of real value itself other than to suggest that one can make very little sense of the causes of quantitative change without it. What, then, it would seem natural to ask, does Ricardo offer in terms of a theoretical foundation for the category of value?

In the later unfinished draft of his last paper, Ricardo places the conditions of equivalence and commensurability at the forefront of his investigations. Exchangeable value, he says, is relative: 'By exchangeable value is meant the power which a commodity has of

commanding any given quantity of another commodity, without any reference whatever to its absolute value' (22). It is the peculiarity of exchange-values, however, to be equivalent in exchange: 'Any commodity having value will measure exchangeable value, for exchangeable value and proportional value mean the same thing' (23) Proportionate equality between two different things is only possible if they are regarded as proportions of some item which is common to both. According to Ricardo, quantities of different commodities are said to be proportionately equal because they both represent like quantities of value. Each commodity is a quantity of value. Equal quantities of value can be exchanged as equivalents. Consequently, commodities which differ in their useful forms can exchange as equivalents, in proportions equal to the value they contain.

The distinction between exchangeable and real value is evident from the exchange-relation itself, as Ricardo proceeds to show in an argument later to be used by Marx:

By knowing that an ounce of gold will at any particular time exchange for two yards of cloth, ten yards of linen, a hundredweight of sugar, a quarter of wheat, three quarters of oats, etc., etc., we know the proportional value of all these commodities and are enabled to say that a yard of cloth is worth 5 yards of linen, and a quarter of wheat three times the value of a quarter of oats (24).

An ounce of gold possesses many exchange-values: two yards of cloth, ten yards of linen, a hundredweight of sugar, a quarter of wheat, three quarters of oats, etc., indeed, as many exchange-values as there are commodities for which gold itself will exchange. The very possibility of these different exchange-values shows that in the calculation of their exchange-ratios on the basis of proportionate

equality they all represent something equal, i.e. something equal in quantity. But since as useful objects they exchange in unequal quantities, as equivalents they must be quantities of something other than their various useful qualities. Or, putting it another way, cloth can only represent the exchange-value of one ounce of gold, if cloth is present in the appropriate quantity, i.e. two yards. In their useful qualities, gold and cloth possess different forms. As what then, are gold and cloth, and all the other items for which gold can exchange, equivalents? It is irrelevant to the gold whether its value is represented in cloth, linen, sugar, wheat or oats, providing that whatever medium the value of gold is expressed in, it is present in the appropriate quantity. Consequently, the item sought for is common to all commodities but distinguishable from their varied natural forms. As like things, commodities are values. Each is a quantity of what Ricardo calls natural, real or absolute value (25).

The conditions of equivalence and commensurability, however, are by no means new to Ricardo only with his writing of the last paper on Absolute Value and Exchangeable Value. They are already contained in the Principles, where they are tackled in some detail in Chapter 20, 'Value and Riches: Their Distinctive Properties'. 'I cannot agree with M. Say', explains Ricardo, 'in estimating the value of a commodity, by the abundance of other commodities' (26).

I am of the opinion of a very distinguished writer, M. Destutt de Tracy, who says that 'To measure any one thing is to compare it with a determinate quantity of that same thing which we take for a standard of comparison, for unity. To measure, then, to ascertain a length, a weight, a value, is to find how many times they contain metres, grammes, francs, in a word, unities of the same description' (27)

The measurement of the length or weight of objects is achieved by comparing them with some standard means of measurement, the metre in the case of length, and the gramme in that of weight. But what is the measurement of value? According to de Tracy, the conventional measure of value is monetary, for example, the franc. This explanation, however, is by itself insufficient to account for value because not all examples of exchange involve money, e.g., direct barter. A quantity of money is only a representation of value, not value itself. As Ricardo goes on to explain: 'A franc is not a measure of value for anything, but for a quantity of the same metal of which francs are made, unless francs, and the thing to be measured, can be referred to some other measure which is common to both' (28). The franc is only a nominal measure of value, being no more than a name for a quantity of some specified metal of a certain size, weight and shape. It can only represent the exchange-values of the commodities for which it exchanges because both it and they are quanta of the same homogeneous substance, and in terms of which the values of all commodities are measured: 'This I think, they can be, for they are both the result of labour; and therefore, labour is a common measure, by which their real as well as their relative value may be estimated' (29). As values, commodities are solely considered as quantities of labour, differing only in terms of the respective quantities of value which they represent. The measure of value is labour-time. As equal quantities of labour-time, commodities are equivalents, and exchange in proportions based on equalities of labour-time (30).

Ricardo consolidates his explanation of value by considering the alternative theories of Say and Lauderdale as examples of the sorts of

theory which fail to address themselves to the conditions of exchange which make the category of value necessary to its operation.

III. Utility And Demand And Supply (Scarcity)

This interpretation of the nature of Ricardo's concept of value can be reinforced by the conclusions that can be drawn from an examination of his critical commentary on rival theories of value. A large part of this commentary is to be found in the aforementioned Chapter 20 of the Principles. However, his opening critical remarks upon rival conceptions of value are to be found on the first page of Chapter 1.

The first argument marshalled by Ricardo against general utility theory is more in the nature of an observation. To be precise, it is a recollection of the observation formed by Smith in the concluding paragraphs of WN Chapter 4. It will be recalled that these are the paragraphs in which Smith draws a distinction between use-value and exchange-value. Citing these same passages, Ricardo remarks:

Water and air are abundantly useful; they are indeed indispensable to existence, yet, under ordinary circumstances, nothing can be obtained for them. Gold, on the contrary, though of little use compared with air or water, will exchange for a greater quantity of other goods (31).

He concludes, as Smith before him had done, that there is no specific relationship between an object's utility and its exchangeable value: 'Utility then is not the measure of exchangeable value' (32). Utility rather, is a necessary condition for an object to take the form of the commodity, but does not explain its exchange-value: 'If a commodity were in no way useful, - in other words, if it could in no way

contribute to our gratification, - it would be destitute of exchangeable value' (33). Possessed of no utility, commodities would cease to exist as such because there would be no purpose for which they could be exchanged. Therefore whilst use-value is a necessary precondition for commodity-exchange it is so only to the extent that without it commodities would not be exchanged.

Throughout the Principles, Ricardo follows Smith's account of the two-fold nature of the commodity quite closely. Smith's definitions of the two parts of the commodity are, however, theoretically underdeveloped and possess the character of preliminary observations. What further development Smith does make with them is restricted to a brief, but nevertheless important, explanation of the particularity and non-commensurability of commodities as use-values, as against the generality and commensurability of commodities as exchange-values. Ricardo takes these preliminary conceptions formed by his predecessor and develops them further, particularly in Chapter 20 of the Principles, where they are subjected to rigorous analytical scrutiny.

Smith's observation is Ricardo's point of departure: '"A man is rich or poor', says Adam Smith, 'according to the degree in which he can afford to enjoy the necessities, conveniences, and amusements of human life"' (34). In a state of abundance, however conceived, the very question of the degree to which wealth can be enjoyed does not arise. Wealth is appropriated directly without the medium of exchange. Outside the state of abundance, the degree to which wealth is enjoyed is dependent on the ability to pay. Wealth is scarce only in relation to the quantity of labour which is required to produce it. Wealth is

great or small only in relation to the quantities produced. When wealth is exchanged, it is not its own abundance or scarcity which determines its value, but its abundance or scarcity relative to the quantity of society's prime scarce resource expended on its production, i.e., human labour: 'Value, then essentially differs from riches, for value depends not on abundance, but on the difficulty or facility of production' (35). The utility of individual objects is fixed by their physical, chemical, i.e. material properties, and is therefore invariant irrespective of however much of other things they will exchange for, or however much labour is expended upon them:

A man is rich or poor, according to the abundance of necessities and luxuries which he can command; and whether the exchangeable value of these for money, for corn, or for labour, be high or low, they will equally contribute to the enjoyment of their possessor (36).

The substance of riches is the substance of wealth itself, and this is nothing other than the qualities of each useful artefact produced to serve some need. The greater the quantities of each that are available, the greater is the store of wealth and vice-versa. But wealth and riches, however great or small, must not be confused with value which is dependent on the quantities of labour required to produce each of the objects which constitute the substance of wealth.

Ricardo illustrates the kind of contradictions which analysis can get into in failing to adequately distinguish between utility and value by providing an extended commentary on the theoretical component of J. B. Say's Traite d'Economie Politique. Praising the corrections which Say had made to his work for its fourth edition, Ricardo however is still unsatisfied with the treatment of one particular item: 'M. Say ...

appears to me to have been singularly unfortunate in his definition of riches and value'. Expanding on the source of his dissatisfaction, he claims that Say 'considers these two terms as synonymous, and that a man is rich in proportion as he increases the value of his possessions, and is enabled to command an abundance of commodities' (37). In treating riches and value as identical, Say is led back to the tautological explanation of value favoured by Malthus, and later by Bailey, resulting in the following kind of truistic and non-explanatory statement: 'The value of incomes is increased ... if they can procure ... a greater quantity of products' (38).

In the first and second editions of the Principles, Ricardo considered Say's theory from a different angle - that of its internal consistency. An examination of the main steps in Say's theory of exchange-ratio determination shows its basic components to be inconsistent with one another. These main stages are presented as follows: objects are regarded as valuable because they possess utility. To create objects which possess utility is to create riches, and 'the utility of things is the first foundation of their value, and it is the value of things which constitutes riches' (39). From the outset, Say operates with preliminary definitions of value, utility and riches as if they were mutually interchangeable. Keeping this fact firmly in mind, the inconsistency in Say's thought is introduced in the next stage of analysis. Productive activity, Say's argument continues, is the rearrangement of matter in new and different forms. The forms under which matter is reproduced are different forms of utility. Production is thus the imparting of a new utility, hence a new form, to matter in place of its original form: 'Production then is

a creation, not of matter but of utility, and it is measured by the value arising from the utility of the object produced (40). 'Productions' are measured by the quantity of utility they possess. Their utility is their value. Finally: 'The utility of any object, according to general estimation, is pointed out by the quantity of other commodities for which it will exchange' (41). Say, according to Ricardo, fundamentally misunderstands the distinction between utility and exchangeable value:

If by an improved machine I can, with the same quantity of labour, make two pairs of stockings instead of one, I in no way impair the utility of one pair of stockings, though I diminish their value (42).

The production of two pairs of stockings with the same quantity of labour that was required on a previous occasion to produce one places Say in a dilemma. Has the value of one pair of stockings halved or has the total quantity of value produced doubled? In the first case value is measured by the quantity of utility imparting activity required to produce one pair of stockings, in the second it is the total quantity of utility itself which is deemed to indicate the value of the stockings. If the value of stockings is reduced, is the utility of stockings impaired? The answer, for Say, must be in the affirmative since value and utility are synonymous. Finally, Ricardo criticises the circularity of Say's explanation:

If we ask M. Say in what riches consist, he tells us in the possession of objects having value. If we then ask him what he means by value, he tells us that things are valuable in proportion as they possess utility. If again we ask him to explain to us by what means we are to judge of the utility of objects, he answers by their value. Thus then the measure of value is utility, and the measure of utility is value (43).

This circularity passes over by easy transition into inconsistency in the case of determining the magnitude of value after a change in the productivity of labour. After a doubling of productivity, is it correct to argue that the value of each unit produced has halved or that the total value of the product has doubled? Say cannot reconcile these questions. His problem stems from a superficial analysis of exchange which looks no further than the empirical fact of the exchange of two different commodities. An examination of the nature of exchange reveals the condition of equivalence which in turn rests upon the condition of commensurability. If Say had examined the latter, it would have become clear that use-value cannot be the basis upon which commodities are quantitatively compared (44).

The role of utility in Say's explanations of value leads him to the idea that the values of commodities are determined by their relative scarcity. Ricardo also considers this possibility, but confines it to a particular class of commodities: 'There are some commodities, the value of which is determined by their scarcity alone' (45). Scarcity is the key factor in the determination of their values because they are not subject to the possibility of reproduction: 'No labour can increase the quantity of such goods, and therefore their value cannot be lowered by an increased supply' (46). Most commodities are reproducible, and merely require the direction of labour to their production, their values varying with the quantity required:

By far the greatest part of those goods which are the objects of desire, are procured by labour; and they may be multiplied, not in one country alone, but in many, almost without any assignable limit, if we are disposed to bestow the labour necessary to obtain them (47).

There is another category of scarce items, scarce in the sense that supply is fixed, considered by Ricardo, and these are commodities which are monopolised. Their values are determined, however, not by their scarcity, but by their cost of production in terms of labour under conditions of monopoly. Confusing monopoly with scarcity, Lauderdale is led into believing that a reduction in the quantity of 'riches' actually increases the quantity of wealth:

Let water become scarce, says Lord Lauderdale, and be exclusively possessed by an individual, and you will increase his riches, because water will then have value: and if wealth be the aggregate of individual riches, you will by the same means also increase wealth (48).

Lauderdale possesses no analysis of the term value and so uses it in the customary sense of exchangeable or relative value. A scarce, but highly demanded commodity such as water in the above example, is then said to possess a high value because it exchanges for large quantities of other things. He does not examine the category of 'value' as it underlies the appearance of the exchange relation. Had he done so, he would have recognised that even under monopolistic conditions the values of commodities are determined like all others by the quantity of labour required to produce them. The price at which they actually sell on the market is subject to the inter-related influence of demand and supply. In the case of a monopoly, the price of the monopolised product may consistently remain above its value because of the higher demand for it relative to supply.

Commodity-values are always determined by the quantities of labour required to produce them. These values coincide with prices on the market under competitive conditions. The forces of demand and supply

affect these prices, but not the values of commodities, which are always determined by the quantity of labour required for their production:

Commodities which are monopolised, either by an individual or by a company, vary according to the law which Lord Lauderdale has laid down: they fall in proportion as the sellers augment their quality, and rise in proportion to the eagerness of the buyers to purchase them; their price has no necessary connection with their natural value: but the prices of commodities which are subject to competition, and whose quantity may be increased in any moderate degree, will ultimately depend, not on the state of demand and supply, but on the increased or diminished cost of their production (49).

Ricardo quite clearly draws a distinction between 'natural' commodity values, determined by labour-time, and prices, i.e. the expression of commodity-values in the quantities of other commodities for which they exchange. Under monopolistic conditions these two items may quantitatively vary, depending upon the behaviour of suppliers and buyers. Under competitive conditions, exchangeable value will tend to equate with natural value as producers move from less advantageous occupations into the temporarily more lucrative occupations which are producing at a premium:

In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint (50).

Hitherto, the principal concern has been to show that Ricardo understood by the term 'value', a dimension, different from both use-value and exchangeable value, in which different commodities could be measured and compared. The substance of this item 'value' is labour, and so far labour unspecified in any particular form. The next stage

in Ricardo's analysis is to examine how the magnitudes of value are actually measured.

IV. Embodied Labour and the Invariable Measure of Value

The first section of this chapter examined how Ricardo would go about explaining a change in the relative values of two or more commodities. There are two parts to his solution, firstly, discovering which commodity within the exchange-relation is responsible for the change, and secondly, discovering the cause of this change, i.e., what the change is a change of and behind that its cause. Ricardo's solutions to these problems are relatively simple. The commodity which is responsible for the change in the relative value of two or more commodities is to be found by comparing them with the quantities of other commodities against which they customarily exchange. Assuming that all these have remained constant, if one of the commodities is found to have changed with respect to them all whilst the other has remained constant, the source of the change in relative value can be identified. This is the procedure which Ricardo adopts in the third edition of the Principles, subsequent to which he identifies the cause of the change as a change in the quantity of labour required to produce one commodity but not the other. In the first and second editions of the Principles, he focuses on a quite different approach, which though still present in the third, and still advocated to some degree, affords Ricardo little theoretical satisfaction.

The key target of Ricardo's critiques of Smith and Malthus is the varied choice of commodities which they propose to adopt as standard

measures of value. Both Smith and Malthus had proposed to identify changes in the values of commodities by comparing them over time with some commodity selected to perform the function of a universal standard of value. However, what both had elected to ignore in their considerations was the effect of changes in the value of the commodity standard on its ability to measure changes in the values of different commodities. What, in other words, was going to measure the value of the value-measuring commodity? Given the circumstance that all commodities are subject to changes in value, the result is a vicious circle of problems. Under only one circumstance would a commodity perform the function of a measure of value, as envisaged by Smith and Malthus. As Ricardo explains in the first two editions of the Principles:

If any one commodity could be found, which now and at all times required precisely the same quantity of labour to produce it, that commodity would be of an unvarying value, and would be eminently useful as a standard by which the variations of other things might be measured (51).

A commodity unvarying in its own value would measure the variations in the values of other things over time because as a commodity fell in value it would correspondingly exchange for less of the standard measure. Unfortunately: 'Of such a commodity we have no knowledge, and consequently are unable to fix on any standard of value' (52). In support of this conclusion can be cited Ricardo's polemics against Smith and Malthus for their consideration of, alternatively, gold, corn and labour as commodities which may be inappropriately employed as standard measures of value. This, however, is not the main target of Ricardo's critical reflections. He explicitly denies that any commodity can perform the function of standard measure because, by

definition, commodities are variable in value. Value being, as Ricardo is aware, determined by the quantity of labour required to produce the commodity to which it belongs. But this skill leaves him with a problem. Changes in the relative values of commodities are not self-explicable, and in the absence of an adequate standard measure of value a theoretically conceivable invariable standard may prove invaluable:

It is, however, of considerable use towards attaining a correct theory, to ascertain what the essential qualities of a standard are, that we know the causes of the variation in the relative value of commodities, and that we may be enabled to calculate the degree in which they are likely to operate (53).

In the third edition of the PPE, this speculation upon the desirability of an invariable measure of value is replaced by the comparative method referred to previously, i.e., comparison without the intervention of an invariable measure of value. However, it would be premature to conclude from this shift that Ricardo finally admits the impossibility of an invariable measure of value and gives it up as a possible solution (54). Ricardo returns in the third edition with a section devoted to the subject in the re-drafting of Chapter One. From a practical point of view, the value of an invariable measure of value is self-evident:

When commodities varied in relative value, it would be desirable to have the means of ascertaining which of them fell and which rose in real value, and this could be effected only by comparing them one after another with some invariable standard measure of value, which should itself be subject to none of the fluctuations to which other commodities are exposed (55).

But, as Ricardo repeatedly points out: 'Of such a measure it is

impossible to be possessed' (56). The fact of a commodity's varying in value is not the only circumstance which would disqualify it from functioning as an invariable measure of value: the composition of capital; the durability of fixed capital; changes in the wage-rate and turnover time, 'all which circumstances disqualify any commodity that can be thought of from being a perfectly accurate measure of value' (57). Any commodity selected to perform such a function would therefore only do so successfully in the limiting case: 'It would be a perfect measure of value for all things produced under the same circumstances precisely as itself, but for no others' (58).

Ricardo seems to have built the perfect case against arguments made on behalf of the invariable measure of value. Theoretically, it is possible to conceive of the conditions which a commodity would have to satisfy in order to qualify, but Ricardo has convincingly shown that, in practice, these conditions are not only not likely to be met, but even if they were, such a commodity would only measure the value and consequently changes in the magnitude of value of commodities produced under exactly like conditions as itself. It is, therefore, all the more surprising to discover that in section six of Chapter One, Ricardo not only speculates on the theoretical possibility of such a form of measurement, but that he goes further, and in spite of all the variable factors to which he has drawn attention, opts for the monetary commodity gold, on entirely pragmatic grounds:

To facilitate, then, the object of this inquiry, although I fully allow that money made of gold is subject to the variations of other things, I shall suppose it to be invariable, and therefore all alterations in price to be occasioned by some alteration in the value of the commodity of which I may be speaking (59).

Theory often proceeds by making assumptions, especially in the early stages where preliminary concepts are being set up and obvious false avenues are discounted. It is almost always necessary to set up initial assumptions which help to proceed things along, but which will always be returned to later to be amended, and indeed in some cases rejected altogether in favour of more adequate assumptions or postulates derived from closer analysis of the subject of the investigation. There is, however, a significant difference between a preliminary but temporary assumption and an assumption made to bridge an awkward theoretical gap. The value of gold is as subject to the causes of variation in value as any other commodity. Why, then, does Ricardo compromise the rigour with which his analysis has hitherto been formed for the sake of such an artificial device (60)? The answer more than probably lies in the structure of his theory.

Few writers on Ricardo display any sensitivity to the architectonics of Ricardo's theoretical structure. In fact, Sraffa's commentary, though brief, is one of the few that attempts to grapple with the construction of Ricardo's theory from a position approaching anything like as rigorous as that applied by Ricardo himself. It is important in that Sraffa recognises the central role played by the labour theory of value in Ricardo's political economy (61). Furthermore, recognising that role he then proceeds to examine and explain the theoretical motives behind many of Ricardo's key ideas and shifts between those ideas, amongst others the very question which has just been referred to in connection with the invariable measure of value (62).

The key to much of what Ricardo says regarding his understanding of the labour theory of value lies in the relationship in his thought between the idea of labour as the substance of value and the practical problem of measuring it, a problem which lies beneath his contemplation of the invariable measure. As Sraffa puts it: 'The idea of an "invariable measure" has for Ricardo its necessary complement in that of "absolute value"' (63). In other words, the very concept of an invariable measure of value only arises in the context of a theory of value diametrically opposed to the relativism of, say, Bailey, Jevons et al. (64). In this respect, the requirement to specify the conditions which a commodity would have to satisfy in order to function as an invariable measure of value is virtually synonymous with asking for an answer to the question what determines the value of commodities in the first place? As Sraffa explains, the thrust of Ricardo's investigations,

'the problem which mainly interested him was not that of finding an actual commodity which would accurately measure the value of corn or silver at different times and places; but rather than of finding the conditions which a commodity would have to satisfy in order to be invariable in value - and this came close to identifying the problem of a measure with that of the law of value' (65).

This particular approach was not original. Smith approaches the theory of value at the close of his observations on the functions of money. Petty, too, had expressed his initial concern with the causes of the magnitude of value in relation to money (66). The distinctiveness of Ricardo's contribution to this way of traditionally approaching the problem of value was that once he had established the general theory of value he then tries to tie it back to a theory of

money:

This idea that to every theory of value corresponds an appropriate 'invariable measure' is evidently based on Ricardo's experience with his own theory, where to the determination of value by embodied labour there corresponds an invariable measure in the shape of a commodity produced by a constant quantity of labour; and in so far as there are exceptions to the theory, to the same extent the accuracy of the measure is affected (67).

Sraffa's further discussion of the relationship between value and the invariable measure reveals much about the primarily quantitative nature of his own conception of the theoretical issues involved. The purpose of the invariable measure of value is to overcome the problems posed by different conditions of production for the labour theory of value. To the extent that commodities are produced under different conditions, and by different kinds of labour, the labour theory of value would always be hampered by the existence of heterogeneity. Sraffa's argument is that if one operates with a positive conception of value, as Ricardo had done, the existence of heterogeneity would always tempt the theory to opt for some form of compromise in overcoming the difficulty this posed. But in Sraffa's view there is nothing incongruous about the shift. One seemingly follows inevitably from the other. The invariable measure of value is to be regarded, in Sraffa's account, as merely a supplement - any method of measuring value - to the intrinsic measure of labour-time. There is no essential difference between the two, and if one turns out to be more practical than the other then nothing would be lost if that was opted for in preference to the other.

The invariable measure of value comes into its own, however, when it takes on an independent role from value, once causes of 'value' are

admitted other than labour. In this context, the measurement of value by labour-time becomes ineffective and changes can only be measured by a commodity which is itself of unvarying value. Ricardo's pragmatic decision to define gold as the invariable measure of value then makes perfect sense. In replacing labour-time by a quantity of gold, Ricardo thought he might be able to circumvent the problem of comparing the 'value' of commodities once other factors influencing relative values had been introduced. However, even if the 'other factors' account is admitted a problem still persists. As Sraffa points out, the influence of other factors than labour breaks the hitherto held strict proportionality between 'absolute' and 'relative' value. This being the case, will an invariable measure of value still accurately reflect changes in the values of commodities? (68)

In the absence of strict proportionality between 'absolute' and 'relative' value the answer must inevitably be in the negative. As Sraffa himself points out, Ricardo was never fully able to specify precisely how the invariable measure of value would overcome this problem, even though he knew of its existence and returned to consider it repeatedly. There is, however, one aspect of the problem which Sraffa neglects to give consideration to even though he alludes to it in his discussion of Ricardo. In the previous chapter it has been argued that any adequate explanation of the exchange mechanism must take account of and produce satisfactory explanations of the necessary commensurability and equivalence of commodities. Sraffa was not entirely unaware of this problem as it goes right to the heart of any theory of value. His awareness of its existence is demonstrated in his account of Ricardo's pre-Principles corn-profit model in an

earlier section of his Introduction to PPE:

The advantage of Ricardo's method of approach is that, at the cost of considerable simplification, it makes possible an understanding of how the rate of profit is determined without the need of a method for reducing to a common standard a heterogeneous collection of commodities (69).

The corn-profit model simplifies the task of understanding how the rate of profit is determined by expressing both inputs and outputs in units of the same commodity, i.e., corn. The problem of commodity-heterogeneity therefore does not arise. Against this simplification, the Principles admits from the outset that it is a fact of the commodity-economy that its products are not homogeneous. The Principles, therefore, differs from the single commodity model in its 'adoption of a general theory of value' (70). At this point, Sraffa declines to explore what might be involved in such a general theory despite the fact that replacing corn by labour - 'on both sides of the account' - rather leaves the question to be begged (71). Where Sraffa hedges around the problem, Ricardo is a good deal more forthright. An examination of the consideration which he gives to the problem of labour-heterogeneity shows that whilst he was fully aware of the problems of the invariable measure with respect to the other factors that are supposed to influence commodity values in conjunction with labour-time, he was highly reluctant to admit that the existence of labour heterogeneity posed any problem for his theory of the invariable measure, because, not least of all for the question-mark it would have raised over the effectiveness of his general explanation of value in terms of embodied labour.

It has been a part of the tradition of Ricardo scholarship to locate

the key theoretical problems within the theory of the invariable measure and not within the theory of value itself (72). Sraffa's own preoccupation with the question of an invariable measure has deep resonances with his own theoretical work The Production of Commodities by Means of Commodities. This undoubtedly explains why he fails to pursue the general theory of value any further than is necessary for his own purposes. But to do so is in fact not to give the whole picture with regard to Ricardo. The real problem of the general theory of value in the Principles is not resolved by assessing the relative merits of differing commodities in order to arrive at a workable invariable measure of value. It is Ricardo's treatment of the problem of labour-heterogeneity itself which is the key, and this lies at the heart of the labour theory of value itself.

Like his predecessor Smith, Ricardo argues from the outset that the measurement of value by labour-time presupposes labour of a uniform quality. This is the basic problem to be resolved and Ricardo specifically draws the reader's attention to it to emphasise its importance:

In speaking, however, of labour, as being the foundation of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour (73).

The precise nature of the problem lies in 'the difficulty of comparing an hour's or a day's labour, in one employment, with the same duration of labour in another' (74). But, however difficult the comparison may be in theory, in practice it is constantly being made, and it is with an appeal to what apparently happens in practice that Ricardo tries to

get around the problem:

The estimation in which different qualities of labour are held comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer, and intensity of the labour performed (75).

It is immediately apparent that the solution does not answer the question of how one kind of labour is compared with another. Invoking market forces, as I think Ricardo is, merely presupposes the fact of commensurability, and does not explain it. Clearly, if one argues that demand and supply render different kinds of labour equivalent to one another, it is only a short step away to the inevitable question of as what are they commensurable? The estimation in which different kinds of labour are held is quite precisely dependent upon the skill and intensity of the work performed, and much else besides. But in the determination of the magnitude of the value of commodities all these differences are abstracted from. One kind of labour is just as much the same as any other. Ricardo irons out these differences between different kinds of labour by resorting to an explanation which is devastating to his theory - wages. Labours of different qualities are reduced to a common standard by means of a scale of values graded by the level of wages paid for each kind of labour:

The scale when once formed, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted, and placed in its proper position in the scale of value (76).

The contradiction in this explanation cannot be avoided. A fixed scale of values is incompatible with the mechanism of adjustment via

the market. It would seem implausible that Ricardo would have been willing to countenance an exception to the universal laws of demand and supply on this scale unless the problem which he sought to solve by such a means was of equal or greater importance than those laws themselves. We can only conclude, therefore, that the labour theory of value was just such.

This solution, however, does not only contain a contradiction. It simply reproduces the central problem in a new form (77). The scale referred to is hypothetical and incapable of explaining how commodities can be compared as commodities. This much at least is admitted by Ricardo himself in the very next paragraph which explains how value comparisons of one commodity at a particular time can be made with the same commodity at a different time (78). Not, it must be noted, value comparisons between different commodities. He concludes with a surmise:

If a piece of cloth be now of the value of two pieces of linen, and if, in ten years hence, the ordinary value of a piece of cloth should be four pieces of linen, we may safely conclude, that either more labour is required to make the cloth, or less to make the linen, or that both causes have operated (79).

The problem, as Ricardo has repeatedly explained at length, is to identify the source and magnitude of the values of commodities and thereby identify their source of quantitative difference and change. At the ground floor of any explanation of how this is to be determined is the prior question of how one kind of labour can be compared with another. In the face of what have to be regarded as insuperable difficulties at the heart of his theory, Ricardo adopts an evasive posture:

As the inquiry to which I wish to draw the reader's attention, relates to the effect of the variations in the relative value of commodities, and not in their absolute value, it will be of little importance to examine into the comparative degree of estimation in which the different kinds of human labour are held (80).

But this relative conception offers no solution either. Whether relative value is expressed in another commodity, money or the 'invariable measure of value', the same problem will be encountered: 'A franc is not a measure of value for anything but for a quantity of the same metal of which francs are made, unless francs, and the thing to be measured, can be referred to some other measure which is common to both' (81). In Ricardo's opinion that is only possible because they are both the products of labour.

NOTES TO CHAPTER TWO

1. The principle focus of a greater part of the literature on Ricardo is the question of whether or not he extended the applicability of the labour theory of value beyond the parameters defined by Smith's 'rude state'. A significant section of the literature follows Marshall's lead and argues that he quite consciously did not. Cf. Marshall, 1920; Hollander, 1904; Hollander, 1979; Steedman, 1982. An alternative strand of thought argues that he did extend the basic labour theory of value to capitalist production, and arguments revolve around to what extent Ricardo was successful, or not, as the case may be, in developing its applicability. Marx is probably the greatest critic of Ricardo in this context. But assessments based on alternative points of view are to be found. Cf. Schumpeter, 1954; Sraffa, 1986. With the exception of Sraffa, reasons for which are gone into in the third part of this chapter, the bulk of the literature tends to focus on the pertinence of the labour theory of value to the problem of explaining the mechanisms of distribution in a capitalist economy. Hollander's judgement on Ricardo's efforts with the labour theory of value is representative: 'The discussion of value theory in brief was a necessary preliminary for the main theme but not a topic considered for its own intrinsic interest'. Hollander, 1979, 194. It is part of the contention of this Chapter that the problem of value was one of Ricardo's concerns, and it is intended to rectify the neglect of this aspect of his theory by demonstrating that Ricardo does indeed supply a great amount of material, much of it analytical in nature, which

develops the labour theory of value in some important ways. Part of the problem with the existing literature is that it fails to recognise what is present in Ricardo and, failing to recognise it for what it is, tends to automatically fit it in with whatever value-theory happens to be current in the school of thought to which the commentator belongs. Value-theory has never had the importance in the various Neo-classical and Neo-classical-inspired schools of thought that it has had in political economy. Consequently, the non-political economist automatically assumes, on reading Ricardo, that the theory of value is relatively unimportant. It is necessary therefore, to demonstrate, at one and the same time, that Ricardo did indeed consider the problem of value as a problem of 'intrinsic interest', and why that should be the case.

2. Throughout reference is made to the edition of Ricardo's On the Principles of Political Economy and Taxation, prepared by P. Sraffa and published in 1951 by Cambridge University Press for the Royal Economic Society's 'Works and Correspondence of David Ricardo'. Hereafter, it shall be referred to as PPE.
3. PPE, 12. The 'depends almost exclusively' is a change which Ricardo made for the third edition of PPE, replacing the 'depends solely' of the first and second. This substitution is taken by many commentators to indicate Ricardo's gradual repudiation of the labour-embodied principle in the light of his difficulties in reconciling the theory of profit with the theory of prices. Following Marx, it is possible to argue that Ricardo's problem lies not with his theory of profit but with his theory of value.

Ricardo is unable to distinguish between value and the price-form because he has no theory of the nature of money. This in turn is the responsibility of the greatest weakness of the Classical school as a whole - its failure to analyse, in its examination of the commodity, the value-form. This is the source of Marx's principal issue with Smith and Ricardo. This is discussed in detail in Chapters Three to Five below.

4. PPE, 13.

5. Loc Cit.

6. Rubin draws the following contrasts between Smith and Ricardo's respective techniques and styles of presentation: 'With Smith ... the train of his theoretical analysis is broken (and at times distorted) by a superfluity of descriptive and historical material. In Ricardo, the sturdy skeleton of theoretical analysis is freed of the living flesh of concrete material culled from real life. An iron chain of syllogisms rapidly and inexorably carries the reader forward, supported only by hypothetical examples (usually beginning with the words, 'let us suppose that ...') and arithmetical calculations. Instead of Smith's vivid and captivating descriptions, the reader can look forward to an abstract, dry exposition, the difficulty of which is made all the more greater by the fact that he cannot for a minute let slip from view the multitude of premises that the author either explicitly or tacitly assumes. Ricardo's method of abstract analysis is precisely what gives his theoretical thinking its consistency and intrepidity and endows him with the power to trace the workings of

each tendency of economic phenomena through to its very end'.
Rubin, 1979, 242-3.

7. PPE, 17.

8. Again Rubin provides an accurate description of the nature of Ricardo's theoretical approach: 'The method that Ricardo consistently applied to the theory of value is that of the scientific study of causality, which the Classical school did so much to establish as part of political economy. Ricardo was looking for the causes of quantitative changes in the value of products, and wished to formulate the laws of those changes'. Rubin, 1979, 248-9. The Classical schools greatest strength is also the source of its greatest weakness. The deleterious consequences of its largely quantitative approach for the Classical school's overall analysis of the commodity and value are concentrated in its failure to analyse the value-form.

9. PPE, 17-18. Throughout this passage Ricardo uses 'value' to mean relative or exchangeable value, i.e., what, in a moment, is shown to be the expression of the value of any particular commodity.

10. PPE, 12.

11. In Chapter Three, entitled 'On the Rent of Mines', Ricardo reinforces the point that 'value' is the result of labour alone. 'The metals', he says, 'like other things, are obtained by labour. Nature indeed produces them; but it is the labour of man which extracts them from the bowels of the earth, and prepares them for

our service'. Consequently, 'the same general rule which regulates the value of raw produce and manufactured commodities is applicable also to the metals; their value depending not on the rate of profits, nor on the rate of wages, nor on the rent paid for mines, but on the total quantity of labour necessary to obtain the metal and to bring it to market'. PPE, 85-6. Principally criticising Marshall's 'cost of production' interpretation of Ricardo, Ashley says: 'by "labour" Ricardo did not mean only that labour which has been immediately occupied upon the manufacture of a particular article. The term covers all the labour that has indirectly as well as directly contributed to the product, including all that has been devoted to the creation of the capital with which the process may have been assisted'. Ashley, 1891, 11. Cf. PPE, 25-6.

12. PPE, 14.

13. Loc Cit.

14. Loc Cit.

15. Loc Cit.

16. Loc Cit.

17. PPE, 17.

18. PPE, 19.

19. 'The discovery of the papers on Absolute Value and Exchangeable Value, upon which Ricardo was working during the last weeks of his life, has given a new interest and importance to the question of

the development of his ideas on value after the appearance of the third edition of the Principles. In particular, it has become possible to detect the emergence of a new trend in his thought - a trend which developed out of his increasing concern with the problem of the relationship between "relative" (or "exchangeable") value and "absolute" value.' Meek, 1973, 110.

20. Even though, it has to be pointed out, Ricardo repeatedly recognises the impossibility of such a measure in practice.

21. D. Ricardo: Works and Correspondence, Vol. IV, 375. Hereafter WCDR IV. In the passage just cited, Ricardo intimates that a distinction has to be drawn between the kind of discipline which he practises, i.e., political economy, and that derivative but decidedly inferior approach, later dubbed by Marx as 'vulgar economy'. Political economy, as Ricardo understands it, wants to know more than what is apparent on the surface of things, it also want to explain them.

22. WCDR IV, 398.

23. WCDR IV, Loc Cit.

24. WCDR IV, Loc Cit.

25. These simple conditions which underlie exchange-ratios are ignored by Bailey, Jevons and Bohm-Bawerk in their critiques of the labour theory of value. Focusing exclusively on the phenomenon of relative value, they fail to recognise that the very possibility of their being exchanged for each other demonstrates that each is

only a 'relative' quantity of value, i.e., relative to all the quantities of value which each of the other commodities represent. By no means is their relativity confined simply to their relative values. This point is emphasised by Marx in his account of the structure of exchange. See Chapter Four below.

26. PPE, 284.

27. Loc Cit.

28. Loc Cit.

29. Loc Cit.

30. This aspect of Ricardo's thought is underestimated by a writer as perceptive as R. L. Meek. Observing 'Ricardo's increasing tendency to identify the absolute value of a commodity with the quantity of labour embodied in it', Meek goes on to consider Ricardo's comments on de Tracy's account of the measure of value without, however, recognising the existence of the problems of equivalence and commensurability and without detecting Ricardo's efforts to solve them. Meek, 1973, 112-113.

31. PPE, 11.

32. Loc Cit. Both Bailey and Jevons, Ricardo's most vocal nineteenth century critics, concentrate their efforts on this part of his argument. Both argue on behalf of a utility theory of value, and both reject any notion of a category of value other than relative or exchangeable value. The only substantial difference between them is Jevons's explicitly marginalist formulation of the utility

theory of value. In Bailey, the notion of marginal utility had not yet occurred. Bailey's ideas are discussed in the next chapter because they form an important part of Marx's own criticisms of Ricardo, albeit in a back-handed fashion. But it is worth pausing to consider the marginalist critique of the labour theory of value and its replacement by marginal utility. In Chapter Four of his Theory of Political Economy, Jevons gives the following explanation of the term 'value':

If a ton of pig iron exchanges in a market for an ounce of standard gold, neither the iron is value nor the gold; nor is there value in the iron nor in the gold. The notion of value is concerned only in the fact or circumstance of one exchanging for the other. Thus it is scientifically incorrect to say that the value of the ton of iron is the ounce of gold: we thus convert value into a concrete thing; and it is, of course, equally incorrect to say that the value of the ounce of gold is the ton of iron. The more correct and safe expression is, that the value of the ton of iron is equal to the value of the ounce of gold, or that their values are as one to one. Jevons, 1970, 128.

The 'values' of iron and gold are neither object considered singly nor is it the relationship between them. What, then, is value? And how is it determined? The word value, he explains, 'is often used in reality to mean intensity of desire or esteem for a thing'. Jevons, 1970, 129. Clearly this is an altogether different concept to what Smith or Ricardo consider as the natural usefulness of objects. What Jevons means by value is not total utility, but marginal utility or final degree of utility, 'as meaning the degree of utility of the last addition, or the next possible addition of a very small, or infinitely small, quantity to the existing stock'. Jevons, 1970, 110. Value in this sense 'is measured by the intensity of the pleasure or the benefit which

would be obtained from a new increment of the same commodity'. Jevons, 1970, 129. 'Value' in the marginalist sense, meaning neither the objects themselves nor the relationship between them, is determined by the magnitude of the esteem bestowed upon the unconsumed marginal unit. But how are the quantities of esteem bestowed on different objects to be compared? Possessing no explanation of this requirement, Jevons introduces the device of the 'divisible commodity', i.e., money. 'In the theory of exchange we find that the possessor of any divisible commodity will exchange such a portion of it, that the next increment would have exactly equal utility with the increment of other produce which he would receive for it'. Jevons, 1970, 169. The estimates of the relative utilities of different commodities are expressed, from the point of view of the individual, by the amount of money he is prepared to part with for an extra unit of each item. Money is the common measure of utility, but it does not account for the estimations of the marginal utility of the same object by different persons and cannot, therefore, operate as a general medium of exchange: 'the general result of exchange is thus to produce a certain equality of utility between different commodities, as regards the same individual; but between different individuals no such equality will tend to be produced'. Jevons, 1970, 170. Although thoroughly bourgeois in every other respect, even Robinson Crusoe did not require the service of money to tell him how much he thought of the useful things around him! Marginal utility theory fails, because whilst it may hold to the condition of equivalence, it cannot produce an account of the necessary

commensurability between different objects in exchange.

33. PPE, 11. Marshall offers a more positive interpretation of Ricardo's thought than the one being offered here. There is, however, no evidence for thinking that Ricardo thought of value in any other context than that of labour embodied, and no case, for excusing Ricardo for not having 'much to say that was of great importance on the subject of utility'. Ricardo, Marshall explains, 'took utility for granted, because its influence is relatively simple'. Marshall, 1920, 814. The relationship between utility and exchangeable value in Ricardo's understanding is simpler even than Marshall's interpretation. Ricardo is adamant; the possession of utility is a precondition for the possession of exchangeable value, but only in the specific sense that without utility an item would not be wanted in exchange.

34. WN. Cited PPE, 273.

35. Loc Cit.

36. PPE, 275-6.

37. PPE, 279-80.

38. PPE, 280.

39. PPE, 279n.

40. PPE, 280n.

41. Loc Cit.

42. Loc Cit.

43. Loc Cit. In the third edition of the Principles, Ricardo gives the following illustration of Say's superficial understanding of the terms value, utility and riches: 'Must not M. Say be inconsistent with himself when he says that by facility of production, two sacks of corn may be produced by the same means that one was produced before, and that each sack will therefore fall to half its former value, and yet maintain that the clothier who exchanges his cloth for two sacks of corn, will obtain double the value he before obtained, when he could only get one sack in exchange for his cloth. If two sacks be of the value that one was of before, he evidently obtains the same value and no more, - he gets, indeed, double the quantity of riches - double the quantity of utility - double the quantity of what Adam Smith calls value in use, but not double the quantity of value, and therefore M. Say cannot be right in considering value, riches, and utility to be synonymous'. PPE, 281.

44. Say's failure to understand this leads him into another popular fallacy, as Rubin explains: 'Why, Ricardo asks Say, do we pay 2000 times more for a pound of gold than for a pound of iron, even though we recognise them as being of equal utility? Say could only answer that 1999/2000 of the iron's utility is given to us gratis by nature, and we only need pay for that share of its utility, 1/2000, which corresponds to the size of the outlays that we had to make to produce it'. Rubin, 1979, 304. 'In contradiction to the opinion of Adam Smith, M. Say, in the fourth chapter, speaks of the value which is given to commodities by

natural agents, such as the sun, the air, the pressure of the atmosphere, etc., which are sometimes substituted for the labour of man. But these natural agents, though they add greatly to value in use, never add exchangeable value, of which M. Say is speaking, to a commodity: as soon as by the aid of machinery, or by the knowledge of natural philosophy, you oblige natural agents to do the work which was before done by man, the exchangeable value of such works falls accordingly'. PPE, 285-6.

45. PPE, 12.

46. PPE, *ibid.* Amongst such non-reproducible items he includes: 'Some rare statues and pictures, scarce books and coins, wines of a peculiar quality, which can be made only from grapes grown on a particular soil, of which there is a very limited quantity'. PPE, *ibid.*

47. PPE, *ibid.*

48. PPE, 276.

49. PPE, 385.

50. PPE, 12.

51. PPE, 17n.

52. PPE, *ibid.*

53. PPE, *ibid.*

54. 'Above all, Ricardo decisively rejected any and all attempts to find an invariable measure of value, returning time and again to

show that such a measure could not be found.' Rubin, 1979, 248. Rubin is undoubtedly correct to recognise Ricardo's dissatisfaction with such a standard measure. What he fails to explain, however, is why Ricardo repeatedly returns to it, given his obvious appreciation of its flaws.

55. PPE, 43.

56. Loc Cit. Cf. PPE, 275.

57. PPE, 44.

58. PPE, 45.

59. PPE, 46.

60. In what degree Ricardo was conscious of this apparent betrayal of his own standards is difficult to tell. It is certain nonetheless that he was unhappy about adopting this artifice, even though it would appear to temporarily resolve a pressing problem. More important, however, than the problems to which Ricardo was alert, are those to which he was not.

61. In itself sufficient to distance Sraffa from the prevailing body of opinion, opinion formed, it has to be said, by the customary antipathy shown towards the labour theory of value by advocates of utility theory.

62. Steedman writes: 'In the first chapter of his Principles, entitled 'On Value', it is clear that Ricardo does not use the term 'value' to mean either the amount of labour required for the production of

a commodity or that amount of labour divided by the corresponding amount for a unit of gold, the money commodity'. Steedman, 1982, 116. He then goes on to say: '... Marx persistently misinterprets Ricarfo's use of the term value to be his (Marx's) use and then accuses Ricardo of 'mistakenly' identifying value and cost-terms which for Ricardo were simply synonyms. Marx's 'criticism' of Ricardo for identifying values and cost prices is just a verbal insensitivity on Marx's part'. Steedman, 1982, 121. If Marx was insensitive to Ricardo's definitions, it would be impossible to exclude Sraffa. As in the case of Smith, there is no shortage of volunteers willing to rescue another great economist from the charge of advocating the labour theory of value. If the argument presented here is correct there is nothing to defend. Ricardo advocated the labour theory of value. At best what can be said is that he simply failed to resolve some of its more fundamental problems in anything like a satisfactory way.

63. Sraffa, 1951, xlvii.

64. 'Thus there would not seem to be such a relation between the theory that wages determine prices and the "labour commanded" standard.' Sraffa, 1951, xlvii.

65. Sraffa, 1951, xl ff.

66. Petty, 50-51.

67. Sraffa, 1951, xlin.

68. This clearly is the provenance of Sraffa's own Standard Commodity, an idea developed in his book The Production of Commodities by

Means of Commodities: 'If we could discover such a commodity we should therefore be in possession of a standard capable of isolating the price movements of any other product so that they could be observed as in a vacuum'. Sraffa, 1960, 18. And specifically it is the existence of heterogeneous conditions of production which makes such a device desirable.

69. Sraffa, 1951, xxxii.

70. Loc Cit.

71. 'It was now labour, instead of corn, that appeared on both sides of the account - in modern terms, both as input and output; as a result, the rate of profits was no longer determined by the ratio of the corn produced to the corn used up in production but, instead, by the ratio of the total labour of the country to the labour required to produce the necessaries for that labour.'
Loc Cit.

72. The reticence shown by a good many writers on Ricardo towards any serious consideration of the labour theory of value and the role that it plays in his thought is not difficult to fathom. Any more serious consideration might have led in dangerous directions: 'It was to tendencies and views of this kind, which had acquired from Smith and Ricardo a great but not undisputed authority, that Marx became heir, and as an ardent socialist he willingly believed in them'. Bohm-Bawerk, 1949, 78.

73. PPE, 20.

74. Loc Cit.

75. Loc Cit.

76. Loc Cit.

77. In measuring value by the wages paid to the labourer who produces the commodity, the problems of equivalence and commensurability are not circumvented since it will be inevitable to ask why such a commodity and such a quantity of money, i.e. wages, are in some meaningful sense the same.

78. PPE, 21.

79. Loc Cit.

80. PPE, 21-22. It would be wrong to assume from this statement that Ricardo is abandoning the idea of value. What, in effect, he attempts to do is to shift the question from absolute to relative value. The drawbacks of this exercise will become obvious from what shall be said later with regard to Marx's theory of the value-form.

81. PPE, 284.

CHAPTER THREE

THE LAW OF VALUE-SUBSTANCE

I. Introduction

Aristotle says that property has two uses; 'one is the proper, and the other the improper or secondary use of it'. For example, a shoe is used for wear, and is used for exchange; both are uses of the shoe (1). The uses to which property can be put are divided into two kinds; one proper and primary, the other improper and secondary. The wearing of a shoe is an example of the first kind, because it makes use of the shoe as a shoe. Its being worn is an example of its proper or primary use. It is the use or function of an object which makes proper sense of its structure and constitution; in short, its nature. Being used as footwear is the function which is consistent with the nature of shoes. In the light of this definition of 'proper' as that use which is consistent with the material properties (including its form) of the shoe, it is possible to define the contrasting sense of improper use. An improper use of a shoe is one which is inconsistent with the nature of shoes, or which disregards that nature. Property is improperly used if it is given in exchange for something else. The proper use of property is the human appreciation of its capacities towards serving a particular human need or want. An article of property does not meet a need and thereby fulfil the functions of its nature if it is offered as an article for exchange (2).

This can be seen from the following consideration. From the point of view of its current owner the property no longer possesses any useful qualities for him. However, insofar as he can find someone who has

something which he wants and who is willing to take in return that which has ceased for him to be useful, his unwanted item can acquire him some other useful property by offering it in exchange. Although this is an example of a use to which property can be put, Aristotle does not place it on a par with those proper or primary uses to which property is put in serving human needs and wants. He makes the distinction between proper and improper uses of property on the basis of the human intention behind its production. A shoe (or more sensibly a pair of shoes) is made because of the purpose or function which it can perform once made. Shoes, according to Aristotle, are primarily made for wearing, not as objects of barter:

He who gives a shoe in exchange for money or food to him who wants one, does indeed use the shoe as a shoe, but this is not its proper or primary purpose, for a shoe is not made to be an object of barter. This may be said of all possessions ... (3)

The primary purpose of producing shoes is the appropriation of their useful qualities. It is ontologically fundamental for human beings to do this. Production for exchange is a secondary and derivative activity.

To make use of an article of property is to recognise its inherent capacities and natural qualities. To appropriate those qualities is to employ the article in a fashion with which they are consistent, and thus which fulfils the specific nature of the article. It is to employ it as in natura product. In being offered for exchange, the natural qualities of the object are no longer recognised; they have ceased to be of any significance. To regard an article of property as an item of exchange is to recognise its significance as something

diametrically opposed to its natural existence and character. Disregarding their natural characters, objects of property have only one possible source of significance left, and which is the direct opposite of their material natures; that is, their social character. In being exchanged, articles of property acquire a social characteristic which is in direct contrast to their material natures as products. However, whilst exchange appears to completely disregard their useful qualities, as articles of exchange, and thereby social entities, they reveal the circumstances of their production. They also disclose the nature of the relationships which obtain between their producers. The exchange-relation is a product of a specific set of relations of production. As Aristotle explains: 'Now', he says,

it is obvious that in the primary association, viz. the household, there is no room for the Art of Exchange; it is not possible until the association is already enlarged. For in the household the members shared everything alike, while in the larger association, viz. the village or the State, where they lived separately, they experienced various wants and having these wants were forced to interchange their properties by 'barter' (4).

Individuals who do not produce and by their own product provide for all their needs or wants directly are compelled to do so by exchange. What first underlies the existence of exchange is a social division of labour. The entire productive activity of the community is divided up into certain tasks which are then performed by specific people. But the existence of a social division of labour is not sufficient to account for the existence of exchange. As Aristotle points out, the 'Art of Exchange' does not occur within the individual household, but it would be wrong to surmise as a consequence that it did not therefore provide for its needs by a variety of activities (5). The

household, if it is self-sufficient, must provide for its needs out of the capacities which it has at its disposal. And, since those needs are varied, those capacities must be deployed to perform as many tasks as there are useful objects which are required to satisfy those needs, and consequently the household must divide and allocate its labour accordingly. What takes the place of exchange, or more properly, why exchange does not occur, is because the product is a communal one, with the members of the household contributing to the variety of tasks to be performed and by the same token enjoying the fruits of the collective productive activity. The matter is different, according to Aristotle, with larger, more developed associations such as the village or the state. In these kind of associations the productive activities of its members are not communal but private. Exchange arises because there is no direct social connection between the productive activities of private producers. The exchange relation is the necessary social relation between individuals who, as Aristotle points out, live separately and produce privately, without direct reference to social need, but who nevertheless are elements of the social division of labour within the village or state association. It is their need for each others' services which as private producers compels them to enter exchange (6). In an association of private producers the social bond which holds them together is exchange, 'for there would be no society if there were no exchange' (7).

Aristotle's explanation of the two uses of property is an account of the form taken by wealth in the context of emerging relations of private production. The form which wealth takes when it is used both as a useful product and as an article of exchange is the commodity.

The uses to which a commodity can be put in order to serve a need or want are an appropriation of the product's natural properties, an investigation of which would not discover the social manner of its production (8). That aspect of the commodity whereby it is regarded solely as an object of exchange however, is a wholly social characteristic, and in which no trace of the material qualities of the commodity can be found. The character of the commodity as an object of exchange expresses the social relations under which it was produced. Consequently wealth only takes the form of the commodity when it is the product of a private producer, and likewise by him privately exchanged.

The value of Aristotle's analysis of the commodity-form of wealth lies in his identification of private production as its historical precondition. Indeed, Aristotle's analysis of exchange points towards the universalisation of that form of producing wealth which in fact lay far beyond the horizons of Ancient Greek society. It is precisely the failure of Classical political economy to identify the historical nature of that precondition which lead to its failure to understand the particular social form of production which it engenders and the consequent developments of that form which Marx takes as his specific object of analysis in Capital and elsewhere.

II. Marx: The Starting Point

Eschewing the naturalism of Smith and Ricardo, Marx opens his presentation of the categories of political economy, which, as his citation in the Critique of Political Economy shows is a position

which he took over from Aristotle, with the analysis of 'the concrete social shape of the labour product' in bourgeois society (9). What distinguishes Marx's starting-point from that of Aristotle is that the latter was writing during a period in which relations of private production were at an early stage in their development. Marx, conversely, is observing a form of society which is wholly founded on relations of private production and in which, consequently, wealth is appropriated socially through exchange in the form of the commodity: 'The wealth of bourgeois society, at first sight, presents itself as an immense accumulation of commodities' (10).

Marx treats the commodity as a social entity, and its universalisation as a phenomenon corresponding to a particular historical epoch, viz., the bourgeois. He was reminded of the theoretical preconditions of his examination of the commodity in 1879 on reading the critical references to Capital in Adolph Wagner's General or Theoretical Political Economy, in response to which he writes:

What I proceed from is the simplest social form in which the product of labour in contemporary society manifests itself, and this is as 'commodity'. This is what I analyse, and first of all to be sure in the form in which it appears (11).

Aristotle had shown that as a particular form of social wealth, the commodity corresponded to a particular form of social production. The universal appropriation of wealth as commodities corresponds to a form of social production far beyond any which Aristotle could have experienced or imagined. What Marx shows is that the commodity-form of the product itself contains the elementary form of the society of universal exchange-relations. The commodity is the elementary social form of the capitalist system of social production. The key to that

form of social production is to track down and analyse the particular form in which the labour product first appears in that system. In the opening pages of Capital, Marx presents the results of just such an investigation.

Marx, like Aristotle, considers the production of wealth as the production of objects which by virtue of their natural properties are capable of serving human needs. Production is ontologically the primary activity in which human beings most necessarily engage (12). In the first edition of Capital, he writes: 'It is the utility of a thing for human life that turns it into a use-value' (13). Reinforcing this point and, incidentally, its affinity with the thought of Aristotle, he writes in the third edition: 'It is an assemblage of many properties, and may therefore be of use in various ways' (14). In the work of 1859 he adds: 'But the extent of its possible applications is limited by its existence as an object with distinct properties' (15). As the product of a private producer whose intention it is to exchange it for something else, the useful object requires a social specification. This is necessary because exchange, as a wholly social act, expressive of a social relation of production, disregards the qualitative content of the objects to be exchanged. In a form of social production where productive activities are mediated by exchange the objects become commodities. Their transformation into commodities entails their being brought together in exchange where one commodity is 'worth' some quantity of another. One is the exchange-value of the other. This quality of being exchange-values is a characteristic existing alongside the use-value of the product, consequent on its transformation into a commodity. Exchange-value is

the value-form of the commodity and is to be wholly distinguished from its 'natural form' as use-value (16). Hence Marx's peculiar reference to the commodity as 'a two-fold thing'. It has within its nature two determinations or characteristics which are the polar opposites of one another. It is, on the one hand, a specifically identifiable qualitative useful object, and on the other, it possesses a purely social reality as a social form of wealth corresponding to a particular historical form of social production. 'Use-values', he says, 'become a reality only by use or consumption: they also constitute the substance of all wealth, whatever may be the social form of that wealth. In the form of society we are about to consider, they are, in addition, the material depositories of exchange-value' (17). Humans constantly require the services rendered to them by useful objects. As such, the latter are the substance of human wealth irrespective of the particular social form which they take and the corresponding relations of production under which they were created. But as commodities, use-values serve a double function, the first corresponding to their natural identities as useful objects, and the second, the socially necessary function of being the material depositories, or, as a translation of the term from the first edition of Capital puts it - 'substantial bearers' - of exchange-value. As commodities, use-values have two sets of functions to perform, one with its origins in nature, one in society.

III. From Exchange-value to Value

In 1825 Samuel Bailey published a work entitled A Critical Dissertation on the Nature, Measures, and Causes of Value: chiefly in

reference to the writings of Mr. Ricardo and his followers. As its name suggests, the book is principally a critique of the labour theory of value. Its importance, however, lies in the position from which that critique is made. In the Critical Dissertation, Bailey formulates a theory of value which anticipates in essentials the subjectivist economics of the later Nineteenth Century. Subsequent critiques of the labour theory of value made from within that tradition have consequently differed only in details from that first formulated by Bailey.

The key to Bailey's account of exchange is his definition of exchange value.

In considering the objects in the world around them, Bailey observes that human beings naturally value some things more highly than others. What forms the basis of this evaluation is the esteem within which individual objects are held by those who consider them. But when objects are considered singly that 'emotion or pleasure or satisfaction, with which we regard their utility or beauty, can scarcely take the appellation of value' (18). The particular qualities of individual objects are capable of inducing different kinds of reaction within the minds of those who contemplate them. Each object possesses a corresponding set of feelings which the subject experiences as a result of such contemplation. Such feelings and emotions and so forth can be quite ambiguous and consequently do not present themselves with any distinct shape, still less any precision in, for example, a mathematical sense. The contemplation of individual objects therefore results in the conferral of esteem, but

does not thereby ascribe such esteem with the precision of a value in the economic sense.

If Bailey's argument is pursued further, value connotes expressions of choice or preference. One object is preferred to another. The exercise of choice is explicitly made in exchange where a preference for an object not in an individual's possession is higher than that of the object which he is willing to alienate to acquire it. If utility is to be used to explain exchange this disparity is assumed implicitly. But Bailey does not advance the theory of utility as an explanation of the occurrence of exchange, but of the basis upon which items are exchanged when it does occur, which is quite another thing.

In considering the alienation of some object, through its sale, the owner has arrived at a conclusion about what it is worth, in short, what he expects in return for it. He cannot establish the magnitude of that worth by consideration of his own possession alone, but only in relation to the thing which he hopes to acquire by its alienation:

It is only when objects are considered as subjects of preference or exchange, that the specific feeling of value can arise.

And again:

When ... we regard two objects of choice or exchange, we appear to acquire the power of expressing our feelings with precision (19).

Exchange is the transfer of commodities in definite proportions. Prior to its realisation, the parties to the transaction agree upon the proportions in which their respective commodities are to be alienated. The agreed proportions are those which express in the

minds of their owners the relative esteem which they hold for the objects to be exchanged (20). The value of a commodity A is expressed in the quantity of some other commodity, B, for which it will exchange:

The value of A is expressed by the quantity of B for which it will exchange, and the value of B is in the same way expressed by the quantity of A. Hence the value of A may be termed the power which it possesses or confers of purchasing B, or commanding B in exchange (21).

Consequently, Bailey concludes, if 'the value of an object is its power of purchasing, there must be something to purchase. Value denotes consequently nothing positive or intrinsic, but merely the relation in which two objects stand to each other as exchangeable commodities' (22). If the value of commodity A is expressed in the quantity of commodity B for which it exchanges, and vice-versa, A and B stand to one another in a relationship of equivalence; 'we say for instance that one A is, in our estimation, equal to two B' (23). In the relative-value expressions of commodities subjective determination is given objective expression as the relationship of equivalence. At this point the circularity of Bailey's explanation is most apparent. Unable to precisely express the measure of esteem in which they hold individual objects, people compare them with others which they regard as equivalents and thus express their esteem relatively. Conversely, exchange is an expression of the relative esteem in which objects are held because in exchange they are inherently equivalent. In the first, determination precedes expression, condition precedes the conditioned. In the second, the order is reversed; because commodities are equivalents, relative esteem is established with precision. Hence the circularity (24).

This circularity is, however, a reflection of a deeper problem. What Bailey's explanation of exchange-ratios in terms of relative subjective estimation obscures, and which is for that reason ignored, is the necessity of understanding that exchange brings different commodities into a relationship of equivalence and one which moreover presupposes their commensuration. Only things which are commensurable can be equated with one another in the appropriate amounts, and can thus relate to one another as equivalents. Attempting to explain the proportions of exchange subjectively does not solve the problem of commensurability but displaces it to the subjective dimension in which a generic concept of 'need' or 'utility' must be employed. Since Bailey, as we have already noted, argues that individual objects excite particular feelings within delimited spheres of need, the generic 'need' itself therefore no more exists than the possibility of satisfying a thirst by eating sand. In other words, as use-values objects are mutually exclusive and possess the potential to satisfy separate needs. Objective equivalence implies the necessity of objective commensurability.

Before moving further, it is necessary to consider another possibility, viz. that money renders commodities commensurable.

In modern society, commodities are customarily exchanged for quantities of money and not directly for one another. In the absence of direct comparison, Bailey takes up the argument that money serves as a means to equate with one another two commodities. By being first compared with the one and then with the other the appropriate ratio can be discovered in which the two can be exchanged as equivalents.

However, this description of the function of money is not a new one. The function of money as a means of making unlikes commensurable is given relatively detailed consideration by Aristotle in Book Five, Chapter Five of the Nichomachean Ethics (25). The purpose of the chapter is to explain the particular form of justice which obtains between individuals who participate in exchange. He explains that exchange is founded upon the principle of reciprocity (26). What happens on one side must be mirrored by that which takes place on the other. Without reciprocity, exchange becomes advantageous to one alone, and thus unjust. The advantage arises from the inequality of the things exchanged. Therefore, justice requires their equivalence, and unlikes cannot be equivalent unless they are commensurable, i.e., that they can be compared with one another for the purpose of establishing the correct proportions which are required to ensure reciprocity (27). What is required, argues Aristotle, is a common measure: 'All things or services ... which are to be exchanged must be in some way reducible to a common measure' (28). He proceeds to explain: 'For this purpose money was invented, and serves as a medium of exchange; for by it we can measure everything, and so can measure the superiority and inferiority of different kinds of work - the number of shoes, for instance, that is equivalent to a house or to a certain quantity of food' (29). In this passage he argues that the act of measurement effects the necessary equation. This is clearly not the same as arguing, as he does in the previous passage, that all things which can be exchanged are reducible to a common measure. The act of measurement presupposes the reduction as its prior condition. Unlikes cannot be measured comparatively until they have all been

reduced to the one commensurable condition. The presence of a recognition of this limitation of money, i.e., the need for commensurability, is the difference between Aristotle, who analyses the nature of exchange, and those like Bailey and subsequent advocates of the subjectivist school, for whom real exchange is a closed book. Aristotle makes his mark when he declares, 'there would be no society if there were no exchange, and no exchange if there were no equality, and no equality if it were not possible to reduce things to a common measure' (30).

He next considers a composite solution to the problem of commensurability and measurement of commodities. Arguing that producers exchange things in order to acquire the products of others, he concludes, it 'is ... the need for each other's services which holds the members of society together (31), and which constitutes the means of establishing their commensurability and equivalence. In this context, he argues, money acts symbolically or by means of convention as a representation of need capable of quantifying the commodities to be exchanged in their correct equivalent proportions, proportions which presumably, as Aristotle does not make the point, correspond to definite quanta of need. Such an explanation, which whilst happily sponsored by Bailey et al., sits very uncomfortably in Aristotle's thought. He recognises this and whilst eschewing its implausibility; 'In strictness, indeed, it is impossible to find any common measure for things so extremely divers', he resorts to it as a pragmatic solution; 'but our needs give a standard which is sufficiently accurate for practical purposes' (32). What Aristotle is looking for, and his failure is obviously something which he found frustrating, was

a property or dimension by virtue of which unlikes, i.e., different commodities, could be made commensurable, and which simultaneously established the correct measured proportions to establish equivalence.

Having settled for the pragmatic solution, he goes on to give further consideration to money as a means of commensuration: 'Money makes all things commensurable, for all things are valued in money' (34) and refers to the following illustration:

For instance, let A stand for a house, B for ten minae, C for a bed; and let $A = \frac{B}{2}$, taking a house to be worth or equal to five minae, and let $C = \frac{B}{4}$. We see at once, then, how many beds are equal to one house, viz. five (34).

From this simple example, he concludes: 'It is evident that, before money came into use, all exchange must have been of this kind: it makes no difference whether you give five beds for a house, or the value of five beds' (35). At this point, he leaves the consideration of exchange and returns to his examination of the more general question of justice. What is important about his conclusion, however, is that whilst it is made as a simple observation which follows conclusively from the premises of his example, in fact it demolishes his claim that money, whilst merely practical, makes things commensurable. It makes no difference he says, if five minae are given for a house, or five beds. Both the equations: $5 \text{ minae} = 1 \text{ house}$, and $5 \text{ beds} = 1 \text{ house}$, are the exchange of equivalents, just as before money appeared, barter of the latter form must also have been the exchange of equivalents. But equivalence, as Aristotle is well aware, presupposes commensurability, and therefore cannot be established by money.

Aristotle's analysis of just exchange began by offering the invention of money as a solution to the problem of how unlikes can be measured for the purpose of establishing equivalence as the articulation of reciprocity. He concludes by showing that money itself, as a measure, presupposes commensurability and for that reason is not the means by which equivalence is brought about. It is to establish this point that Marx says:

A given commodity, e.g., a quarter of wheat is exchanged for x blacking, y silk, or z gold, etc. - in short, for other commodities in the most different proportions. Instead of one exchange-value, the wheat has, therefore, a great many (36).

A quarter of wheat, therefore, has as many exchange-values as there are kinds of commodity against which it can exchange; thus -

One quarter of wheat =	x blacking
	y silk
	z gold, or z quantity of money, etc.

Justice aside, x blacking, y silk and z gold are all equivalents of one quarter of wheat. Consequently, they 'must, as exchange-values, be replaceable by each other, or be equal to each other' (37). X blacking is not only the exchange-value and hence equivalent of one quarter of wheat, but also of y silk and z gold respectively. It does not matter, therefore, which commodity is the equivalent of one quarter of wheat, whether it be blacking, silk or gold. Provided that it is present in the correct quantity, it can act as the exchange-value of one quarter of wheat. As they can all replace one another, blacking, silk or gold are not exchange-value itself, as for Bailey, but as exchange-values they are the form of what is expressed within the exchange relationship: 'Therefore, first: the valid exchange-

values of a given commodity express something equal; secondly, exchange-value, generally, is only the mode of expression, the phenomenal form, of something contained in it, yet distinguishable from it' (38). What Marx is gradually proceeding towards is the problem of commensurability, and he makes it clear that gold or money is subject to the same requirement of commensuration as all commodities, and for that reason is not the means by which this is established. But exchange is the exchange of equivalents, irrespective of the kind of commodities involved; as Marx makes clear in the Critique of Political Economy:

Quite irrespective ... of their natural form of existence, and without regard to the special character of the needs they satisfy as use-values, commodities in definite quantities are congruent, they take one another's place in the exchange process, are regarded as equivalents, and despite their motley appearance have a common denominator (39).

The very condition of exchange itself, viz., equivalence disregards the kind of commodities exchanged, provided that they are present in the appropriate quantity. From the first section of this chapter, we know that commodities have a natural and a social content. In the disregard for the particular kind of commodity which is contained in the expression of exchange-value, a disregard which it has to be emphasised is a necessary condition of exchange, it is the natural or bodily form of the commodity which does not concern exchange. Therefore, what is expressed in the relationship of equivalents, and by virtue of which commodities are commensurable is their social content.

He begins to work towards this content by inviting the reader to

consider a particular exchange-equation: 1 quarter of corn = x cwt. of iron:

What does this equation tell us? It tells us that in two different things - in one quarter of corn and x cwt. of iron, there exists in equal quantities something common to both. The two things must therefore be equal to a third, which in itself is neither the one nor the other. Each of them, so far as it is exchange-value, must therefore be reducible to this third (40).

As an exchange of equivalents, and therefore commensurables, the x cwt. of iron is the exchange-value of one quarter of corn. As natural objects, i.e., as use-values they are incommensurable; therefore, their manner of commensuration is as something other than their outward bodily forms. The term 'things' in the second sentence is potentially misleading. It could lead to an interpretation of Marx in which the common property which 'things' possess as commensurables actually resides in their physical forms. However, in the context of the rest of the passage, and the fact that it is used in the context of a particular example of an exchange, the term 'things' should be read as 'commodities'. Hence the property that is being sought for is something which as commodities both corn and iron possess, but which as natural objects is neither. Discounting the obvious possibility of it being another commodity, the common property which all commodities possess and in virtue of which they are commensurable is a social one. Commodities are exchanged as equivalents precisely because they represent greater or smaller amounts of this social property, just as the areas of equilateral triangles, irrespective of size, represent greater or smaller quantities arrived at by means of a single formula which is 'something totally different from "their" visible figure' (41).

As if to emphasise the point that it is a social property that is being sought for, he says; 'This common "something" cannot be either a geometrical, a chemical, or any other natural property of commodities. Such properties claim our attention only in so far as they affect the utility of those commodities, make them use-values' (42). What is being sought for is the common property of commodities, which as greater or lesser quantities makes them values, things of the same uniform substance, of which exchange-value is the expression. In the first German edition of Capital, Marx comes to the point in a way which in the third, which forms the basis for English translations, is obscured by the form in which it is presented (43). In the first, he says,

Commodities as objects of use or goods are corporeally different things. Their reality as values forms, on the other hand, their unity. This unity does not arise out of nature but out of society. The common social substance which merely manifests itself differently in different use-values, is - labour (44).

Use-value is not a social substance, it is not homogeneous or uniform and is therefore not what is represented in the value of commodities.

IV. The Substance Of Value

Exchange brings commodities into a relationship of equivalence. In order for this relationship to be established, commodities which differ in kind, differences which spring from their material properties and which make them useful in different ways, must be commensurable. What makes this necessary commensurability possible is the fact that they are, as values, the products of a common social

substance - human labour. Thus far, Marx is establishing the same conclusion arrived at by Classical political economy. The method he uses to achieve this, however, differs from that of Smith and Ricardo. From the outset, he has replaced their speculation upon the rules which govern rational conduct between men in the state of nature, with the analysis of a species of social wealth and its historical conditions of existence. Both recognise that the definitive characteristic of the modern order is the private production of wealth. Its distribution, therefore, must be effected through commodity-circulation. Both also recognise that the exchange of products as commodities is simultaneously a relationship between the labours which produced them. However, the question of the specific character of the labour which appears in commodities was one which the Classical school was unable to answer because in rooting equivalence in nature it was one which they were unable to ask. Thus when they attempted to account for the specific quantities in which commodities were exchanged they inflicted irreparable damage to their theoretical apparatus, in much the same way as Aristotle, by resorting to makeshift solutions which contradict the premises of the theory. No such potentially disastrous solutions of last resort appear on the horizon for Marx however, because, having developed his theory of value from the social and historical determinants of the commodity he is in a position to ask the right questions, thus avoiding the problems begot of assuming wrong solutions in advance of the issue.

Marx's explanation of the character of value-producing labour is given its most theoretically coherent form in the 1859 book A Contribution to the Critique of Political Economy and the first and subsequent

editions of *Capital*, 1867, 1873, 1883 and 1890 respectively. The account given in this section of Marx's theory of the substance of value follows Moore and Aveling's English translation of the third German edition of Capital, supplemented where appropriate with material from the 1859 work and an English translation of the first chapter of the very first edition of Capital, made available in 1976.

In the third edition, Marx gives his account of the kind of labour which produces value in three places. He gives a preliminary definition of it in advance of his account of the magnitude of value, an examination of which is made in Chapter Five below, in the second half of Section One, Chapter One. This is in anticipation of Section Two which is devoted to an examination of the distinction between the two antithetical characteristics of labour which produce commodities. Section Three addresses the problem of what Marx calls the form of value which will be dealt with here in Chapter Four. Marx returns to the question of the nature of value-producing labour in Section Four which is entitled 'The Fetishism of Commodities and the Secret Thereof'. This section is probably best known for the interpretations of Marx's whole theoretical enterprise to which it has supposedly given rise, interpretations which on the whole are deserving of their sometime notorious reputation. Our interest in this section, however, is in intent more modest. The minimal interpretation of Section Four proposed here regards its contents as a summary of the conclusions arrived at in the preceding three, presented in their theoretically appropriate context, that of a systemic account of the relations which obtain between the members of a social organism founded on private production. Whilst the section contains clearly much more besides, it

is this aspect with which this account principally deals. Finally, although Section Four is a summary of the preceding three, the material which this account will extract from it does not presuppose conclusions from the latter half of Section One on the magnitude of value, nor from Section Three on the Value-Form with which we deal in the subsequent chapter.

By the time Marx introduces his concept of abstract labour in Section One, he has explained the nature of the commodity as a two-fold thing, possessing a natural and a social dimension. He has explained that as composites of natural properties, use-values are not directly commensurable, but since their exchange presupposes their equivalence they must be socially commensurable; and he has explained that they are commensurable as values, of which they consequently represent greater or smaller amounts. The emphasis in this section is on the magnitude of that value and how it is determined. Before he can explain this, however, he needs to know what the substance of value is in order to know what the magnitude of value is a magnitude of. Key categories are not normally introduced in this fashion, especially when the following section is wholly devoted to their explication, unless they are used to clarify an issue that is important enough to run the risk of appearing injudiciously premature. In this case no such risk is run and despite the preliminary character of Marx's definition of value-creating labour, it is one which follows conclusively from the premises.

As exchange-values, commodities shed their natural-forms and relate to one another in exchange as quanta of one uniform homogeneous social

substance. The exchange of equivalents necessarily presupposes the abstraction from use-value. But the process of abstraction does not stop there. It has a corresponding effect on the labour which produced those commodities from which the abstraction from use-value takes place: 'Along with the useful products themselves', explains Marx, 'we put out of sight both the useful character of the various kinds of labour embodied in them, and the concrete forms of that labour' (45). In abstracting from the use-values of different commodities exchange also abstracts from the particular kind of labour of which the use-value is a product. It is in respect of their formation as use-values that labour is said to be embodied in commodities. In exchange, abstraction is also made from the particular concrete forms of labour which in their intercourse with nature produce wealth. Labour specified as concrete labour does not produce values, but use-values. Consequently it does not make commodities commensurable and therefore must be abstracted from. If use-value does not explain the value of commodities, nor the specific forms of labour which produce them, what does? Marx's argument is that even though the specific form of labour is abstracted from in exchange, the fact that commodities are products still remains. However, within this context they are not the products of specific kinds of labour, but of 'one and the same sort of labour, human labour in the abstract'. In the next paragraph, he says that such labour is 'homogeneous', or looked at another way, that it is 'labour power expended without regard to its mode of expenditure' (46). And in the next paragraph but two, he explains further that the 'labour'

... that forms the substance of value, is homogeneous human labour, expenditure of one uniform labour-power. The total

labour-power of society, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogeneous mass of human labour-power, composed though it be of innumerable individual units. Each of these units is the same as any other, so far as it has the character of the average of the labour-power of society, and takes effect as such ... (47).

This passage is best understood if it is remembered that commodity-production is carried on by producers operating privately. Whilst, however, they appear to be independent of one another and perform their productive activities in isolation, as members of the social division of labour, they are dependent upon one another and need each others' products, which they acquire through commodity-exchange. What appears in exchange, therefore, as the value of their commodities is thus none other than their individual productive activities, equated with one another as aliquot parts of the total social expenditure of labour power. In the values of their commodities the labour of the individual producer counts only as a quantum of the labour-power of society as a whole; therefore, the labour which produces value appears as the one, uniform expenditure of the integral labour-power of society.

The labour of the individual has a two-fold character. As concrete labour it is performed with a specific purpose, working on the materials appropriate to the desired end. In the exchange of the products of that labour as commodities, however, the labour of the individual counts as simply a unit of the labour-power of society, an instantiation of a social average. Its expenditure is the same as any other. Thus, first it is concrete and differentiated in nature from other forms; secondly it possesses through the abstraction inherent in the exchange-relation a separate abstract existence as an aliquot part

of society's total labour (48). As abstract labour it appears as the substance of value.

The distinction between the properties of concrete labour and abstract labour is developed further in Section Two, which is entitled 'The Twofold Character of the Labour Embodied in Commodities'. Concrete labour can be dealt with cursorily:

So far ... as labour is a creator of use-value, is useful labour, it is a necessary condition, independent of all forms of society, for the existence of the human race; it is an eternal nature-imposed necessity, without which there can be no material exchanges between man and Nature, and therefore no life (49).

Concrete labour is the material producer of use-values. To the particular use-values required by the members of a society 'there correspond as many different kinds of useful labour, classified according to the order, genus, species, and variety to which they belong in the social division of labour (50). Consequently, a particular form of society, irrespective of that form, has to allocate portions of its total labour capacities to the various tasks which together appear as a division of labour. The totality of productive activities are simply different ways of expending labour-power. As expenditures of labour-power, they have a common character; each is 'a productive expenditure of human brains, nerves, and muscles', and, says Marx, 'in this sense are human labour' (51). The social capacities of human labour are nothing other than the capacities of the members of any particular society (52). Individual kinds of concrete labour are special applications of these capacities (53). But, however varied these special applications become, in any form of

society, in any historical period, the capacities which perform them are given as a social average which each person is theoretically capable of and which therefore 'exists in the organism of every ordinary individual' (54). This does not mean to say that such capacities are ahistorical. The social average of human capacities is something which develops historically and on the whole progressively as social productivity increasingly fulfils some human potentials and establishes the preconditions for the fulfilment of others (55). In systems of commodity-production, the relationship between the general capacities of human labour and their specific applications within the division of labour possess a unique character. Instead of a multiplicity of productive activities, 'the value of a commodity represents human labour in the abstract, the expenditure of human labour in general' (56). The expenditure of the general capacities of the members of society, irrespective of the depth of variety of tasks that it may perform, should result in a wealth of useful products. Instead, in systems of private production those general capacities appear in abstraction from the natural forms of labour which in their intercourse with nature are productive of wealth, as the substance of the value of commodities (57). In the final paragraph of the section, Marx spells out the distinction between the general capacities of human labour as wealth in potentia, and the form in which these capacities appear in commodity-producing societies: 'On the one hand all labour is, speaking physiologically, an expenditure of human labour-power, and in its character of identical abstract human labour, it creates and forms the value of commodities' (58). In Section Four, Marx explains why the general capacities of human labour appear as a secondary abstract characteristic, in addition to the individual forms

of concrete productive activity, in systems of private production and exchange.

In a famous passage in the Grundrisse, Marx divides the history of human society into three bands (59). The first contains forms of society which are based on relations of personal dependence and in which consequently the labour-power of the producers is allocated amongst the various tasks corresponding to the individual branches of the social division of labour, according to custom. The second form of society is that in which there exists no direct relationship between the producers, thus necessitating the indirect one of commodity exchange: private production. The third and final possible form of society is that of the associated producers in which a directly social connection exists between the producers in the form of the plan. In Section Four of the first chapter of Capital, Marx briefly considers the social relations of private production in comparison with those of forms of society which precede and post-date it.

The first form of society he considers is not a society at all (insofar as societies generally contain more than one individual); it is the world inhabited by Defoe's Robinson Crusoe. The important point is explained by Marx thus:

Moderate though he be, yet some few wants he has to satisfy, and must therefore do a little useful work of various sorts, such as making tools and furniture, taming goats, fishing and hunting ... In spite of the variety of his work, he knows that his labour, whatever its form, is but the activity of one and the same Robinson, and consequently, that it consists of nothing but different modes of human labour (60).

Crusoe's survival depends upon his successfully dividing his time between the various task of production. Each task would correspond to a particular form of useful labour. The different forms of useful labour, however, which he performs and which he measures by timing their performances on average, are all equivalent because they correspond to the expenditure of one uniform labour power, namely, his own. A clear parallel with a society of commodity producers can be drawn insofar as 'the relations between Robinson and the objects that form this wealth of his own creation ... contain all that is essential to the determination of value' (61). In the value-relations of commodities different kinds of concrete labour are rendered equivalent by the general capacities which underpin them being represented abstractly as the substance of value. The relationship between Crusoe's different labour tasks is analogous except that instead of his general capacities appearing as the substance of the value of the things which he has produced, it is represented directly in his own person as the bearer of those capacities. Clearly, what is absent from Crusoe's world is a system of private production and exchange.

The first forms of social production, like the mythical world of Crusoe, are presented with the necessity of distributing the general capacities at their disposal between the tasks which together sustain the whole. Marx cites the example of a peasant family. The different functions it performs such as producing 'corn, cattle, yarn, linen, and clothing for home use' are 'direct social functions, because functions of the family' (62). Each member of the family does not produce privately with the intention of exchanging his product for that of the other members who are likewise engaged in private

productive activities. Consequently, the social character of his labour does not appear abstractly in the value of his product as a commodity: 'On the contrary', explains Marx, 'the product of labour bore the specific social imprint of the family relationship with its naturally evolved division of labour' (63). The labour-power of each individual, by its very nature, operates ... as a definite portion of the whole labour-power of the family' (64). The labour of the individual does not assume an abstract form in order to be recognised as an expenditure of a portion of the society's productive capacities. It is, in its immediate expenditure, recognised as the expenditure of those capacities on behalf of the society of the peasant family which appropriates its product in accordance with the prevailing custom.

Customary forms of distribution are associated with forms of social production based on relations of personal dependence. The social character of the product and the labour which produced it are established directly through the dependence of the orders and classes of society upon one another. There is, consequently, no necessity for the products to assume the form of commodities or for the labour of the individual to manifest its social character in their value; 'the social relations between individuals in the performance of their labour, appear at all events as their own mutual personal relations, and are not disguised under the shape of social relations between the products of labour' (65). Labour-power is distributed and exercised according to the custom which prevails between the dependent orders of society. The social character of this labour is revealed directly in the very dependent nature of these social relations.

In a society of associated producers, the labour of the individual is

already directly social too. But in place of the customary and dependent social form, the labour of the individual acquires its social characteristic from its place within the conscious organisation of social production in accordance with an agreed social plan, 'in which the labour-power of all the different individuals is consciously applied as the combined labour-power of the community' (66). Each individual labour-power is representative of a social average from the outset, without which, as Rubin points out, 'the organ of the socialist community cannot decide whether or not it is more useful to spend one day of qualified labour or two days of simple labour, one month of the labour of individual A or two months of the labour of individual B, to produce certain goods' (67). The labour-powers of the producers of socialist society are accounted from the outset as portions of the total social labour-power and are then equated by means of some socially agreed norm for the purposes of distribution, both of labour-power to the tasks to be performed and the products between the members of society. 'We will assume', says Marx in illustration of the point, 'for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour-time. Labour-time would, in that case, play a double part. Its apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labour borne by each individual, and of his share in the part of the total product destined for individual consumption' (68). In an organised economy labour-time might play a

dual function (69). As a measure of the labour-time required on average to produce each kind of use-value, the producers can plan how much of their capacities have to be applied to each task in order to achieve the levels of necessary output. As a measure of the individual's contribution to the production of that output it serves as a means of distributing that portion of the total product which is designated for personal consumption. Before the labour-power of the individual producers can be assessed by the common standard of labour-time, however, they must be equated with one another. Thus before it can be distributed to the various tasks which face the members of an organised economy, the labour-power at their disposal has to be accounted for in a manner which recognises the distinctions between various qualities of labour-power, and the varying degrees of difficulty and ease of the tasks to be performed. This averaging process can only be accomplished consciously through the deliberations of the social organ responsible for the planning of production. Labour in an organised economy is 'first of all socialized and allocated labour' and it has 'the quality of socially equalized labour as a derived and additional characteristic' (70).

In a commodity-producing economy, the producers are faced with an analogous set of problems relating to how their labour is to be distributed among the branches of production. Like any other form of production, it has the same fundamental resource at its disposal, the total social labour-power of the producers themselves. The difference between commodity-producing society and the forms of social production which precede it and post-date it, in Marx's conception of the three bands of history, is that where production in these two sets of forms

of society is carried out directly in a social manner, the production of commodities is by its very nature private and independent. The independent producer is personally independent of the other likewise mutually independent producers of commodities. As Aristotle noted in his Politics and Marx notes now in Capital: 'As a general rule, articles of utility become commodities, only because they are products of the labour of private individuals or groups of individuals who carry on their work independently of each other' (71). However, the fact of their personal independence does not in any way reduce the social character of this form of production. Where there exists a social division of labour, and it is difficult to conceive a form of society without one, the members of society, whether dependent, associated, or indeed as in systems of commodity-production, private, i.e. in one form or another, work for each other (72). Their labour possesses a social character. In both dependent and associated forms of social production, labour is from the outset social. In systems of commodity-production, labour is from the outset private, but since such forms of society are also characterised by a social division of labour, the fact of its privacy in no way denies the proposition that 'the sum total of the labour of all these private individuals forms the aggregate labour of society' (73). Private production still entails the distribution of social labour. The problem is one of explaining how labour in commodity-producing economies can be simultaneously private and social (74).

The 'social metabolism', Marx writes in 1859, of commodity-producing societies, 'in other words the exchange of particular products of private individuals, simultaneously gives rise to definite social

relations of production, into which individuals enter in the course of this metabolism' (75). Consequently, 'the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them, between the producers' (76). Commodities, as has been established earlier, exchange in quantitative proportions with presupposes their equivalence. This equivalence can only be established if commodities are commensurable. The property of commensurability can only be a social one because it does not exist naturally. The act of exchange abstracts from both the natural-form of the commodity and the particular useful kind of labour which produced it. All that remains is abstract labour, or labour which is expended without regard to the specific mode of its expenditure. What this abstract labour represents is nothing other than the general social capacities which are available to the members of a commodity producing society, with one decisive exception. Instead of appearing within their natural context, i.e., that of their different forms of expenditure, they appear in abstraction as the equal labour which forms the substance of value. In associated forms of social production, labour is directly social and then equalised for the purposes of the distribution of labour power and the resultant product. In commodity-producing societies, labour is private, and only becomes social indirectly and abstractly, via its equalisation in the equalisation of commodities. Abstract labour is the specific form or secondary characteristic, taken by concrete labour because it is expended privately, which it must take in order to appear as social labour. The social character of private labour in commodity-production is 'an emerging result' (77), as Marx puts it, of the

universal process of exchange.

NOTES TO CHAPTER THREE

1. Marx, 1970, 27n.
2. Marx shares Aristotle's concept of a hierarchy of uses. 'A thing can be a use-value without having value' and '... nothing can have value without being an object of utility'. Marx, 1977, 48. It requires little imagination to think of any number of seemingly useless objects which we are nevertheless obliged to pay for. There is, however, no hint of subjectivity in the hierarchy employed by Aristotle and Marx. Utility for both is more fundamental in an ontological sense than exchange-value. It is more fundamental to the way human beings live and how they live by appropriating the wealth of the natural world in order to do so. If the views of Marx to be developed later in this chapter have any truth, a belief in the ontological priority of exchange-value is one of a number of mistakes that inevitably occurs as a result of taking the market form of economy at face-value.
3. Marx, 1970, 27.
4. Aristotle, 1883, 22.
5. A hopeless suggestion, but this, or something like it, must underlie the often-voiced thought that without the market life would grind to a halt - or worse still for marketeering sensibilities - embark on a retrograde road to serfdom.
6. 'That it is our need which forms, as it were, a common bond to hold society together, is seen from the fact that people do not exchange unless they are in need of one another's services ... as

when that which one has, e.g. wine, is needed by other people who offer to export corn in return.' Aristotle, 1906, 157.

7. Ibid, 158.
8. 'From the taste of wheat it is not possible to tell who produced it, a Russian serf, a French peasant or an English capitalist. Although use-values serve social needs and therefore exist within the social framework, they do not express the social relations of production.' Marx, 1970, 28.
9. Marx, 1976, 215.
10. Marx, 1970, 27.
11. Marx, 1976, 215.
12. Marx's treatment of labour as of fundamental and universal significance is largely ignored in the literature. One of the more serious consequences of such neglect is the failure to see why Marx considers the form of social labour as the key to the form of society. This conception is fundamental in Marx, as Lukacs and Arthur have argued. Lukacs, 1978. Arthur, 1987.
13. Marx, 1976, 7.
14. Marx, 1977, 43.
15. Marx, 1970, 27.
16. Marx is one of the few economists to have examined the exchange-relation in sufficient depth to avoid the confusion into which some economists have been led by the similarity of terms. In

Marx's account value and exchange-value possess fundamentally different characters by nature. 'The form of the use-value is the form of the commodity-body itself - iron, linen, etc.: its palpable, sensible form of existence. What this is is the natural-form of the commodity. The value-form of the commodity, on the other hand is its social form'. Marx, 1976, 49.

17. Marx, 1977, 44. This fundamental distinction and its relationship to Marx's ontology are brought out clearly by Meikle: 'Use-value can exist alone. But exchange-value cannot; it presupposes use-value because only what has use-value can have exchange-value. What has exchange-value, a commodity, is, thus necessarily use-value and exchange-value brought into a unity. The commodity-form of the product of labour has as its essence the unity of the two. That is what it is. Their conjunction or unity constitutes its essence ... Use-value and exchange-value are, therefore, not "merely" abstractions arrived at in thought about reality; they are constituents of reality in partaking in the essence of the commodity. And the opposition or contradiction between the two poles is a constituent of reality also'. Meikle, IMP I, 22.

18. Bailey, 1825, 2. Cited in Rauner, 1961, 5.

19. Loc Cit.

20. The circularity of Bailey's account is obvious here. Whilst on the one hand the commensuration of commodities precedes exchange both logically and temporally, it is only as a result of exchange that commensuration can actually take place.

21. Ibid, 5-6.
22. Ibid, 6.
23. Ibid, 5.
24. Cf. Marx, 1972, 141-2.
25. Aristotle, 1906, 152-160.
26. 'That which is just, then, is a mean between a gain and a loss, which are both contrary to the intention, and consists in having after the transaction the equivalent of that which you had before it.' And further: '... in the interchange of services this is the rule of justice that holds society together, viz. requital - but proportionate requital, and not simple repayment of equals for equals'. Ibid, 152-3.
27. With 'equality', he says, 'intercourse becomes impossible; for there is no reason why the work of one should not be worth more than the work of the other. Their work, then, must be brought to an equality'. Ibid, 154. What Aristotle is suggesting here is that equality cannot be established between objects of exchange unless they are in some respect commensurable.
28. Ibid, 155.
29. Loc Cit.
30. Ibid, 158. At first Aristotle's claim may appear extravagant. However, its accuracy is soon confirmed if the statement is read as an account of how things actually are and not simply as a

logical proposition. Aristotle's argument is not founded on what from an a priori position must happen, but from an analysis of what actually happens of necessity.

31. Ibid, 155-6.

32. Ibid, 158.

33. Loc Cit.

34. Loc Cit.

35. Loc Cit.

36. Marx, 1977, 44.

37. Loc Cit.

38. Ibid, 44-5.

39. Marx, 1970, 28.

40. Marx, 1977, 45.

41. Loc Cit.

42. Loc Cit.

43. Bohm-Bawerk exploits the apparently formally logical manner of Marx's presentation in the Third Edition of Capital to the full, claiming that Marx ignores all kinds of other 'common properties' in his haste to declare labour as the source of value. The fact that labour is the only relevant common property of commodities which is social, because it is the basis of social life, is

completely omitted by Bohm-Bawerk in his critique. See Bohm-Bawerk, 1984, 68-77. A reply to Bohm-Bawerk was made by G. Kay in Elson et al., 1979, 46-66 in which Bohm-Bawerk's attempt to impute a formal logical method into Marx is subjected to criticism.

44. Marx, 1976, 9.

45. Marx, 1977, 46.

46. Loc Cit.

47. Loc Cit.

48. As C. J. Arthur explains, abstract labour is established through an abstraction from the concrete particularities of human labour not through their 'reduction' to abstract labour as though the latter were some 'elemental core' of each kind of concrete labour. Arthur, 1979, 99.

49. Marx, 1977, 50.

50. Ibid, 49.

51. Ibid, 51.

52. Cf. Arthur, 1979, 93.

53. 'There are ... states of society in which one and the same man does tailoring and weaving alternatively, in which case these two forms of labour are mere modifications of the labour of the same individual, and no special and fixed functions of different persons; just as the coat which our tailor makes one day, and the

labour of one and the same individual. Moreover we see at a glance that in our capitalist society, a given portion of human labour is, in accordance with the varying demand, at one time supplied in the form of tailoring, at another in the form of weaving.' Marx, 1977, 51.

54. Loc Cit.

55. That aspect of Marx's thought which links human labour to the historical realisation of human potentials, is, after a long hiatus, beginning to be re-examined. See, for example, C. J. Arthur (1987).

56. Marx, 1977, 51.

57. Marx notes: 'just as in society, a general or a banker plays a great part, but mere man, on the other hand, a very shabby part, so here with mere human labour'. Loc Cit.

58. Ibid, 53.

59. Marx, 1973, 158.

60. Marx, 1977, 81.

61. Loc Cit.

62. Ibid, 82.

63. Marx, 1970, 33.

64. Marx, 1977, 82.

65. Loc Cit.

65. Loc Cit.

66. Ibid, 83.

67. Rubin, 1972, 96.

68. Marx, 1977, 83.

69. In his response to the Gotha Programme of the German Socialist Party, Marx envisaged just such a two-fold application. But, it must be remembered, his response presupposes a planned economy where quantities of labour are consciously assigned to various jobs. The necessary reduction to uniform time is made consciously. In the fifth chapter below, the distinction between a conscious reduction and an unconscious one is used to undermine the accusation, often made against Marx, that labour-time cannot be the measure of value because to be so we would have to be able to measure labour as it is performed, i.e., in its concrete aspect. This accusation, as shall be shown, is based on a fundamental misunderstanding of the operation and nature of a market economy.

70. Rubin, 1972, 46.

71. Marx, 1977, 77.

72. Ibid, 76.

73. Ibid, 77.

74. 'How does private labour become social labour, and how does the totality of separate, scattered private economic units become

transformed into a relatively unified social economy characterised by the regularly repeating mass phenomena studied by political economy?' Rubin, 1972, 129.

75. Marx, 1972, 51-2.

76. Marx, 1977, 78.

77. Marx, 1972, 45.

CHAPTER FOUR

THE FORM OF VALUE

I. Introduction

The purpose of this chapter is to give an account of the value-form and the role which it plays in Marx's overall theory of value. In no small part, this entails an exercise in recovery. However, important though this exercise is, and the reasons for which are discussed below, this is not the main aim of the Chapter. The importance of Marx's theory of the value-form, which it is hoped will become apparent as the chapter progresses, is two-fold. Firstly, it answers a number of questions in general value theory, extant in Aristotle's consideration of the problem and which bedevilled Smith, Ricardo and the other members of the Classical school of political economy. Secondly, in providing arguably the only systematic analysis of the exchange-relation, it successfully undermines the very ground upon which orthodox economics has developed its theory of value; the assumption of symmetry. The importance of this may not be immediately apparent. It is, however, arguable that orthodox economics has avoided a direct confrontation with the problems of value theory by importing a series of symmetries into its theory of value. Thus, for example, prices reflect values; values in turn reflect utilities; money flows mirror the movement of use-values. What orthodox economic theory has not appeared to be able to demonstrate is that these assumptions hold good. The importance of Marx's analysis of the value-form is that it shows that the very nature of exchange precludes the possibility of symmetry, except as an accidental form of appearance. What this analysis shows is that value, and its form, do

not exist in a stable symmetrical relationship.

The prevailing Twentieth Century account of Marx's theory of value, whether originating within or outwith the Marxist school of political economy, has found little in Marx's analysis of the value-form to augment the basic principle of the labour theory of value. If what is said in the following sections of this chapter has any veracity, this absence will not only be seen as a significant omission but as a possible source of the hypertrophy of thought characteristic of late twentieth century Marxism.

Accounts given from within the non-Marxist schools of economic thought regard the theory given exposition in Capital as little more than a corrupted version of that given by Smith and Ricardo in their more lapsarian moments, politically re-modelled and packaged for a moralism peculiar to the Victorian period. That Marx's theoretical contribution should have been treated in such an unsympathetic manner from such a quarter is perhaps not so surprising. However, the absence of a full account reflects deleteriously on any accompanying claim to scholarly representation.

Whilst non-Marxist accounts of Marx's theory of value attach little importance to the value-form, perhaps what is of greater surprise is the low importance attaching to it within Marxist accounts of Marx's theory of value. It is virtually absent from any English language account of note. In perhaps the most familiar of the sustained defences of the labour theory of value in English, R. L. Meek confines his discussion of the value-form to a single dismissive remark:

There is no need for us to follow Marx's rather complex analysis of the 'elementary', 'expanded' and 'money' forms of value in any detail. (1)

This chapter will return later to the misconception which it is believed underlay Meek's account of the labour theory of value and which is responsible for his failure to identify anything of essential importance in the value-form. The important point to note is that Meek's judgement is more or less implicit throughout Anglophone Marxist thought, and it is precisely that absence which perhaps justifies the following exegetical analysis of the key elements of the theory.

Marx systematically presents his analysis of the value-form for the first time in Capital. Although he significantly referred to this theory in the earlier A Contribution to the Critique of Political Economy, the substance of these references presents a theory in its process of formation, in which preliminary conclusions have been reached, and which therefore require development in order to draw out their full theoretical significance (2). As far as the English-speaking world is concerned, the main vehicle for the theory of the value-form is the English translation of the third German edition of Capital, first made available in 1887, and which has been the main point of reference ever since (3). It was stated at the outset that it was not intended that a detailed methodological commentary be made. However, some preliminary comment is required to assist in understanding the nature of Marx's method of explanation. The following section of this chapter will provide a brief account of the chief characteristics of that method. In developing that account, the section attempts to identify the links between Marx's method and the

account given of the value-form in the translated third edition of Capital. To the extent that these theoretical links cannot be established, the substance of Meek's judgement would appear to be vindicated. However, it is one of the contentions of this chapter that despite the formal nature of Marx's presentation these elements form a structured whole which can be derived from the text and the elements of which cannot be divorced from each other without losing the sense and meaning of the theory.

The third section of this chapter provides a detailed examination of Marx's account of the asymmetrical structure of the exchange relationship and in particular his dual accounts of the properties of the asymmetrical relative and equivalent forms of value. The assumption of symmetry is explicitly made in utility theory where utility and value are condensed into a single category which is then reflected in a mirror-like fashion in the exchange-relation. This symmetry has its counterpart in Marxist thought where the symmetrical understanding of the relationship between value and labour explicit within the Classical school is preserved within Anglophone Marxism. However, whereas Classical political economy and Anglophone Marxist accounts can be said to have collapsed because of their insistence upon an untenable symmetry, the same cannot be said for utility theory. Utility theory is untenable because it subjectivises an essentially objective structure (4). It is in Marx's account of the relative and equivalent forms of value that we find his arguments to support his contention that the exchange relation possesses an essentially asymmetrical objective structure. To the extent that these arguments fail, then Marx's theory of value is flawed at its

core. Their success, however, draws into question a fundamental tenet of economic theory, whether Non-Marxist or of the hitherto prevailing Marxist variant. It will be contended that the latter is the correct version of events and that the Third Edition of Capital contains sufficient analytical argument to support Marx's major proposition.

The third section of this chapter, in analysing Marx's account of the development of the value-form, also shows how the theory is linked to the other key elements of Marx's theory of value, in particular the two-fold nature of the commodity and the dual nature of the labour which produces it.

If Marx's arguments regarding the objectivity of the inherent structure of exchange have been lost in the course of the last one hundred years, of even greater unfamiliarity is Marx's explanation of the nature of money and its relationship to the basic structure of the elementary exchange-relation. It is not intended that this chapter should provide a complete account of Marx's theory of money (5). It would, however, be possible to point to a common deficiency within those accounts which are available and which is relevant to the purposes of this chapter. In Section Three of Chapter One of Capital, Marx goes to great lengths to demonstrate that the formation of money is a necessary development of the elementary social act of exchange. It is a common mistake to see in this presentation nothing more than an empty logical construct, and one which at best only complicates an otherwise reasonably transparent theory. What is omitted, and largely so because the purpose of the account is not understood, is any consciousness of Marx's presentation of the value-form and its further

developments as developments of a form and that such developments occur of necessity. It is essential, therefore, to the understanding of money that this process is recognised in its inextricable link with the value-form. Without that recognition, Marx's consolidation of the elements of his theory of value in Chapter Two of Capital are meaningless, as also Chapter Three would be where the theory is put to work. Section Three of this chapter, therefore, provides an account of Marx's explanation of the development of the value-form from its elementary form, through the expanded and general forms, ultimately arriving at the universal and money forms where in the only opus extant in economic theory is there any serious attempt to address the problem of defining the nature of price.

II. The Value-Form and Method

Of the criticisms of the Classical school of political economy, Marx's third is directed towards its failure to analyse what he calls the value-form. Whilst Smith, Ricardo and others are praised for their efforts in analysing the substance of value and for having worked out an elementary theory of its magnitude, they are criticised for failing to distinguish between labour as producer of value and labour as producer of use-value. Closely tied to this criticism are the concepts Marx developed in respect of the quantitative dimension, principally, socially-necessary labour time. These composite findings are attributed by Marx to the Classical School's almost exclusive concern with the quantitative value problem. The third of Marx's criticisms superficially appears to follow the same line of attack; admonishing the Classical school theorists for neglecting the

qualitative dimension of the theory of value. In a famous passage, he explains, the Classical school 'has indeed analysed, however, incompletely, value and its magnitude, and has discovered what lies beneath these forms' (6). From the account given of Marx's theory in the previous chapter, we can take his reference to the incomplete nature of the Classical inquiry as a reference to their failure to distinguish between abstract and concrete labour (7). Of great importance though these criticisms are, particularly when considering the distinction between Marx and the Classics, Marx appears to suggest a third criticism: Classical political economy, he argues, has failed to give a full and coherent account of the labour theory of value because 'it has never once asked the question why labour is represented by the value of its product and labour-time by the magnitude of that value' (8).

In a footnote to the passage containing this criticism, Marx expands this point by explaining what Smith and Ricardo failed to do and why they failed to do it. The errors in their theory are imported at the fundamental level of their endeavours: 'It is one of the chief failings of classical economy that it has never succeeded, by means of its analysis of commodities, and, in particular, of their value, in discovering that form under which value becomes exchange-value' (9). Marx's analysis of the commodity, it will be remembered, identified at the outset the dual nature of the commodity and in particular that its specification as exchange-value (or material depository of exchange-value, as he sometimes puts it), was a specification of form. The lack of importance which Smith and Ricardo attached to the form of value is not, however, caused entirely by their almost exclusive

concern with the determination of the magnitude of value. The cause, suggests Marx, 'lies deeper' (10). The Classical economists' neglect of the qualitative dimension of the value-problem is compounded by a peculiarity of the nature of market economies which masks their essentially historical natures:

The value-form of the product of labour is not only the most abstract, but is also the most universal form, taken by the product in bourgeois production, and stamps that production as a particular species of social production, and thereby gives it its special historical character (11).

It is precisely the universal character of the value-form in bourgeois society which deflects its investigation. In appearing to possess universality across all products, the value-form propagates its own myth that it is universal to all forms of society, irrespective of the stage of historical development. But regardless of its universal applicability to market economy, it is still a historically limited form of social product. Consequently, if a form is not looked for, a form will not be found. Yet, understanding cannot proceed without just such an analysis. Their failure to orient their efforts in this direction ensured that the Classical school would encounter insurmountable theoretical obstacles. By making the required form of analysis, Marx avoids these obstacles. The first obstacle is wrought by history. Thus, if as Smith and Ricardo certainly did:

we treat this mode of production as one eternally fixed by Nature for every state of society, we necessarily overlook that which is the differentia specifica of the value-form, and consequently of the commodity-form, and of its further developments, money-form, capital-form, etc. (12)

The failure to examine the value-form is a failure to examine what differentiates a market economy from any other form of social

production. Consequently it is unsurprising that the Classical political economists thought that those specific characteristics of the commodity form of society were characteristic of all social forms. The value-form, we might say, is of the essence of market economy, and its identification and analysis is what differentiates the investigation of such social forms from the investigation of any other. The pertinent questions therefore are; what is the value-form and wherein lies its significance? And of what does Marx's analysis of it consist? By answering these questions, it will be seen that the value-form represents the key-stone to Marx's theory of value.

If we say that the value-form is the differentia specifica of a particular form of social production, it is important to avoid the danger of being over-specific. This is so for two reasons. Firstly, by being specific it is possible to run the danger of displacing the embodied labour of value conception by an 'embodied abstract labour' conception (13). Secondly, by being over-specific it is also possible to misunderstand the role played by the concept of form in Marx's methodology. A good example of how this can occur is that of Elson in her essay 'A Value Theory of Labour', an essay which is discussed at some length in the following chapter.

Few would dispute that Marx's theory of value is inextricably linked to his theory of history. It is probably not an exaggeration to suggest, however, that this relationship has rarely been properly articulated in a comprehensive manner. Discussing the relationship between money and value Elson argues:

There is a problem with Marx's exposition of the role of

gold-money as universal equivalent, 'direct incarnation of all human labour', in that he does not distinguish sufficiently clearly between money as a medium of exchange and the money form of value (money as universal equivalent). Money in itself is not specific to the capitalist mode of production ... and the fact that money is functioning as a medium of exchange does not mean that it is functioning as an expression of value, the 'direct incarnation of all human labour'. This distinction is elided in many of the statements made in Chapter 2, 'The Process of Exchange', creating the impression that where there is money, there is also value. Money as medium of exchange is certainly a necessary precursor to the money form of value, but in Chapter 2 Marx overstates the continuity at the expense of the difference (14).

Elson is correct to identify this elision in Chapter 2 of Capital. However, far from being an errant mode of expression, it should rather be seen as a consequence of Marx's very procedure for presenting the results of his investigation. In other words, this elision is deliberate. Consider the following passage from Chapter 2 itself:

Money is a crystal formed of necessity in the course of the exchanges, whereby different products of labour are practically equated to one another and thus by practice converted into commodities. The historical progress and extension of exchanges develops the contrast, latent in commodities, between use-value and value (15).

What for Elson signals danger in this explanation is that Marx's explanatory hierarchy of first value and then money is not supported by history where, for example, there may be instances of exchange involving money but where it would be inappropriate to speak of a generalised system of exchange based on commodity production. The problem however lies not so much in Marx's method of explanation but in recognising what it is that Marx is explaining.

If Marx's presentation had been purely historical, he would perhaps have examined the concrete development of money in specific societies,

gauged the incidence of exchange based on money perhaps, and suggested reasons for why it developed in its specific forms by reference to the materials of its composition and so forth, in much the same way as Smith in The Wealth of Nations. But Chapter 2 only includes passing references to this kind of material and even then only in a semi-illustrative fashion. Rosdolsky suggests that the reason for Marx's particular method of presentation is closely linked to his method of analysis. Adopting the suggestion made by Engels in reviewing Marx's work of 1859 (16), Rosdolsky explains that

Marx's method from the outset can be seen best of all in the numerous passages in the Rough Draft, in the Contribution and in Capital which provide - parallel to the logical derivation of value and money - a historical derivation of these same concepts, in which Marx confronts the results of his abstract analysis with actual historical development (17).

According to Rosdolsky, what we find in Marx is a combined logical and historical methods pace Engels. To return briefly to Elson, the description of Marx's method as logical would have some credibility: 'Money as a medium of exchange is certainly a necessary precursor to the money form of value', but we would have to decline the description of Marx's method as historical, because there is nothing there that systematically resembles the normal scholarly conception of historical analysis (18). If we are not to be helped by either logic or history, how is Marx's method to be described?

This problem is considered in detail by Meikle who concludes that confusion as to the nature of Marx's method and its attendant philosophical apparatus is due in large part to the absence in the twentieth century of any coherently formed and articulated

essentialist philosophy. What Rosdolsky was trying to aim at, and failed, was a conception of Marx's methods of analysis and presentation as methods informed by the philosophical categories of essentialism. The fact that a commentator as familiar with the work of Marx as Rosdolsky was unable to identify and promote that methodology is evidence of how deep essentialist thought has been buried and how pervasive the influence of the alternative atomist philosophies has been. It is, however, of central importance to appreciate the basic components of Marx's methods of analysis and presentation in order to derive greatest benefit from his analysis of the value-form, an analysis of what many regard as the most difficult, and in purpose most obscure, of Marx's writings. The character and relationship between the two components of Marx's science are justly summarised by Meikle in the following paragraph:

There is obviously a reason why the 'method of presentation' of a dialectical scientific account of something should result in a product that appears to be an a priori construction. (Failure to understand this reason explains bourgeois objections to the 'self-contained' and 'theological' nature of Marx's 'system'.) The reason is that having gone through the 'method of inquiry', by which he means seeking out the 'inner connection' or essence, one then has perforce to represent the movement for what it really is, namely, one of the developments of an essence, a series of necessary changes or realisations of potential. To present the real nature of the process in this way necessarily abstracts from all the empirical material turned up and worked over in the process of enquiry, which itself resulted precisely in the tracking down, and identification, of the essence or real nature (19).

What we have in Capital is Marx's presentation of the results of his enquiries. What his enquiries have led him to discover is that the value-form is the sine qua non of the market form of economy. What the first chapter shows is the basic structure of that form which is

the inner core of the more developed forms of market economy; money, wage-labour and capital.

II. The Relative and Equivalent Forms of Value

After giving his brief accounts of the two-fold nature of the commodity and of the labour which produces it, Marx provides in Section Three of Chapter One a detailed account of the structure of the value-form. As has already been indicated, this is the component part of the theory of value which is most often passed over with little analytical comment in the commentaries on Marx. The main contention of this presentation is that this section is vital towards understanding both the preceding sections and the further elaborations of the categories of the market economy which Marx makes in his thoughts on money and capital.

The section opens with Marx reiterating a basic premise of the theory of value. Value, he explains, is a property of the commodity-form of the labour-product that has to be distinguished from its physical forms and qualities: 'Turn and examine a single commodity, by itself, as we will, yet in so far as it remains an object of value, it seems impossible to grasp it' (20). The 'immateriality' of value, however, only persists to the extent that the qualities of a product as value are inaccurately identified or ignored. The category of value itself cannot be unravelled until value is regarded as the dimension in which commodities exist as units of the same homogeneous substance, social labour. Once that characteristic is correctly identified, we can do away with the necessity of having to try to explain value on the basis of the individual product because 'it follows as a matter of course,

that value can only manifest itself in the social relation of commodity to commodity' (21). What Marx's methodology allows and which is precluded by atomism is the conception that value involves a specific social relation and concomitantly, that what is under investigation is not the composition of a specific product but of the social relations which give rise to the exchange of products as commodities.

This view of the problem is radically different from that formulated by both Marx's predecessors within the Classical school and those who have followed him in attempting to resolve the problem of value. In the Classical theory of Ricardo and Smith, products possess the designation 'values' simply because they have labour expended upon their production. Value, therefore, does not require manifestation, expression or otherwise revelation because its presence within the very product is sufficient to attract a description as value. For Smith and Ricardo, commodities are values because they are products. The language of value is the language of man's intercourse with Nature. Its position as explanation of man's behaviour is fundamental and hence Marx's often-repeated criticism of the Classical political economists that they apply the standards of the modern epoch to every age and therefore fail to identify their specific differences. For Marx, distinctly, commodities are values because they are produced under the specific social relations of private production and exchange. Here lies the pertinence of the nub of Marx's criticism of Smith and Ricardo, that they failed to explain why labour is represented by its product as commodity, i.e. value, and why the quantum of labour so expended is represented by the magnitude of that

value. Marx adopts a certain amount of licence at this point because he has answers to these questions and they can therefore be important to him. However, that is not to diminish the pertinence of his objection to the Classical schema in which these questions are not merely not answered but that they are not even asked in the first instance. If one does not recognise in the fact of private production and exchange a characteristic of importance, one cannot even begin to ask questions about such social phenomena. Marx saw something remarkable in those facts and was able to construct from them the inner structure of exchange which contains as an essential component the fact that in societies characterised by such social relations of production, labour must be socially articulated or the society would not function. If labour is expended privately, there must be a focal social nexus. which articulates those private activities into a social whole. This, he discovers, is exchange.

Expressed in terms of labour, the commodity is the product of privately expended labour. That labour can be characterised as individual and concrete in the sense defined in the previous chapter. In order to become social labour, i.e. for the society to function as an articulated whole, that privately expended labour must become abstract, or more precisely acquire the character of abstract labour. How this is achieved in practice is the crucial question addressed by Marx's thoughts on the nature and structure of the value-form (22). As with all problems, it is necessary to identify the point of departure for formulating the solution - and for Marx this is quite straightforwardly a matter of fact: 'In fact we started from the exchange-value, or the exchange-relation of commodities, in order to

get at the value that lies behind it. We must now return to this form under which value first appeared to us' (23). The values of commodities are expressed in their relationships with other commodities, that is, quite simply, in their exchange-value (24). Marx denotes this as the first form in which value is presented to the observer, and by a process of analysis is abstracted from temporarily whilst the category of value and its content is given prior consideration. In Section Three, Chapter One, of Capital this initial starting point is returned to in order to complete the analysis.

The first point Marx makes is that each commodity has as many exchange-values as there are commodities (25). One commodity of a specified quantity does not just exchange with a quantity of this or that commodity but with quantities of the full range of commodities. However, all commodities possess an exchange-value in common, i.e. one that is qualitatively different from that specified by exchange for a quantum of any ordinary commodity. 'I mean', explains Marx, 'their money-form'.

Here, however, a task is set for us, the performance of which has never yet been attempted by bourgeois economy, the task of tracing the genesis of this money-form, of developing the expression of value implied in the value-relation of commodities, from its simplest, almost imperceptible outline, to the dazzling money-form. By doing this we shall at the same time solve the riddle presented by money (26).

The fact that bourgeois economy had not been able to arrive at a definitive analysis of its fundamental category is not unsurprising. However, Marx is not just admonishing its lack of self-knowledge, nor is he attempting in any simple sense to complete a task which it had

not performed. What Marx explains is that the apparent mystery which surrounds money is dispelled as soon as its constituent elements are identified. Money is but a development of the most fundamental form of market economy - the value-form, and this we know is what bourgeois economy failed to identify and analyse.

The distinctive way in which Marx approaches the analysis of money can be appreciated by comparing it with the analyses of money presented by Classical or indeed modern economic theory. For these two schools of thought, the problem of explaining money is solved by enumerating its purposes. Thus, almost without exception, a review of the works of political economy and economic theory will reveal that money came into being to satisfy a number of functions. Typically those functions will be as a means of payment, standard of value, store of value and means of exchange. Once these functions have been identified, at least so far as modern economic theory is concerned, there is very little else that can be said about money. If money is so self-explanatory why did Marx not stop at money, why in that sense go any further? The necessity of extended analysis, for Marx, was abundantly clear. There is a fundamental methodological flaw in the view that a complete analysis of money is achieved once its manifest functions have been identified. For Marx, such an analysis would at best only point in the direction of further enquiry and at worst would be misleading in that it suppresses a number of the very questions which it begs. An examination of the functions of money is merely a preliminary exercise to establishing its nature. In order to begin to understand money, one has to first form the concept of the money-form of value and this in turn will not be possible until one has the basic

form of value itself (27).

In order, then, to comprehend the money-form of value, it is first necessary to work back to the simplest expression of value per se, and that is the simple, isolated or accidental form of exchange of one commodity directly for another. Having identified the presence of the form of value in the simplest relation in which commodities take part, one is then partially equipped to carry out the more difficult operations of, for example, identifying the nature of the money-form. Bailey's critique of Ricardo hinges around the latter's failure to identify that value requires a form in which it is manifested or expressed. Ricardo, it may be remembered, unsuccessfully developed the theory of value in the direction of an invariable measure of value. Bailey's merit is in having shown that the function of money as the measure of value was independent of any consideration of the invariability of its own value. This question is a red-herring which, as we saw in Chapter Two, hindered the progress towards an accurate formulation of the problem of value. Bailey, however, does not himself contribute to a clarification of that problem, because as we have already seen, he criticises Ricardo for not only erroneously seeking an invariable measure of value, but for having transformed value itself from a relative to a positive and absolute phenomenon. For Bailey, the essential relativity of value is captured in money because via various quanta of money it is possible to say what value a particular commodity has relative to a quantity of some other commodity or to a quantity of money itself. In crude terms, money is not only the measure of the relative value of commodities, it is their relative values. Money, therefore, is the general manifestation of

the exchange-values of commodities. As Marx puts it in The Theories of Surplus Value, exchange-value 'manifests itself in a general form when it is expressed in the use-value of a third commodity, in which all other commodities likewise express their value' (28). This third commodity is the money-commodity. However, as we know, Bailey also considered the expression of exchange-value in the context of simple exchange and again he discovered that there was an expression of value involved. What Bailey fails to recognise is that there is a qualitative difference between the general and the particular expression of value which points in the direction of the fundamental problem of value itself.

The money-form of value is at one and the same time the most simple and most complex of relationships. It is a simple matter to recognise that money can express the values of any number of commodities. It is, however, a more difficult proposition to accept that the simple exchange of products contains an identical relationship, albeit in its most rudimentary form (24). As we have already seen, Bailey's account of exchange-value imported the relationship inherent in monetary exchange into that of the simplest exchange relationship. Bailey insists on the irreducibility of the most complex of relationships and is unable to detect or recognise that the phenomenon of money is but itself a more highly developed form of a simpler economic relationship. The monetary relationship presupposes more elementary factors which Bailey is unable to take account of. And what this ultimately represents is a failure to ask the question of what is the value-form an expression of? As Marx puts it, Bailey

even forgets the simple consideration that if y yards of

linen equal x lbs of straw this [implies] a parity between two unequal things - linen and straw - making them equal magnitudes. This existence of theirs as things that are equal must surely be different from their existence as straw and linen. It is not as straw and linen that they are equated, but as equivalents. The one side of the equation must, therefore, express the same value as the other. The value of straw and linen must, therefore, be neither straw nor linen, but something common to both and different from both commodities considered as straw and linen (30).

Ricardo had shown, particularly in his comments on Destutt de Tracy, that he was fully aware of the problem of commensuration and had reached it by concluding that commodities were commensurable because they were the products of labour and that their equivalence arose from their being the products of equivalent quantities of labour. Having reached this point, Ricardo is unable to progress further as his analysis becomes enmired in the problem of labour heterogeneity. Finding no suitable resolution, Ricardo attempts to revive the invariable measure of value, an effort which is ultimately futile.

Bailey's critique of Ricardo only holds good to the extent that the latter 'does not examine the form of value', a task which if Ricardo had carried it out successfully would have shown Bailey, not to mention his latter-day supporters:

that the relativity of the concept of value is by no means negated by the fact that all commodities in so far as they are exchange-values, are only relative expressions of social labour time and their relativity consists by no means solely of the ratio in which they exchange for one another, but of the ratio of all of them to this social labour which is their substance (31).

Ricardo's concept of labour-time does not fulfil its purpose because he does not explain, as Marx puts it in the footnote cited earlier, the form under which value becomes exchange-value, or to put it in a

way consistent with the explanation just given by Marx, how the product of private, individual, concrete labour manifests itself as the product of social labour, i.e., as the product of individuals working under the specific historical and social relations of private production and exchange. As we saw in the previous chapter, under such forms of social production, labour must take the form of value and labour-time, the form of the magnitude of that value:

The transformation of the labour of private individuals contained in the commodities into uniform social labour, consequently into labour which can be expressed in all use-value and can be exchanged for them, this qualitative aspect of the matter which is contained in the representation of exchange-value as money, is not elaborated by Ricardo. The circumstance - the necessity of presenting the labour contained in commodities as uniform social labour, i.e., as money - is overlooked by Ricardo (32).

In the first part of this citation, Marx repeats his usual criticism that Ricardo fails to properly address the qualitative problem of value. In the second part, however, Marx specifies unambiguously the concern which he has with Ricardo's way of approaching the problem. Correcting himself in the process, Marx explains that there is a necessity involved in presenting the labour which produces commodities as uniform social labour. Ricardo cannot ask this question because he does not see that there is a necessity involved, in addition to the assumption which he, and Smith before him, had made in respect of the homogeneity of labour. However, Marx goes further than this and argues from the standpoint of his own researches, that the transformation of individual into social labour is inherently connected to the phenomenon of money. How this is achieved is the central purpose of Marx's presentation of the development of the value-form.

As explained in the Introduction to this chapter, the third edition of Capital is the one used as the point of reference for the reception of Marx's theory of value in the English-speaking world. That edition, as we know, contains a detailed account of the value-form in Section Three of Chapter One, and as we also know, this has to be one of the least explored of the sections of that chapter in the literature of Marxist political economy. Doubtless, Meek's dismissal of it is an extreme form of the neglect which has been its fate. It is now intended that this neglect is amended by tracing the line of Marx's thought through the section with the ultimate objective of showing how the form of value is intimately connected with the two-fold nature of the commodity and the labour which produces it (33).

The section itself contains the briefest of introductions. The reader is not really given any sense of the importance of what is to follow, nor of the prior analytical processes which have taken place in order to produce what the reader is about to follow. The section opens with what can only be described as a conclusion:

The simplest value relation is evidently that of one commodity to some one other commodity of a different kind. Hence the relation between the values of two commodities supplies us with the simplest expression of the value of a single commodity ... The whole mystery of the form of value lies hidden in this elementary form. Its analysis, therefore, is our real difficulty (34).

Clearly, Marx was only able to arrive at this conclusion after earlier analysis, which has shown to him that the simplest expression of value is contained in the simplest exchange relationship. What we now see is a presentation of the conclusions of that analysis as Marx builds up

the elements of the value-form, linking in, in due course, the dual nature of the commodity form and the two-fold nature of commodity producing labour.

One of the most important of those conclusions is that of the asymmetrical structure of exchange. This is also one of the most difficult of Marx's ideas to grasp and it is therefore, at the risk of being digressive, useful to give it some preliminary consideration before considering the theory as a whole. It is useful to contrast it with the symmetrical theories of value typically based on utility.

Marx makes a distinction between the roles played by commodities in the exchange relation, such that the role played by a pint of milk in the exchange,

$$1 \text{ pint of milk} = 2 \text{ oz. of coffee,}$$

is different from that played by the coffee (35). To paraphrase Marx's explanation, the milk expresses its value in the coffee; the coffee serves as the material in which that value is expressed. He then goes on further to specify that the former plays an active role whilst the latter plays a passive role. It is clear from this that the two roles are inseparable. It would not be plausible to have a commodity which tries to express its value without there being something in which it can be expressed. One could probably go further and say that it would not be a commodity in the first instance because products become commodities by virtue of a specific set of social relationships. Marx then goes on to consider whether or not the equation works if identical commodities occupy each of the positions. Interestingly enough, he argues that this does not result in an

expression of value. Thus, for example, the term one pint of milk equals one pint of milk does not contain an expression of value. Since the commodities are identical there is no reduction to be made and correspondingly there is no resulting value. Indeed, in the context of the workings of a market economy, the situation would not arise because there is no need to regulate the production of a particular commodity on the basis of that commodity alone via exchange. The essence of market economy is the regulation of production by means of commodities.

This is where it may be appropriate to contrast the asymmetry of Marx's conception with the symmetry of utility theory. For the utility theorist, the choice as to which commodity to acquire is a subjective one. As we saw in chapter three, these subjective impulses are imported into the exchange equation in order to determine the proportions in which commodities are to exchange. It is the individual's indifference between two commodities which establishes their equality, so that the relationship between the two is indirect and only established via the tastes, wishes and wants of the desiring subject. From the latter's point of view, therefore, the exchange relation is one of symmetry since his indifference is expressed equally on both sides. It does not matter to the individual which commodity he takes since the proportions present represent for him equivalent quantities of utility. What appears on one side of the equation is mirrored exactly on the other side. Indeed, it would be possible to go further and suggest that there is no relationship between the commodities for the utility theorist because the acts of equating are the acts of the subject who imposes his 'values' on the

external world. At first sight, this explanation would seem complete. The individual's indifference to one commodity is reflected by his indifference to the other. But, as we saw earlier, Bailey's explanation of exchange-value in these terms has to effectively excise the individual out of the relationship, so that one must either explain value in terms of some property inherent in the items themselves, or explain it in terms of their relationship to one another. The first kind of explanation must be jettisoned since commodities as distinct physical objects are incommensurable with each other as such. The second, however, cannot operate with any success if it is intended that the commodities possess some inherent physical quality in common. An equation of linen to linen is not an expression of value. The relationship can only operate successfully if the commodities within it play different roles. The symmetrical concept of exchange requires the presence of two equal items, equal that is in terms of some prior determined quality, that is prior to exchange, and this, whatever else it is, cannot be described as value or as an expression of value.

The asymmetrical nature of exchange is apparent from the outset:

No doubt, the expression 20 yards of linen = 1 coat or 20 yards of linen are worth 1 coat, implies the opposite relation, 1 coat = 20 yards of linen, or 1 coat is worth 20 yards of linen. But in that case, I must reverse the equation, in order to express the value of the coat relatively; and, so soon as I do that, the linen becomes the equivalent instead of the coat (36).

The ability to reverse the order of the commodities would suggest symmetry. However, irrespective of the order in which the commodities appear, the roles which they play are determined by the structure of

the exchange-relation and not vice-versa. This would appear to be the substance of Marx's argument. The formulation twenty yards of linen equals one coat, or its substitutes, is an expression of value. Reversing the order of the commodities is another. They are not, however, expressions of the same values (37). They are rather expressions of two values. The plural expression is important, as Marx himself goes on to explain in Section III, Sub-section A2(a) (38).

In Sub-sections A2 and A3, Marx explains how the exchange-relation is composed of two elements; the relative-value form and the equivalent value-form, with a sub-section devoted to each respectively. In Sub-section A4, these two elements are combined in preparation for the further elaboration of the whole value-form in Sub-sections B-D.

In each expression of value, only the value of one commodity is expressed. Thus in the formulation twenty yards of linen are equal to one coat, the value of the linen is expressed in relation to the coat. Hence, the position occupied by the linen is termed by Marx as the relative value-form (39). Consequently, the coat occupies the position of equivalent form. Switching the commodities around only results in their occupying of the alternate roles; it does not reverse the structure of exchange itself which is a combination of both relative and equivalent forms of value.

There are two points to consider in connection with the relative form of value. The first is that in relating itself to the coat as an equivalent, the linen demonstrates that both itself and the coat are merely quanta of abstract labour:

It is the expression of equivalence between different sorts of commodities that alone brings into relief the specific character of value-creating labour, and this it does by actually reducing the different varieties of labour embodied in the different kinds of commodities to their common quality of human labour in the abstract (40).

The expression of equivalence itself demonstrates that the commodities have been reduced to abstract labour and in that state, and that state alone, are they commensurable and therefore capable of being equivalents for each other. This, however, is insufficient by itself. As Marx goes on to explain: 'Human labour-power in motion, or human labour, creates value, but is not itself value' (41). The second point therefore is that labour only becomes value once it has been established within an object. As Marx puts it, once it has 'congealed'. Thenceforth:

In order to express the value of the linen as a congelation of human labour, that value must be expressed as having objective existence, as being a something materially different from the linen itself, and yet a something common to the linen and all other commodities (42).

This 'something' is an equivalent form of value. The commodity which occupies the position of equivalent is something which is materially different from the commodity which occupies the position of relative form of value, but which is common to all other commodities insofar as they likewise occupy the position of relative form of value. To return to our formulation, the coat, occupying the position of equivalent 'officiates', as Marx puts it, as the 'form of value' (43). In the position of equivalent form of value, the coat is the form of value of the linen. By equating itself to the coat, the linen acquires a material representation of its value. In summary, Marx

explains:

By means, therefore, of the value-relation expressed in our equation, the bodily form of commodity B becomes the value-form of commodity A, or the body of commodity B acts as a mirror to the value of commodity A. By putting itself in relation with commodity B, as value in propria persona, as the matter of which human labour is made up, the commodity A converts the value in use, B, into the substance in which to express its, A's own value. The value of A, thus expressed in the use-value of B, has taken the form of relative-value (44).

The structure of exchange therefore confers inherently different roles on commodities dependent upon which side of the relationship they appear. If they appear on the left side, as the conventional notation is expressed, they occupy the position of relative value-form and in which their value is expressed by being represented by a quantity of the commodity which occupies the position of equivalent value-form.

This brings us now to a problem which has already been alluded to. By saying that the value of a commodity is only expressed in its relationships with other commodities can Marx be interpreted as suggesting a 'relativist' explanation of value, and one which he roundly condemned when advanced by Bailey? In Sub-section A2(b) Marx responds directly by considering the effects in turn of changes to the labour-time required to produce one commodity, then the other, then changes (in the same direction) in both, and finally unrelated changes in either direction. What is clear from each of these examples is that changes in the relative value, as expressed by being related to an equivalent are determined by changes to the quanta of labour required to produce one, the other or both. Thus, it may be possible for the relative value of A to rise or fall as a result of changes in the time taken to produce B. This occurrence, however, contains a

temptation, to which Broadhurst amongst others, as Marx points out, succumb (45).

But what of the equivalent form of value? Marx considers the characteristics of its nature in Sub-section A3.

The first characteristic quality of the equivalent form of value is that the use value of the commodity which occupies that position becomes the form in which value is manifested. A single commodity cannot manifest its own value. Consequently, it must express it in its relationships with other commodities. The latter then become mere manifestations of the value of the former. In other words, in occupying the position of equivalent value-form, a commodity ceases to be simply a use-value for itself but becomes the material in which the value of the relative value-form is expressed. Marx employs an analogy to explain how this occurs in actuality.

The exchange-relation, he argues, can be compared with the act of weighing, an act familiar from common experience. Just in the same way that objects possess weight, commodities are values. In the act of weighing, the object to be weighed is placed on a weighing apparatus onto which objects representing weight are placed. The weight of the object being weighed can then be seen to be 'manifested' in the weighing objects. Their physical construction represents weight per se in the same way that the use-value of the equivalent value-form represents value and can be exchanged as such for quantities of other commodities. It is, however, as Marx himself points out, important not to carry this analogy too far since the properties evidenced in weighing are a product of nature; value

conversely is a product of society. This has not, it might be said, stopped political economists from attempting to derive value from nature. Indeed, the very nature of the equivalent-form itself encourages just such an interpretation (46).

If the first peculiar quality of the equivalent form of value is that use-value represents value, the second is that concrete labour comes to represent abstract labour. This point has been little understood. The relationship between abstract and concrete labour has often been explained by referring to the former as a general component of the latter (47). This in itself, however, is an insufficient expression of the complexity of this relationship because, as Marx says, it is perfectly natural to consider the general properties of labour in some circumstances, but in the expression of value we are faced with a difficulty:

For instance, how is the fact to be expressed that weaving creates the value of the linen, not by virtue of being weaving, as such, but by reason of its general property of being human labour?

The value of a commodity is not revealed in its own substance, nor can we say alternatively that linen is value because it has been woven. We cannot, however, say either that the linen is value because it is the product of abstract labour. That linen is a value produced by abstract labour is only expressed 'by opposing to weaving that other particular form of concrete labour (in this instance tailoring), which produces the equivalent of the product of weaving' (48). It is only in this way that the value of the linen demonstrates itself to be the product of abstract labour. The linen cannot perform this function

for itself.

In its role as producer of an equivalent labour, of whatever specific form, is the incarnation of abstract labour. As such, it is identical with any other labour, yet it is still the product of private individuals. This leads to the third peculiarity of the equivalent value-form, and that is, that the private labour of the individuals who produce the equivalent becomes the incarnation of social labour.

We thus have three peculiarities or characteristics of the equivalent value-form: use-value becomes the form of value; concrete labour becomes the form of abstract labour, and private labour becomes the form of social labour.

In Section 3, subsection A(4), Marx draws together his analysis of the two component elements of the exchange-relation, the relative and equivalent forms of value respectively, and makes the following important summary observation:

Our analysis has shown, that the form or expression of the value of a commodity originates in the nature of value, and not that value and its magnitude originate in the mode of their expression as exchange-value (49).

From a correct analysis of value, one can unravel the problem of exchange-value. Attempting to operate in reverse simply leads to incomprehension (50). This is nowhere more manifest than in the explanation of value offered by Samuel Bailey whereby the task of uncovering the nature of exchange-value is little more than a vicious circle of unresolved problems. The fact of their unresolved state is attributable to Bailey's failure to overthrow the simplistic conception of value in his own mind which, it may be recalled, arose

from his lack of any conception of the problems of equivalence and commensuration (51).

Once this relationship is disclosed, it becomes possible to identify the meaning of a number of Marx's related ideas. One of the most readily repeated, but also one of the most obscure if not interpreted in the correct manner, is his characterisation of the relationship between use-value and exchange-value as one of contrast and, in some contexts, one of contradiction. The nature of the commodity is a duality comprising both use-value and value. In fact this can be understood theoretically in the context of a single commodity. By itself, it may be examined and be found to possess useful qualities. However, if it is known that it is an object which is to be exchanged, it can also, at least theoretically, be conceived to be an exchange-value, or to possess value. But this characteristic is not realised or established in isolation. The full disclosure of the nature of the commodity is only achieved via the exchange-structure of relative and equivalent forms of value as it is only here that for the first time the inherent nature of the commodity as both use-value and value is expressed:

The opposition or contrast existing internally in each commodity between use-value and value is, therefore, made evident externally by two commodities being placed in such relation to each other, that the commodity whose value it is sought to express, figures directly as a mere use-value, while the commodity in which that value is to be expressed, figures directly as mere exchange-value (52).

The structure of exchange is an enlarged representation of the latent contrast within the simple commodity and becomes visibly expressed. On the one hand, the relative form of value only exhibits use-value.

The equivalent form, on the other hand, represents value.

However, as a concept of the value-form, it is not exhaustive. One of the characteristics of the equivalent value-form is that in representing the value of the commodity occupying the position of relative-value form, it simultaneously represents that commodity's equality with all other commodities. However, at the stage of the elementary form of value, this full expressive equality is not yet realised. This is because the commodity in the position of relative-value form is only equated to a single equivalent. It is, therefore, not yet possible to conceive of the commodity as a true value, because its qualitative equality with all commodities has not yet been fully demonstrated. The practical expression of universal equality is, however, a simple extension of the limited expression contained within the elementary form of value. Marx designates this extension a 'more complete form' (53) which he then calls the 'Total or Expanded Form of Value' (54).

All that is involved in this new form is that instead of a single expression of the value of the commodity which occupies the position of relative value-form, it obtains expression in quantities of every commodity for which it can be exchanged (55).

As with the Elementary form of value, Marx analyses the Total or Expanded Form of the exchange-relation in terms of the relative and equivalent value-forms.

As the value of the commodity which occupies the position of the relative-value form is expressed in terms of the use-values of every

other commodity with which it exchanges, value is shown to be nothing but a 'congelation of undifferentiated human labour' (56). In adopting any number of value-expressions its own labour is shown to be equal to all other kinds of labour. For the first time the value of commodities is practically demonstrated to be a social phenomenon:

The linen, by virtue of the form of its value, now stands in a social relation, no longer with only one other kind of commodity, but with the whole world of commodities. As a commodity, it is a citizen of that world (57).

Moreover, that world is not random in its operations but, as Marx repeatedly suggests, subject to law-like processes. The accidental appearance of the simple or elementary form of value in which the quantities in which commodities exchange could be taken to be random gives way to the lawful processes of value. As Marx characteristically expresses it, in the expanded form of value, 'we perceive at once the background that determines, and is essentially different from, this accidental appearance' (58). In the very fact that the value of a single commodity can be expressed in any other type of commodity, Marx can conclude that it is not exchange which regulates the proportions in which commodities exchange, but rather their value magnitudes as determined by quantities of labour. This must be the case, as each commodity has become the equivalent of every other, a fact which could not occur or be established by accident. Their proportions therefore must be the product of a single cause which is value as determined by labour and labour-time.

The same transformation further develops the equivalent form of value to a more complete stage. In the simple form, the role imposed upon the commodity which occupies the position of equivalent form of value

is as the material representation of value. This cannot be directly comprehended in instances of one to one comparison, but in the expanded form of value, it is irrelevant what kind of commodity occupies the position of equivalent because they all equally represent the value of the commodity occupying the position of the relative-form. From this it can also be seen that the labour which produces the equivalent commodity is merely the form in which abstract labour is realised. Outside the exchange-relation, the labour which produces equivalents retains its character as concrete labour. However, to the extent that a specific concrete labour produces a commodity which is successfully exchanged in the market, as an equivalent within exchange, the labour which produced it is simply the form in which abstract labour is realised. Each concrete labour, insofar as it produces equivalents, is therefore a form of realisation of abstract labour (59).

The expanded form, however, is itself an incomplete form of value despite the characteristics which it possess over and above the elementary form. And again, the limitations are exhibited on both sides of the exchange-relation and represent inadequacies in the expression of value.

The first limitation of the expanded relative form of value consists in the fact that its value expression is never complete. Every new commodity which is produced represents a new potential expression of value. However, unless it is related to that commodity in a specific exchange, the expression of value in the relative form will only be a partial expression and to the extent that it is incomplete, value is

not exhaustively realised. Further to this, the generation of new value expressions means that there is never a unified expression of value which encompasses 'value' per se. In addition, the relative value of each commodity will not be expressed as a quantity of value, but simply as an extended series of commodity quantities.

The fragmentation and disunity of the relative value form is mirrored in the expanded equivalent form of value. In the exchange-relation, the equivalent form of value is by turn first this commodity, and then the next, and so on until theoretically the list is exhausted. Each expression of value excludes each other. The role of equivalent is not the privilege of a single commodity. This limitation also restricts the manifestation of abstract labour. In the expanded form of value each individual equivalent-producing concrete labour is a form of realisation of abstract labour. The commodity in relative form relates its value to each equivalent as a particular realisation of abstract labour. Therefore, just as there are innumerable equivalents, there are innumerable forms of realisation of abstract labour.

This inadequacy of expression compels another development of form. As Marx explains, the expanded relative-form of value is nothing but the sum of the equations of the elementary form. Thus, a particular quantity of a certain commodity is by turns equivalent to first a quantity of some other commodity, and the next and so forth. Correspondingly, therefore;

when a person exchanges his linen for many other commodities, and thus expresses its value in a series of other commodities, it necessarily follows, that the various owners of the latter exchange them for the linen, and consequently

express the value of their various commodities in one and the same third commodity (60).

This transformation is a key one in Marx's explanation of the development of the value-form. In the first instance, he invokes for the first time the possibility of there being human agents involved in the process. Hitherto, the explanation offered has been given in terms of the impersonal mechanics of exchange. In the transformation which supercedes the expanded form, the agents behind the exchange-relation are considered in relation to the structure of exchange itself. However, that is not to say that Marx departs from his objective conception of exchange. All that he would appear to be suggesting is that the transformation itself is suggested by and in fact carried out by the practical business of exchange. Thus, just as the individual commodity producer relates his commodity to every other offered in the market as equivalents of his own, those other commodity producers in turn relate their own commodities to that single commodity as to the equivalent of their own.

Superficially, all that has happened is the reversal of the expanded form of value. But since the structure of exchange consists of the asymmetrical polarities of relative and equivalent forms of value, the respective roles played by the commodities has been reversed. Consequently each relative form of value now shares a single equivalent form with every other. What they have in common Marx terms the General form of value.

Despite possessing a number of similarities, the General form of value is qualitatively different from both the Elementary and Expanded forms. It is still an elementary form to the extent that the value of

a commodity is expressed in the physical body of another commodity. It is, however, a General form in the sense that all commodities now express their value in the same physical commodity. Where the General form departs most markedly from either the Elementary or the Expanded forms is in its complete separation of value from use-value.

Earlier, reference was made to the characteristic of the exchange-structure which necessitated a separation of use-value and value. This structural requirement is fulfilled by the Equivalent and Expanded forms of value where in each case the values of commodities are expressed as something different from their own physical composition. This is performed, however, only in an individual and accidental manner. Each commodity, as Marx puts it, must find for itself either a single equivalent value-form or a series of such equivalents. In this respect, those equivalents play a passive role within the structure of exchange. The General form, however, introduces a new social dimension into the relationship:

The general form of value, ... results from the joint action of the whole world of commodities, and from that alone. A commodity can acquire a general expression of its value only by all other commodities, simultaneous with it, expressing their value in the same equivalent; and every new commodity must follow suit. It thus becomes evident that, since the existence of commodities as values is purely social, this social existence can be expressed by the totality of their social relations alone, and consequently that the form of their value must be a socially recognised form (61).

Reference has already been made to the way in which the General form brings the analysis closer to the immediately perceptible social world. But this is not the only qualitative departure from the previous lesser value-forms. The General form of value distinguishes

the value of commodities not only from their own use-values (the condition required even by the Elementary form of value) but from use-values generally. The importance of this completely independent expression of value lies in the fact that value does not appear as common to all commodities until such an expression is formed. It is not, to put it another way, until the General form of value is reached that value is practically demonstrated to be both common to all commodities and independent of any specific commodity.

The General form, however, is itself merely the basis for a higher form of value - the Universal form of value. The General relative form of value converts a single commodity into a Universal equivalent and thereby invests the world of commodities with an independent and exclusive expression of value (62). The Universal equivalent form, however, is most decisive in its application to the nature of abstract labour. The conceptual difficulty of abstract labour is that it appears to possess no sui generis form of existence. In the Universal equivalent form of value, however, the role adopted by the commodity placed in that position has a precise bearing on the form of existence of abstract labour. Supposing this commodity to be linen:

The substance linen becomes the visible incarnation, the social chrysalis state of every kind of human labour. Weaving, which is the labour of certain private individuals producing a particular article, linen, acquires in consequence a social character, the character of equality with all other kinds of labour. The innumerable equations of which the general form of value is composed equate in turn the labour embodied in the linen to that embodied in every other commodity, and they thus convert weaving into the general form of manifestation of undifferentiated human labour (63).

The linen, by becoming the Universal equivalent, adopts a role

prescribed for it by the nature of the society (64). By being equal in value to all other commodities whose value can be related to it, the Universal equivalent represents abstract labour in essence. Thus, although the Universal form may be the product of a specific kind of labour, the role defined for it by commodity-producing society is that of form of realisation of abstract labour.

It is not difficult to see where Marx has led the analysis. The progressive social exclusion of the Universal equivalent is the immediate precondition of the Money form of value. In the Money form, a single commodity is accorded the exclusive role as Universal equivalent. It may even be a consequence of that appointment that its own useful character becomes irrelevant in the context of its higher role. Its final character is to represent exchangeability per se.

Smith, it may be recalled, ascribed exchangeability direct to every commodity. Every commodity was thus therefore money. We have now seen that the simple commodity only contains the potential to be money within specific confines. Once this position is monopolised by a specific commodity, the remaining commodities only possess exchangeability in a mediated form. Not possessing the direct form of exchangeability it is brought to them in the Money-form where a single commodity with which they can all exchange represents 'Smith's power of exchanging'.

NOTES TO CHAPTER FOUR

1. Meek, 1973, 173. Whilst Meek's claim would be supportable if the value-form was present within his overall account, its absence would suggest that the analysis dismissed did contain matters of importance. That analysis is gone through in detail below to establish the role played by the value-form within the completed theory of value.
2. Cf. Rubin, 1972, Ch.12. This is, however, not to say that this earlier exposition, together with others such as the Grundrisse, do not possess their own merit as providers of illumination in relation to the later work. In these earlier works, we see Marx refining the concepts of his political economy through a constant theoretical dialogue with his predecessors and contemporaries in the field.
3. This, of course, is a position which must now be reviewed in the light of the translations of sections of the first German edition of Capital made available in 1976 under the title 'Values: Studies by Karl Marx'. It is perhaps noteworthy that with a very few rare exceptions, these translations have largely gone unnoticed.
4. It is also significant to note that Marx alludes in places to the role of the subjective in the exchange-relation, and particularly in a manner which is reproduced in a number of utility-theories. However, what is of even further significance is that in giving room to this subjective element, Marx demonstrates in precise terms why subjectivity of itself provides no satisfactory explanation of exchange whilst simultaneously recognising its

existence and place within the human activity that constitutes the exchange-relation.

5. A number of attempts have been made at providing just such a comprehensive account, about each of which it is possible to have reservations, most notably De Brunhoff, 1973.
6. Marx, 1977, 84-5.
7. 'As regards value in general, it is the weak point of the classical school of Political Economy that it nowhere, expressly and with full consciousness, distinguishes between labour, as it appears in the value of a product and the same labour, as it appears in the use-value of that product. Of course, the distinction is practically made, since this school treats labour at one time under its quantitative aspect, at another under its qualitative aspect. But it has not the least idea that when the difference between various kinds of labour is treated as purely quantitative, their qualitative unity or equality, and therefore their reduction to abstract human labour, is implied'. Marx, 1977, 84n.
8. Ibid., 85.
9. He goes further: 'Even Adam Smith and Ricardo treat the form of value as a thing of no importance, as having no connection with the inherent nature of commodities'. Loc Cit.
10. Loc Cit.
11. Loc Cit.

12. Loc Cit. A failure to understand the value-form by means of analysis is fundamental in its consequences. It obscures the real relations of the market social form of production. In the final section of this chapter, examination will be made of the relationship between the value-form and money. It is, however, worth mentioning in advance of that examination that the further analysis of the value-form leads from money to capital as developments of the value-form.
13. Rubin carefully preserves the integrity of the labour theory of without making this substitution by drawing out the several different senses in which value is both a 'form', in the sense of being a form of 'something', and being itself something which has forms or further developments. In our account of Marx's theory, we are concerned with both aspects, with value as a form of social labour and the value-form, or exchange-value as the 'form of value'. It is the second aspect which is very often overlooked in accounts of the value theory so that the problem of value is reduced simply to a specification of content or substance without regard to their form.
14. Elson, 1979, 163.
15. Marx, 1977, 90.
16. According to Engels, Marx's method 'is indeed nothing other than the historical method, only stripped of its historical form and of disturbing accidental occurrences. The point where this history begins must also be the starting point of the train of thought,

and its further progress will be simply the reflection, in abstract and theoretically consistent form, of the course of history. Though the reflection is corrected, it is corrected in accordance with laws provided by the actual course of history, since each factor can be examined at the stage of development where it reaches its full maturity, its classical 'form'. Engels. Cited in Rosdolsky, 1977, 115.

17. Loc Cit.

18. I mean by this the analysis and categorisation of events together with their interpretation and do not intend any judgement as to whether this is appropriate and, if so, whether any particular mode of historical analysis ought to be preferred to any other.

19. Meikle, 1985, 77. The essentialism described by Meikle is to be distinguished at every point from its philosophical opposite: atomism. In the twentieth century, atomist philosophies of science, and particularly philosophies of social science, have traded at a premium to the wholesale detriment of essentialism. In the social sciences, atomism is characterised by an individualist methodology which explains social phenomena by reference to the actions, motives and objectives of more or less ahistorical individuals.

20. Marx, 1977, 54. This conception encapsulates a feature of Marx's methodology which distinguishes it from its atomist opponents. For the economist operating with an atomist ontology as it is applied to the problem of value, there can be no question of there being two dimensions to the commodity. Empirically, there are

only objects which in various ways interact with subjects who for one reason or another, to be determined by an analysis of those individual motives, dispose of those objects in specified ways. It is not possible for them, however, to see in those motives any other overriding concern or force operating to compel those individuals to behave in the way that they do. Correspondingly, on the objective side, it is impossible for them to conceive that the fact of exchange imposes a characteristic on the product which possesses a quality unlike any of its other characteristics as a product. The fact that those qualities of the product as a use-value are not identified as a form precludes the possibility of identifying any other characteristic as a form.

21. Loc Cit.

22. As we shall see in the next chapter on the quantitative value problem, in many respects, Marx's account of the labour theory of value will stand or fall in the satisfactory solution of this problem.

23. Marx, 1977, 54. It is noteworthy that before he has even begun to embark on anything like an analysis of the problem just described, he has already identified that exchange-value is to be distinguished from value. In other schools of thought these categories are invariably treated as interchangeable, resulting in value-theory that is little more than a vicious circle of unresolvable problems in which premises are preceded by conclusions and vice versa, with the ultimate result that value theory appears as an ad hoc arrangement of thought without any

sustainable structure or coherence.

24. The meaning of the term expression will be dealt with more systematically in the following two sections of this chapter.
25. Bailey's single insight into the problem of value consisted in his account of exchange-value. As Marx explains it, Bailey supplies, albeit in a limited form, the other side of the problem which was ignored by Smith and Ricardo. Value only appears in the relationship of one commodity to another. This, however, is the limit to Bailey's understanding:

This is how matters appear directly. And Bailey clings to this. The most superficial form of exchange-value, that is the quantitative relationship in which commodities exchange with one another, constitutes, according to Bailey, their value. The advance from the surface to the core of the problem is not permitted. Marx, 1975, 139.

The core of the problem, as we saw in the previous chapter, is that of commensuration and equivalence. If we say that so much of a particular commodity is equal to a specified quantity of another, we must then identify in respect of what they are equal to each other.

26. Marx, 1977, 54. Marx is here employing a certain element of hindsight in that he knows where his analysis wants to take him and he can therefore posit certain objectives before they have been theoretically achieved. However, this conception also includes an important characteristic of the essentialist philosophical foundations of Marx's thought. As Meikle explains,

Our knowledge of what a thing is is completable only when we are acquainted with the thing in its fully developed form, or very close to (its realised nature). Such knowledge is possible only when we are able to observe the fully developed item; and such observation is possible only when the fully developed item exists or has come-to-be. Meikle, 1985, 80.

27. Those tasks are enumerated by Marx in the following sentences:

' ... in clearly comprehending the universal equivalent form, and as a necessary corollary, the general form of value ... The latter is deductible from ... the expanded form of value, the essential component element of which ... is ... 20 yards of linen = 1 coat or x commodity A = y commodity B. Marx, 1977, 75.

There is a very important question here which is not within the scope of the present enquiry and which will not be answered here. It is not altogether clear whether in the passage just cited Marx is illustrating the path of investigation and analysis, or whether he is presenting us with the results of analysis in a way which suggests that the actual method of analysis follows another path.

28. Marx, 1975, 139.

29. As has already been indicated, one of the most difficult aspects of Marx's account of exchange is of what are we speaking when we use the term 'form'? Value as a form of something, or value as something which itself takes a form?

30. Ibid, 139-40.

31. Marx, 1968, 172.

32. Marx, 1975, 131.

33. Over the last few years there has been an increasing number of

commentators on Marx who, whilst regarding the theory of the value-form as Marx's quintessential contribution to the development of critical economic thought, still identify a residual 'embodied labour' theory in Capital which they regard as incompatible with the line of development taken by the theory of the value-form. Cf. Chapter Five and Hanlon and Eldred, 1981. One of the purposes of the concluding part of this section, and the following, is to show how the theory of the value-form complements Marx's theory of value, thus dispelling as myth the notion of a residual labour-embodied theory of value.

34. Marx, 1977, 54-5.

35. Hitherto, the presentation has spoken of types of relationships. One of Marx's key ideas is that objects are capable of taking on new functions, over and above those which are derived from their physical properties. These new functions are a result of the object occupying a specific position in relationship to other objects, in this instance in occupying a particular position within the exchange-relation. In this sense, although the relationship is expressed through the objects, it is itself independent of those objects. This view radically differs from other accounts of exchange which perceive nothing other than the objects themselves.

36. Ibid, 56.

37. By this is meant nothing more than that the two expressions contain expressions of two 'quanta' of value. They may very

possibly be of the same magnitude, but they are not the same value.

38. Without recognition of the plural, analysis must revert to an earlier unsatisfactory way of thinking:

In order to discover how the elementary expression of the value of a commodity lies hidden in the value-relation of two commodities, we must, in the first place, consider the latter entirely apart from its quantitative aspect. The usual mode of procedure is generally the reverse, and in the value-relation nothing is seen but the proportion between definite quantities of two different sorts of commodities that are considered equal to each other. It is apt to be forgotten that the magnitudes of different things can be compared quantitatively, only when those magnitudes are expressed in terms of the same unit. Ibid, 56.

39. Marx's use of the term 'relative' is potentially misleading in that it could be taken to mean that value itself is relative. However, as we shall see, the relative expression of value does nothing to diminish its 'absolute' nature.

40. Ibid, 57.

41. Loc Cit.

42. Ibid, 57-8.

43. Loc Cit.

44. Ibid, 59.

45. 'This incongruity between the magnitude of value and its relative expression has, with customary ingenuity, been exploited by vulgar economists. For example - "Once admit that A falls, because B,

with which it is exchanged, rises, while no less labour is bestowed in the meantime on A, and your general principle of value falls to the ground ..." (J. Broadhurst: 'Political Economy', London, 1842, pp. 11 and 14). Mr. Broadhurst might just as well say: consider the fractions $10/20$, $10/50$, $10/100$ etc., the number 10 remains unchanged, and yet its proportional magnitude, its magnitude relatively to the numbers 20, 50, 100 etc., continually diminishes. Therefore the great principle that the magnitude of a whole number, such as 10, is "regulated" by the number of times unity is contained in it, falls to the ground'. Ibid, 61.

46. As we have already seen, this explanation of exchange-value is favoured by the utility theorists, who argue that the exchange-value of an object is proportionate to its utility (total or marginal). As Marx points out, the relative form of value betrays an underlying social relationship within exchange which is obscured within the equivalent form of value. It is precisely because the equivalent-form of value is a representation of value by use-value that the relationship is made to appear devoid of a social origin.

47. The most recent exponent of this view is Elson. Cf. Chapter Five.

48. Ibid, 64.

49. Ibid, 66.

50. There are two prevalent manifestations of this delusion. Mercantilism, which in its crudest form states that money is value, stresses what Marx calls the qualitative dimension, i.e.,

the equivalent form of value and then, not least, in its fullest development as money. Alternatively, the theoretical antithesis of mercantilism, free-trade, denies the qualitative problem and focuses on the quantitative, in which event the problem of explaining value is synonymous with the problem of price.

51. This is perhaps best exemplified by the following passage, quoted by Marx, in which Bailey becomes hopelessly confused:

The value of any commodity denoting its relation in exchange, we may speak of it as ... corn-value, cloth-value, according to the commodity with which it is compared; and hence there are a thousand different kinds of value, as many kinds of value as there are commodities in existence, and all are equally real and equally nominal. Bailey, 1825, cited in Marx, 1977, 68n.

As Marx points out, Bailey reiterates the point already made by Marx himself that the commodity which stands in the position of equivalent represents, in its own physical existence, the value of the commodity which occupies the position of the relative form of value. It becomes the form of value. To the extent therefore that the value of a particular commodity can be represented by the use-values of diverse commodities, then all commodities represent something which is common to them all, and it is precisely this which Bailey fails to understand.

52. Ibid, 67.

53. Loc Cit.

54. Ibid, 68.

55. It is true that by means of the elementary form, the value of a

commodity A becomes expressed in terms of one, and only one, other commodity. But that one may be a commodity of any kind, coal, iron, corn, or anything else. Therefore, accordingly as A is placed in relation with one or the other, we get for one and the same commodity, different elementary expressions of value. Ibid, 67-8.

56. Loc Cit.

57. Ibid, 68-9.

58. Ibid, 69.

59. The question of the precise nature of the relationship between concrete and abstract labour and the claim that the former, under certain circumstances, is the form in which the latter is realised, has been answered in a number of ways. In simplistic accounts of Marx's contribution to the development of the labour theory of value, abstract labour is often conceived as an inherent property of concrete labour. Consequently, so the argument is put, the performance of concrete labour entails the performance of abstract labour. This 'physiological' conception is discussed at length by Rubin and need not concern us here. But the relationship is an important one, without which even a basic understanding of Marx's contribution is impossible. The question is discussed in Chapter Five below.

60. Ibid, 70.

61. Ibid, 71.

62. By the very nature of the world of commodities, more than one universal equivalent can only exist as a temporary state of affairs.

63. Ibid, 72.

64. This account of the role of the Universal equivalent can be contrasted with the money-fables of the early political economists and philosophers. In these accounts the development of money (a universal equivalent) is ascribed to convention and convenience. But these explanations are flawed to the extent that they cannot produce an account of how the commodity so selected for the role can itself be an equivalent. The highest expression of this view is found in Ricardo and the attempt to define the properties of an invariable measure of value. The Universal form of value, by contrast, can ultimately be traced back into the Elementary form of value where it originates in the distinction between the relative and equivalent forms of value. As Marx goes on to explain, the Universal equivalent cannot itself assume the relative form of value since it would be necessary to express its own value in a quantity of the same product. The invariable measure of value, interestingly enough, pursued the argument that a single commodity could express both its own and the value of every other commodity simultaneously simply by embodying the characteristics of all commodities. The very nature of the commodity world precludes this possibility and resolves the problem practically by singling out a Universal equivalent.

CHAPTER FIVE

THE MEASURE AND MAGNITUDE OF VALUE

I. Introduction

The purpose of this chapter is to explain how Marx addresses the problem, which common-sense would say is the problem of value-theory, that is, to explain the process of value-magnitude determination and its measurement.

In his treatment of these issues, Sweezy drew a distinction between the qualitative value-problem and the quantitative value-problem. The former has been addressed in the previous two chapters. The present chapter begins with an examination of those comments made by Marx which address what Sweezy defined as the quantitative value-problem.

Before beginning, however, it is necessary to qualify Sweezy's distinction, because for reasons which will become apparent, it is believed that this bifurcation of the value-problem has, whilst doubtlessly illuminating some pertinent problems, obscured many others. This chapter offers the opinion that much of the argument made in support of the claim that the labour theory of value is redundant rests on a misconception of the nature and purpose of value-theory and a misconception of what such a theory can explain and how it does so. But nevertheless every value-theory, irrespective of theoretical background, has possessed an irreducible quantitative characteristic in the sense that somewhere in its purpose there lies a request for a solution to the question of how exchange-ratios are determined. This may or may not be part of a wider set of problems and solutions. Hitherto, this question has been posed in the context

of other questions as to the nature and regulation of economies in which the products of their producers take the form of commodities which are exchanged on the market. There is a continuous thread within political economy, stretching from its early Classical forms to its modern practitioners which has sought to deny the pertinence of these wider questions and their solutions to the formation of a solution to the quantitative problem. The aim of the present chapter is not only to show that these solutions are mutually supportive but are indivisible.

Of the various accounts of the labour theory of value given in recent years, many have been written perhaps conscious of the argument put forward by Bohm-Bawerk nearly a century ago, that Marx's explanation of exchange-ratio determination inevitably involves him in a circular argument (1). With the exception of a small number of political economists, amongst others I. I. Rubin and R. Rosdolsky, virtually all sympathetic accounts of the labour theory of value accept the substance of Bohm-Bawerk's critique and subsequently act upon the implicit challenge it contains; to define a means of calculating exchange-ratios in terms of labour-times, without invoking exchange as the mechanism by which individual, concrete and private labours are made homogeneous for the purpose of comparison. If the assumptions of Bohm-Bawerk's critique are accepted, then the conclusion that Marx employs a circular argument is inevitable. And with abstract labour redefined as physiological labour and the problem of skilled-labour given over to algebra, Marx's solution to Sweezy's qualitative value-problem is sacrificed on the altar, not of quantitative consistency, which is a perfectly legitimate aspiration, but that of the

explanatory priority of quantity over quality which seems to accompany precisely those assumptions. Recent commentaries have discovered that such quantitative criteria tend to underestimate, and in some cases altogether ignore, the problem, which according to Marx eluded Ricardo, that is, the problem of explaining why the products of labour take the form of value, and why the magnitude of the latter is determined by quantities of labour-time. Paradoxically, however, the same commentators who express their aim (2) as one of recovering Marx's qualitative analysis from the ravages wrought upon it by years of dubious interpretation, inverted the relationship between quantity and quality, and subsequently fail to explain the explanatory role of Marx's concept of labour-time. Clearly, a theory which explains how commodities exchange by reference to quantities of labour time is going to have a difficult job justifying its claim to be a serious contender if its key concept is embarrassingly made redundant (3). In more consistent accounts of the sympathetic position, labour-time is self-consciously excised altogether or compressed into price, but not without some question-begging sotto voce comments about the origin and function of money, which, as shall be shown later, do not stand up to scrutiny.

The aim, therefore, is to show that, contrary to current opinion, Marx's major works of political economy contain an account of the independent theoretical value of the concept of labour-time as a measure of value, which is both intelligible and coherent. Should this exercise turn out to be successful, one of the implications of success would be to show that the division between a quantitative and a qualitative value-problem, though useful in identifying problems, is

a false one, resulting in, amongst other things, agreement between loyalists of both aspects of the problem as to the redundancy of Marx's concept of labour-time. In the second part of this chapter, therefore, there is an examination of Marx's explanation of the magnitude of value, emphasising the role played by labour-time and arguing, as a consequence, for its independent explanatory role. The third, fourth and fifth parts examine a number of interpretations of Marx's thinking on the problem of value as if they were, which they sometimes are, responses to the charge of circularity. Contributions made by advocates of both the quantitative and the qualitative approaches to the problems of value theory are examined and show that far from representing intractable opposites in their respective defences of the labour theory of value, they logically converge in its collapse. The sixth and final part draws on and attempts to extend the work of I. I. Rubin, whose valuable contribution has successfully dispelled the aura of mathematical exactitude with which the labour theory of value has been encumbered. The impossibility of making such calculations, far from being a defect of the theory, in fact derives from the very nature of commodity production itself. And if this argument is taken to its logical conclusion one must then inevitably reject arguments made against the labour theory of value which are based on the claim that it cannot produce a coherent quantitative account of exchange-ratio determination.

II. Labour-time

From Petty onwards, the labour theory of value has been beset by the problem of heterogeneous labour. Typical of its philosophical

environment, the Classical account of the theory took its point of departure from the assumption of equality and introduced anomalous conditions such as differences in levels of skill at successively later stages of analysis; these conditions being dealt with more in the nature of exceptions to the rule rather than as instances covered by it. Hence the pragmatic and unsatisfactory reference to the 'higgling and bargaining of the market' which we find in Smith, and which is endorsed by Ricardo. With Marx, conversely, it can be demonstrated that the problem of differences in the level of skill between one kind of labour and another is to be dealt with in the context of the more general problem of labour heterogeneity itself. As we saw in the third chapter, the problem of equality between heterogeneous labours is synonymous with the problem of how the totality of individual, private labours are articulated into a social economy, viz., the problem of how society regulates its productive activities in the absence of direct social regulation. And there we saw that the equivalence of commodities in exchange established a corresponding relationship of equivalence between the different kinds of labour which produced them. The quality of equality is the social characteristic of labour in an economy founded on the private production and exchange of commodities. Therefore, regardless of how different society requires its productive activities to be, insofar as they produce exchange equivalents, they all possess the social character of equality. As expenditures of equal labour, Marx calls the labour which produces commodities and appears as value, abstract labour. Where Smith and Ricardo erred was in failing to explain the specific nature of this value-creating labour. In assuming the

equality of labour from the outset, they mistakenly treated such equality as a supra-historical datum rather than as an essentially historical property of a particular form of social production, that is, one founded on private production.

Following his definition of value-producing labour as abstract labour, in Section One, Chapter One of Capital, Marx proceeds to explain how the value-magnitude of each commodity is determined, and immediately draws a distinction between what shall be called here, following Marx's usage elsewhere, individual labour-time and social labour-time:

Some people might think that if the value of a commodity is determined by the quantity of labour spent on it, the more idle and unskilful the labourer, the more valuable would his commodity be, because more time would be required in its production. The labour, however, that forms the substance of value is homogeneous human labour, expenditure of one uniform labour-power (4).

Interpreters of this passage generally draw the distinction between the labour-time which it takes for a particular individual or enterprise within a particular industry to produce one unit of that industry's commodity, and the labour-time taken to produce one on average for that industry as a whole. This average is then equated with what Marx subsequently defines as the labour-time socially necessary for the production of a unit of that industry's output (5). This, however, appears to ignore an important distinction. He does not equate socially necessary labour-time with the labour-time required on average within a particular industry. As an interpretation of Marx's explanation it fails to take account of the sentences which appear between his mockery of outraged entrepreneurial common-sense and the introduction of the concept of socially necessary

labour-time. In the passage just cited, Marx makes a more important distinction which has received little recognition, that is, the distinction between individual labour-time and social labour-time.

Individual labour-time can, and is measured in units of natural time. It is the time taken to perform some concretely specified activity, resulting in some particular use-value, e.g., weaving cloth. However it makes very little difference to the nature of the units of time if it is the weaving time taken by an individual to produce, say, ten metres of cloth, or whether it is the weaving time taken on average to produce ten metres of cloth within the industry as a whole, the labour-time which measures the duration of weaving is a specific concrete labour-time, measured in units of natural time. Therefore, just as it is impossible to find some inherent means of comparing different kinds of labour-expenditure, one hour of weaving, that is, one hour of natural time, cannot be assumed to be equal to one hour of any other kind of concrete productive activity, measured similarly in units of natural time for the purposes of valuing its products. This kind of time, consequently, belonging as it does to concretely-specified, individuated activities, cannot be the means by which value, and its substance, abstract labour, are measured. This is because they are homogeneous where concrete labours and their temporal durations are not. It is precisely this point which Marx makes in the passage cited earlier. In so far as commodities are regarded solely as values, they are the products of abstract labour, the homogeneous, undifferentiated expenditure of one uniform labour-power.

Each kind of commodity differs, only to the extent that as a value it represents a greater or smaller expenditure of uniform labour-power.

And, since value is the specific form of existence of social labour in commodity-producing economies, each kind of commodity represents a quantum or aliquot part of the expenditure of social labour. Theoretically, therefore, the output of each branch is simply a multiple of the quantity of social labour required to produce one unit of its particular commodity. The resulting value is a quantity of social labour-time. If the total value of all the commodities produced in an economy in one year could be given a precise magnitude, we would see at once that each branch of production would, through the value of its output, represent an aliquot part of the total expenditure of social labour for that year. Each branch would account for a part of the available labour-power, and one labour-power, insofar as it produces value, would differ from no other labour-power because they would, as the producers of value, be the 'expenditure of labour without regard to its mode of expenditure'. This is what is taken to be Marx's meaning when he explains that the 'total labour-power of society',

which is embodied in the sum total of the values of all commodities produced by that society, counts ... as one homogeneous mass of human labour-power, composed though it may be of innumerable individual units. Each of these units is the same as any other, so far as it has the character of the average labour-power of society, and takes effect as such (6).

This passage is important because it contains one of the characteristics of Marx's theory of value which is not shared by others before or since. Its concept of value is that of an undifferentiated 'substance'. There is only one value corresponding to a particular conception of labour. Value produced by iron-smelting

cannot be distinguished from value produced by furniture-making. There is no further reduction to be made as there would be for Ricardo, for example, where value is heterogeneous because its creation and measurement is by direct reference to a specific kind of labour of a certain duration. Does this mean then that the relationship between labour-time and value is indeterminate?

Marx answers this question in a way which has generated much controversy and been subject to a number of attacks, particularly from Bohm-Bawerk. What he says is that in the form of value society's productive capacities appear 'as one homogeneous mass of human labour-power'. In particular, he uses the expression 'counts' and it is this which Marx's critics have found unpalatable. Clearly, the use of such a word invites the charge that words are being used to deny that something is not what it really is, or in other words, that definitions can be conveniently overlooked. However, Marx is not using, or indeed misusing, the definitions of words. He is stating what is a property of a particular state of affairs. The particular labour which produced a portion of value is undetectable in the value itself. This is a statement of a particular aspect of the nature of value and not a mere definition.

Many of the critiques of the labour theory of value have argued that its veracity depends upon the possibility of determining magnitudes of value by direct empirical measurement of labour expenditure. The responses made to this form of criticism have attempted to show that Marx did not claim to be able to determine value-magnitudes by direct empirical measurement. However, what has been claimed is that the

value of any particular commodity is an average of all the labour-times taken to produce that commodity within the branch of social production responsible for it. Here again, however, is the assumption of empirical measurement, admittedly at one remove, since now it is an average for an industry that is sought and not a direct measurement of labour-expenditure as though that was simultaneously a measurement of value. It is the opinion of the present work that neither of these conceptions forms part of Marx's account of the labour theory of value. As was seen in the third chapter, Marx's account is based on a concept of labour as social labour. In the next section the quantitative aspect of this idea is examined with the purpose of showing what concept of time Marx employs in his use of labour-time as the measure of value.

III Social Labour and Labour-Time

What underlies the concept of social labour is the closely connected idea of simple-labour as the expenditure of labour-power which is of the average quality for each society in its different phases of development. Such labour-power is the basic productive resource of any society. En masse, it constitutes the substance of social labour. Therefore the expenditure of social labour is the expenditure of the socially and historically relative average quality of labour-power available to that society for its productive activities. In commodity-producing economies, however, labour is not expended directly as social labour, but privately, as the labour of a particular producer within the division of labour. Consequently, the quantitative dimension of social labour only asserts itself per medium

of the value-relations of commodities as a relation of equivalents. The labour-time which counts in the determination of the value of each individual commodity, therefore, is that which corresponds to the expenditure of simple-labour, that is, the labour performed by average labour-power.

Marx's concept of socially necessary labour-time is evaluated, if that is the right expression, in units of social labour-time, that is, labour-time which measures the expenditure of simple labour by average labour-power. This is what Marx means when he explains that labour which is accounted for in the production of value is labour performed by the average labour-power of society. And then, in a very important idea, where the labour performed does not coincide with the average labour-power, its value-producing capability is limited so that it 'takes effect as such'. What this means is that, although individuals and enterprises, both within and between different branches of the division of labour, produce under different conditions, resulting in their own individual labour-times for the production of their particular commodity, in the market, the value of their commodities will correspond to that quantity of labour-time which is socially-necessary for their production and corresponds to the expenditure of a quantity of average labour-power. Socially necessary labour-time, which represents a quantity of social and hence simple labour, establishes a uniform value for each commodity, and by representing uniform, homogeneous labour makes all commodities commensurable and hence capable of being exchanged as equivalents:

We see then that that which determines the magnitude of the value of any article is the amount of labour socially necessary, or the labour-time socially necessary for its

production. Each individual commodity, in this connection is to be regarded as an average sample of its class. Commodities, therefore, in which equal quantities of labour are embodied, or which can be produced in the same time, have the same value. The value of one commodity is to the value of any other, as the labour-time necessary for the production of the one is to that necessary for the production of the other (7).

By implication, this idea could be extended with an illustration. For example, imagine within a particular branch of the social division of labour that there are two producers; one whose labour-power conforms to the social average and one whose labour-power is of a more developed quality. From the point of view of the individual producers, the second will probably take less time to produce a unit of his commodity than the first, assuming all other things are equal. However, in the market they will obtain exactly the same for their respective commodities. Obviously the second producer will be at an advantage because even though his commodity takes less time to produce, it will exchange for exactly the same amount of value as the product of the first producer. In every instance, each commodity represents an average sample of its class, regardless of how many hours it takes to produce it on an individual basis.

At this point, Marx himself refers to his earlier work of 1859 where he employs this same conception. In this work we find the following passage which would appear to summarise the whole of that argument:

The labour-time expressed in exchange-value is the labour of an individual, but of an individual in no way different from the next individual and from all other individuals in so far as they perform equal labour ... It is the labour-time of an individual, his labour-time, but only as labour-time common to all; consequently it is quite immaterial whose individual labour-time this is (8).

Commodities exchanged as equivalents are embodiments of universal labour-time of equal magnitude. Thus, despite the variety of productive activities specified concretely within the division of labour, in the exchange of commodities, the labour of the individual takes effect as labour in no way different from the labour of any other individual, 'that is to say, if the individual's labour-time represents universal labour-time or if universal labour-time represents individual labour-time.' The relationship between the qualitative and quantitative value-problems is emphasised when Marx explains that the commodity only represents a 'social magnitude' when as a product of social labour, and of a definite quantity of social labour, it represents a 'universal magnitude', a quantity of the same uniform substance (9).

This conception heralds a significant departure from the Classical political economists. There the conventional concept of time was applied to different activities, but was found to be untenable without major qualification. What is interesting to note is that the concept of time employed by Smith and Ricardo was itself an abstraction. What they were unable to conceive was labour itself as an abstraction. For them, labour was the root of an ordered world and rationality, for its part, would dictate that to depart from that tangible test would engender disorder. Marx argues in a directly contrary direction, the abstraction of labour not only does take place, but does so as a matter of necessity and routine in order for the society to function. Social-(or universal-)labour time is analogous to conventional time - with one important distinction. Universal labour-time possesses ontological properties which are

distinct from that of natural or conventional time. Universal labour-time corresponds to a specific form of regulation of social production. Its properties cannot be divorced from that form of social production or its typical modes of functioning. Value can only function as a regulator of social production to the extent that labour assumes the form of social labour by means of abstraction and labour-time assumes the form of universal labour-time.

So far we have examined the distinction between individual labour-time and social, or, as Marx sometimes puts it, universal labour-time. Having established what kind of time social labour is measure in, we can now turn to examine what Marx meant by the term 'socially necessary', which hitherto has only been mentioned in passing.

In the course of drawing the distinction between individual and social labour-time, it is also necessary to recognise that the labour-time taken to produce a particular commodity on average is an average of individual labour-times within a particular industry and is therefore calculated in terms of hours of a specified form of concrete labour. If we examine the following passage from Capital, it appears that such averages are regarded by Marx as synonymous with his concept of socially-necessary labour-time: 'The labour-time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time' (10). This passage has been taken to imply that socially necessary labour-time is measured in hours, days, etc. of the concrete labour performed in each industry. That being the case, Marx's explanation, it would seem, falls foul of the issue which obstructed Smith and Ricardo; that of explaining how differences in

skill and intensity can be accounted for in the labour theory of value without courting the possibility of serious inconsistency. Although in the market, it is possible to think of one kind of labour being the equivalent of another, in production, commodities are produced under different conditions which involve differences in both the average level of skill and average intensities between industries. This has caused problems for a number of interpretations. Thus, Gerstein, for example, treats such differences as problems to be resolved in abstraction from the qualitative problem of concrete and abstract labour: 'The reduction of concrete labour to abstract labour in the market is prior to the problems involved in the determination of socially necessary labour-time and in the reduction of skilled to simple labour' (11). The implications of such a view will be discussed in the next section where we examine R. L. Meek's solution to the supposed problem of skilled and unskilled labour. The main point to establish here is that as an account of Marx's explanation of the magnitude of value, the view put forward by Gerstein and others is based on a misunderstanding, which to a degree Marx has fostered with his decision to introduce the concept of socially-necessary labour-time in the way that he did.

We cannot, of course, speculate as to the reasons why Marx did not provide a fuller account of his concept of socially-necessary labour-time. It is true to say, however, that his failure to do so has introduced a number of trains of thought which are tangential to the direction of Marx's own thought and consequently which have engendered much largely irrelevant controversy.

It is difficult to believe that Marx, who was conscious of the difficulties which skilled labour posed for both Smith and Ricardo, should have so short-sightedly fallen foul of the same problem. This is not to suggest that Marx was above such clumsy mistakes, but that given that he discussed the problem so widely in his own work, it would be difficult to support an argument that he was indeed guilty of such a misdemeanour. The implication of the view held by Gerstein, for example, is that the theory of abstract labour is more of the nature of an assumption of labour-homogeneity, made perhaps to account for commodity-commensurability, but which has no bearing in the context of the quantitative value-problem. It can be contended that this view is insupportable. It can be shown that the theory of abstract labour does play a crucial role in explaining value-magnitudes which is to be disclosed in the category of socially necessary labour-time. After all, the whole problem of defining the substance of value is one of defining a property of commodities by virtue of which different commodities can be thought of as greater or lesser quantities of such a property, and therefore by which they can be comparable. To then claim that the theory of abstract labour has no bearing on the determination of value-magnitudes would seem to contradict the very purpose for which it was developed. What then was Marx's position? Did he renege on the theory of abstract labour in his explanation of value-magnitudes by arguing that socially-necessary labour-time is calculated in hours of concrete labour-time? It would be difficult to draw this conclusion. In the example which he offers to illustrate the concept of socially necessary labour-time, Marx identifies the concept as magnitude with social labour as substance:

The introduction of power-looms into England probably reduced by one half the labour required to weave a given quantity of yarn into cloth. The hand-loom weaver, as a matter of fact, continued to require the same time as before; but for all that, the product of one hour of their labour represented after the change only half an hour's social labour, and consequently fell to one-half its former value (12).

In this example, the change in the value of cloth is not explained as a change in the average labour-time, calculated in hours of weaving, taken to produce a given quantity of cloth, but as a change in the quantity of social labour, i.e., homogeneous, abstract labour required to produce it. Socially necessary labour-time is calculated in units of simple labour, the individual unit of which is average labour-power. Therefore, average labour-times calculated in terms of hours of a specific concrete labour play no role in Marx's explanation of the magnitude of value. There is therefore no intermediate stage at which time the individual labours of a particular branch of social production are converted into branch averages. Gerstein's problematic therefore does not exist. Individual labour-times are translated into hours of social labour, without first being translated into average labour-times for each industry.

The pertinence of the theory of the two-fold nature of commodity-producing labour to the problem of value-magnitude determination is revealed in this passage from the Grundrisse:

The labour of individuals in the same branch of work, and the various kinds of work, are different from one another not only quantitatively but also qualitatively. What does a solely quantitative difference between things presuppose? The identity of their qualities. Hence, the quantitative measure of labours presupposes the equivalence, the identity of their quality (13).

Not only are the labours of individuals in different branches of work different from each other, but so are those within the same branch. Before their respective products can be quantitatively compared they must be rendered commensurable. Therefore their quantitative dimension is inseparable from their qualitative congruence.

In the above passage, Marx stresses that there is no 'averaging' of labour-times within each branch of production to determine socially necessary labour-times for each kind of commodity; and consequently, there is no residual problem of accounting for differences of skill outside the manner in which concrete, private labours are translated into abstract, social labour.

So prevalent in the literature of Marxism is the view that the existence of a variety of levels of skill associated with different productive activities poses a problem for the labour-theory of value as an explanation of the magnitude of value, that the way in which Marx accounts for them is often ignored. The existence of different levels of skill is regarded as prima facie evidence of the existence of fundamentally heterogeneous labour. In the Critique, Marx himself responds to this in the following way: 'This kind of labour [i.e. skilled labour] resolves itself into simple labour; it is simple labour raised to a higher power, so that for example one day of skilled labour may equal three days of simple labour' (14). The specific laws governing this reduction, he says, are not pertinent to the problem in hand:

It is, however, clear that the reduction is made, for, as exchange-value, the product of highly skilled labour is equivalent, in definite proportions, to the product of simple average labour; thus being equated to a certain amount of

this simple labour(15).

As Rubin puts it: 'the transformation of qualified labour to simple labour is only one part of a larger process of transformation of concrete labour into abstract' (16).

The equation of commodities as equivalents in exchange is simultaneously an equalisation of the different kinds of labour which produced them. Even if there were no differences in the level of skill between one kind of labour and another, and indeed between two different expenditures of the same kind of labour, the problem of equalisation would still exist because of the differences in concrete characteristics which naturally exist between one kind of productive activity and another. Differences in the level of skill brought to the performance of a specific task do exist, but because they belong to the specification of labour in its concrete variety, they are abstracted from in exactly the same manner as any other qualitative property in the translation of private into social labour. The abstraction from differences in skill takes place in exactly the same way in which the multitude of individual, private activities are unconsciously welded together into a unified reproducible social economy and is an intrinsic element of the whole process:

Experience shows that this reduction is constantly being made. A commodity may be the product of the most skilled labour, but its value, by equating it to the product of simple unskilled labour, represents a definite quantity of the latter labour alone. The different proportions in which different sorts of labour are reduced to unskilled labour as their standard are established by a social process that goes on behind the backs of the producers, and consequently appears to be fixed by custom (17).

As values, commodities are compared against one another as the

products of simple labour, the expenditure of average labour-power, which, in turn is the basic component of social labour. In the example of an exchange of a product of skilled labour for that of unskilled labour, the proportions in which they exchange can be discerned explicitly to correspond to equal quantities of unskilled labour. This is because the commodity to which the product of skilled labour is equated or made equivalent to in exchange, is itself the direct product of unskilled or simple labour, labour which corresponds to the expenditure of social labour (18). In exchange, the proportions in which commodities exchange correspond to equal quantities of social labour. It is as if they were produced by simple labour which counts in the determination of their value-magnitudes, and at the same time it is the act of equalisation which establishes this uniformity. Commodity-exchange as exchange of equivalents is simultaneously the equalisation of heterogeneous expenditures of labour (19). In Marx's account of the labour-theory of value, the problem much discussed in the literature, viz., that of skilled and unskilled labour, therefore does not exist. Exchange itself, according to Marx, establishes the ratios in which one kind of labour, irrespective of its level of skill, can be exchanged for any other by 'reducing' them to the expenditure of average unskilled or simple labour, and this of course is synonymous with Marx's explanation of how private labour becomes social labour.

This explanation of how labour-homogeneity is established is the target aimed at by many of Marx's most trenchant critics. Discussing the skilled-labour problem in terms of what he thinks is its insuperability, Bohm-Bawerk declares: 'Here we stumble against the

very natural but for the Marxian theory the very compromising circumstance that the standard of reduction is determined solely by the actual exchange relations themselves'. Consequently, concludes the critic, 'Marx is arguing in a complete circle' (20). Marx's explanation, it would seem, is a victim of its own simplicity, and clearly, if the role played by exchange in establishing equality between different kinds of labour of varying skill is in doubt, then the theory of the two-fold nature of commodity-producing labour is in doubt also and this, as Marx claims in a letter to Engels, he considers to be his greatest discovery (21). Therefore, what in fact appears as a technical issue expands very rapidly to question the very validity of the labour theory of value itself which, of course, is Bohm-Bawerk's intention.

Bohm-Bawerk's claim is that Marx's explanation violates the sense of the labour theory of value, in that, in making exchange-relations the means by which commodities are made commensurable as the products of social labour, Marx inverts the direction of determination between production and exchange; the determined becomes the determinator and vice-versa. In fact, if we examine Bohm-Bawerk's argument carefully labour-times, he would argue, are excised out of Marx's account altogether, leaving exchange relations to self-determination or to some convenient alternative such as utility.

The problem, in Bohm-Bawerk's words, is this:

But in what proportions skilled is to be translated into terms of simple labour in the valuation of their products is not determined, nor can it be determined a priori by any property inherent in the skilled labour itself, but it is the actual result alone which decides the actual exchange

relations (22).

On the basis of this passage, Bohm-Bawerk's argument, as it generally understood, is this; for the labour-theory of value to be offered as an explanation of exchange-ratios, the principle by which one labour is made commensurable with another must be stated without reference to exchange. Claiming that no such a priori principle exists the labour theory of value, he concludes, is invalid. As stated by Bohm-Bawerk, the claim is undoubtedly true, but in his account of Marx he omits to explain how the labour theory of value accounts for the magnitude of value.

IV. Bohm-Bawerk's Critique Of Marx

Bohm-Bawerk's claim that there is no principle by which one kind of labour can be rendered commensurable with any other has been taken by many defenders of the labour theory of value to contain an implicit challenge, namely, to find one. The main response to this challenge has taken the form of a redefinition of many of Marx's concepts, to render them consistent with what Elson calls the 'arithmo-morphic' understanding of the labour theory of value favoured by orthodox economists, an understanding which they share with Bohm-Bawerk, and quite naturally his conclusion (23). One such attempt was made by R. L. Meek, who went so far as to declare that his purpose was to show orthodox economists how the labour theory of value was an example of 'good science' (24). An examination of his treatment of Marx's theory of value is instructive.

In 1973, Meek published a second edition of his major book Studies in

the Labour Theory of Value with a new introduction in which he repudiated many of the things which he had argued in 1955 at the time of the first edition. One reservation in particular stands out: 'I would now be rather more critical of certain aspects of Marx's treatment of the quantitative side of the value-problem'. In particular, he goes on to explain: 'His treatment of the skilled-unskilled labour problem, although suggestive enough, is rather fragmentary and incomplete, and there seems little doubt that he under-estimated the importance of the problem' (25). He does not explain how he thinks Marx should have approached the problem, unfortunately, so we do not really know just precisely what it was about Marx's approach, or at least Meek's understanding of it, which deserved reservation. On reading Meek's explanation of how he thinks Marx deals with the problem, and his interpretation of the theory of the two-fold nature of commodity-producing labour, the source of Meek's discomfort becomes particularly apparent; it lies in his own interpretation of Marx's concepts. It is not very difficult to show that Meek's interpretation is at odds with Marx's own explanations, a demonstration made in various ways by Pilling (26) and Elson (27), and which shall not be repeated here. What is interesting is to explain the motivation behind Meek's interpretation, a motivation which it would be possible to suggest has a great deal to do with Bohm-Bawerk's implicit challenge to explain value-determination without reference to exchange.

Meek is clearly uncomfortable about a number of Marx's formulations. It might not be too presumptuous to suggest that one source of his evident discomfiture is the simple, perhaps embarrassingly simple,

nature of Marx's explanation of how labour-homogeneity is established. The final section of this chapter will show that such embarrassment is unfounded, arguing that the simplicity of Marx's explanation is its virtue and not the embarrassing failing which it is often presented as. In that section it will also be suggested why Bohm-Bawerk's criticism has been widely accepted, an acceptance which I think is also unjustified.

It should be the aspiration of anybody who wishes to address a difficult problem not to be caught out with something as superficial as a circular argument. The mere suggestion, then, that one is guilty of making such a clumsy error creates cause for concern. This, perhaps, is what happened in Meek's case. But his concern to appear consistent in one direction undermines his case in another.

In the first edition of the Studies he adopts what Rubin calls the physiological conception of abstract labour, i.e., 'productive activity as such, from which all the differences between the various kinds of activity have been abstracted' (28). What such a conception entails is that it allows him to conceive of homogeneous labour prior to exchange, in production. Individuals, quite simply, perform abstract labour. In a passage reminiscent of Rubin's explanation, he accounts for abstract labour by suggesting that in 'a commodity-producing society ... the social character of each producer's labour manifests itself in the fact that his labour 'ranks on an equality with that of all others' - i.e., is reduced to abstract labour' (29). But the comparison with Rubin is superficial because Meek then goes on to make the concept of abstract labour opaque by explaining that 'this "averaging process" takes place in history before it takes place in

the minds of economists'. It is simply an aspect of that general historical process whereby, as the system of commodity-production develops, each individual's labour is reduced to abstract labour.

Meek identifies abstract labour clearly with commodity-production, but any explanation of how this 'reduction' is made is conspicuous by its absence; he leaves us only with 'history' and a questionable generalisation. Nowhere does he explain why labour tends to become homogeneous with the development of commodity-exchange, and the explanation for this omission has to be simply that in terms of productive activities alone, Meek was wrong and that labour does not become more homogeneous with the development of commodity-production. In fact, the very reverse. As the diversity of products grows, the division of labour expands and labour, consequently, is expended in an ever-increasing diversity of forms. Productive activities do not become more homogeneous, according to Marx, as commodity-production develops, but despite the increasing heterogeneity of labour consequent upon such a development, each expenditure of labour is made equivalent with any other through the equivalence of commodities, i.e., through exchange. Meek shrinks away from this conclusion and, defining abstract labour solely in terms of production, which is what he understands Marx to do, he is led into another problem; the skilled-unskilled labour problem.

The historical tendency towards uniformity of labour-expenditures has to take account of the fact that the kind of labour required in one industry may have to possess a degree of skill higher than that in another. If Marx's theory is to 'explain differences (or changes) in

the relative equilibrium prices of two or more different commodities', suggests Meek, it 'has to be recognised that the "average degree of skill" prevalent in one industry at a given time may differ from that prevalent in another; and that the equilibrium prices of commodities produced by relatively skilled labour are generally higher, in relation to the number of hours of labour-time expended in their production, than those of commodities produced by relatively unskilled labour'(30). Here he identifies value with a quantity of concrete labour-time, the labour-time expended within each industry calculated as so many hours of weaving, cuckoo-clock making, etc. The problem of labour-heterogeneity is thus reintroduced, and has to be explained away; a procedure which is both unsatisfactory and, from the point of view of our assessment of Meek's handling of Marx's concepts, quite superficial. This is particularly revealed in the construction he puts on the explanation which he attributes to Marx. Quoting the passage from Capital which invited Bohm-Bawerk's charge of circularity, Meek explains that Marx's intention was 'to demonstrate that the reduction of skilled to unskilled labour does in fact take place in the real world, and that this reduction is essentially an aspect of the general process whereby individuals' labours are reduced to abstract labour' (31). Taken by itself this passage would appear to accord with the interpretation of Marx given in the last section, but taken with Meek's account of abstract labour, we see at once that the reduction of skilled to simple labour does not take place per medium of exchange, but by a process of gradual 'de-skilling', a process synonymous with the tendency towards the homogenisation of labour which takes place, according to Meek, in the general course of the development of commodity-production. Such an unrealistic

proposition is damaging without further elaboration, but in his final consideration, the category of abstract labour disappears altogether. Citing the passage in which Marx explains that the reduction of skilled to simple labour takes place via 'a social process that goes on behind the backs of the producers', Meek proceeds to explain that:

All that he says is that in the real world the proportions in which different kinds of skilled labour are reduced to unskilled labour are established by a social process of whose character the producers themselves are generally unaware - which is surely a fairly evident fact. The question of the actual laws according to which the reduction is made is left over until later, the most appropriate point to introduce it being, in Marx's opinion, that at which the question of wages, or the value of labour-power, comes up for consideration (32).

He concludes by advocating the explanation of the greater value-creating power of skilled labour, proffered by writers such as Hilferding, Bauer and Sweezy before him, and more recently by Rowthorn (33): namely by taking into account the labour required to train labour to a skilled level, which they claim not only results in a labour-power of a higher value, but labour of a higher value-creating capacity. Consequently, they argue, it should be possible to calculate how many hours of simple labour are equivalent to one hour of skilled labour by calculating how much simple labour is required to train labour-power of above average quality and skill. The problem with this explanation is that skilled labour is trained by other skilled labour, which was in turn trained by other skilled labour, and so on. How does one calculate the higher value-creating power of skilled labour by taking into account the historic cost of producing it? (34) The fact is that such an operation is impossible, and at this point we finally get around to the crux of the matter.

Labour of a higher skill than average unskilled labour is labour which is normally paid higher than the average. Skilled and unskilled labour can be compared via the wages paid to each, allowing the calculation of ratios of skilled to unskilled labour-times proportionate to their respective hourly rates of pay. In this way, skilled labour can be compensated for its higher value-creating capacity by exchanging its commodities in ratios corresponding to the difference between the hourly rate paid to it and the hourly rate paid to labour of unskilled producers. Here, Meek appears to have formulated the laws governing the reduction of skilled to unskilled labour, which he sets out to discover at the beginning of his second chapter on Marx. It is, however, interesting to note that in that statement of intent he makes the following qualification: 'And these laws, naturally, must explain the reduction without reference either to the wages which the skilled and unskilled workers actually receive, or to the ratios at which their products actually exchange on the market' (35). Having examined Marx's concept of abstract labour and his treatment of the skilled-unskilled labour-problem, Meek has to confess that he cannot see any satisfactory solution to the problem of labour-heterogeneity other than via the introduction of the category of the wage, a solution which Marx denounced in a footnote in Capital, and the letter of which Meek upheld in his initial definition of the problem of value to which his chapter is addressed. Having worked through Marx's categories, he is compelled to admit that in terms of his own interpretation, Marx's account and explanation of the categories of the labour theory of value is contradictory; but introducing the wage into the picture is, according to Meek, we must

conclude, the lesser of two evils, the alternative being the charge of circularity (36) which immediately follows any reference to exchange-relations. Thus Meek capitulates to an explanation of the value of commodities which Marx repeatedly denounced as tautologous, that is, of explaining values by values.

The source of Meek's discomfort is not difficult to identify. Attempting to avoid the charge of circularity, a perfectly rational desire, he declines to examine the nature of exchange, wrongly assuming that any reference to it entails potentially embarrassing exposure to a charge of inconsistency. But attempting to define the uniform substance of value in production equally results in circularity when it has to take account of the different levels of skill which exist between one kind of labour and another. The inability to specify some quantifiable, uniform substance of value in production can leave Meek with only one conclusion; that labour is not the substance of value and labour-time is not its measure. In a telling footnote in the first edition of the Studies, Meek toys with the idea of explaining exchange-ratios in a way which allows for some adjustment, to compensate skilled labour for its greater value-creating capability, by the market a la Smith and Ricardo (37). In an essay appended to the second edition, he fulfils the implication of this thought and completely rejects Marx's, or at least what he takes to be Marx's, quantitative value-analysis, arguing that it should be replaced by the customary demand and supply apparatus of orthodox economics.

However, he does not reject Marx's theory of value altogether.

Despite its quantitative failings, he suggests, any new explanation of economic magnitudes of an empirical nature could be supplemented by a model of the social relations of commodity-production of the like contained in the qualitative side of Marx's explanation of value (38). In the final section it shall be shown that the criterion of empirical measurement is a false one in the context of any theory of value, not because such a criterion is in itself wrong, but because in the very nature of commodity-producing economies, it is irrelevant. However, the irrelevancy of empirical measurement should not be taken as an argument for the irrelevancy of labour-time as a measure of value. This is the argument which we shall now examine, an argument which has a very strong presence in contemporary accounts of the labour theory of value.

V. A Non-Empirical Concept of Labour-Time

Recent accounts of the labour theory of value have emphasised that the kind of interpretation of Marx favoured by Meek, and others such as M. Dobb, and to a degree P. Sweezy, is based on a methodological paradigm alien to Marx in that it subordinates the qualitative to the quantitative, resulting in a greater degree of identification between the Classical theory and that of Marx than can be supported or is desirable (39). Thus what the Meek type explanation underestimated was the importance in Marx's theory of the particular social form of labour. Consequently, the recent literature has paid closer attention to Marx's definition of abstract labour, and especially the summary explanation given in Section Four of Chapter One of Capital. However, the position adopted by this body of literature is itself not without

problems. One of its explicit objectives has been to reinstate the qualitative aspect of Marx's theory which it is suggested has suffered subordination to the prevalent quantitative interpretations of the labour theory of value both within and outside Marxist thought. One notable example offered from within Marxism of such an account is that given by Mohun and Himmelweit. A brief examination will bring a number of problems to light.

It is a characteristic of commodity-producing societies, argue Mohun and Himmelweit, that 'in addition to the aspect of labour which produces use-values, there is another aspect of labour which produces use-values as commodities, this is abstract labour' (40). Only when labour produces commodities is it to be thought of as abstract. As abstract labour, they argue, labour produces value: 'Marx's "value" is the product of abstract labour' (41). Up to this point there is little to distinguish between their explanation and that proffered by Meek. Where they differ is in their respective explanations of the means by which different productive activities are rendered homogeneous: 'the reduction of labour to abstract labour is something that can only be done by the market' (42). Passing over for the moment the problem of explaining how value is simultaneously the product of abstract labour and yet is the means by which labour is rendered homogeneous, their account of exchange-relations is elaborated further in the following manner:

Exchange-value is the proportion in which commodities exchange for one another in the market. Commodities are bought and sold for money, and the quantity of money for which they exchange is called their price. Given a theory of money, the determination of exchange-value is immediately the determination of price, and therefore any theory of one is automatically a theory of the other (43).

Their aim is to show how Marx explains exchange-ratios in terms of abstract labour, but since 'there can be no a priori determination of abstract labour ... until commodities are actually exchanged on the market' (44), this leaves a residual quantitative problem still to be resolved. If abstract labour cannot be explained prior to exchange, how can exchange-ratios be said to be determined by quantities of abstract labour? If abstract labour does not exist in direct production, in the manner favoured by Meek and Dobb, it must exist prior to exchange. Sensing that this conclusion is perhaps a little too close to the circular argument abjured by Bohm-Bawerk, they immediately qualify the conclusion by saying that 'the value realised in exchange (exchange-value) is the form of appearance of that labour, and only that labour, which is socially necessary to the production of the commodity in question' (45). If value is realised in exchange as exchange-value, and exchange-value is, as they argued a moment ago, price, then what is to stop us from concluding that value is price? And since prices are expressed in money, why go to the trouble of formulating a theory of labour-time at all? (46). This is precisely the conclusion they reach:

There is no manifestation of value in terms of its substance abstract labour, nor of its measure, socially necessary labour-time. The only form in which value appears, and the only way it can appear, is in terms of the money-commodity (gold, for example) and its quantitative measure (47).

In the Mohun and Himmelweit account of the labour theory of value, the concepts abstract labour and socially necessary labour-time are created by definition and without reference to their essential conditions. Having failed to supply support for their independent

explanatory value, they conclude frustratedly; 'Abstract labour is a real activity, a social reality' (48). Anything which is real can be explained, and in being explained, becomes itself part of a wider explanation of something else; a descriptive term like 'social' can not be allowed to pass for explanation. To say abstract labour is social is a truism. What is required is an explanation of value and its essential conditions. And this in turn requires, as was argued in Chapter Three, a particular conception of how the social organism is maintained. The charge that labour-times are redundant rests on an assumption which, for reasons which shall be explained in the next part of this chapter, is of dubious merit, viz., the requirements made of any theory of value that it provides a means of empirical measurement, in short, that it provides a direct account of the proportions in which commodities should exchange. The logic of Mohun and Himmelweit's argument, however, does not lead to a rejection of this requirement, and consequently fails to provide any argument in support of the maintenance of the concepts labour-time, abstract labour and value beyond those of the formal definition kind. Consequently, they fail to adequately respond to the charge of redundancy, a failure which is partly the responsibility of their failing to challenge the empirical measure requirement.

Elson, arguing that such a requirement is alien to the intention of Marx's theory of value, rises to the challenge set by the charge of redundancy by arguing that although authors such as Mohun and Himmelweit are correct to argue that price is the form of value, the form through which the substance and measure of value is expressed, their failure to provide any argument supporting their definition of

value occurs because they do not adequately answer the question of 'why labour takes the form it does' when it produces commodities. Elson's contribution is important in this respect because it sets out to argue on behalf of the explanatory role of an independent value-category. As can be shown, however, her argument possesses an irremedial flaw in the separation of the operations of commensuration and measure.

With the exception of a footnote in Capital in which he refers to a passage from the 1859 work in which he discusses the labour-money ideas of John Gray, Marx did not explicitly explain why values are not directly measurable (49). This implication however, argues Elson, is in fact carried by his whole theory of value. The difficulty with the labour-money proposal, as Marx saw it, was that it assumed that labour was universal and hence social from the outset, without of course recognising that such an assumption cannot apply to systems of commodity-production where productive activities in such social forms are conducted privately. As Marx points out in a passage cited also by Elson: 'The point of departure is not the labour of individuals considered as social labour, but on the contrary the particular kinds of labour of private individuals' (50). As we shall see, however, this does not stop her from denying this basic precondition in the context of another related problem, that of the 'location' of abstract labour. But for the moment we will concentrate on her conclusion. If labour is expended privately in the production of commodities, she argues, 'the labour-time that can be directly measured in capitalist economies in terms of hours quite independent of price is the particular labour-time of particular individuals: labour-time in its

private and concrete aspect' (51). Labour-time therefore, she concludes, cannot be the measure of value because value corresponds to labour in its 'social and abstract aspect' (52).

Having reached this conclusion, she now has to address a further problem: how is this conclusion, which denies that labour-time can be the measure of value, be made consistent with Marx's often repeated statement that it is? This apparent inconsistency, she argues, can be resolved if we make a distinction between two concepts of measure; immanent measurement and external measurement (53). Immanent measure is to be identified with commensurability (54). It is a property or characteristic of things which are different in every other respect, by virtue of which they can be compared. This could otherwise be described as a realist concept of measure. It is dependent upon the identification of a common element or property which when compared in one object with that in another allows the comparison of the two objects to take place. External measurement refers to the expression in some pre-selected unit of that quality which is the means of comparison. The exact medium chosen is often a matter of convention. Thus, she says,

when Marx says that labour-time is the measure of value, he means that the value of a commodity is measurable as pure quantity because it is an objectification of abstract labour, i.e., of indifferent labour-time, hours of which can be added to or subtracted from one another (55).

And later, she argues, commodities 'are only commensurable insofar as they are objectifications of the abstract aspect of labour' (56). Labour-time cannot be employed as an external means of measurement, but only as a means of commensuration. She explains this restriction

on the grounds that 'we cannot, in the actual labour-time we can observe, separate the abstract from the concrete aspect' (57). The indissolubility of abstract and concrete labour requires the formation of a general object of exchange representing the former alone, and which consequently occupies the role of the external, conventional measure of value; 'it is money, and not labour-time, which functions as the social standard of measurement' (58). Here there is a separation of commensuration and measurement. The question, as we saw earlier in the instance of Bailey, must always arise - what makes the objects measured and the measuring medium commensurate? One cannot measure unless the object measured and the measurement themselves share a characteristic which allows the operation to take place. Society may have solved this problem in the case of exchange by the development of money. But this need for a practical solution does not disguise the fact that, as was shown in the previous chapter, the formation of money is a necessary result of the development of the value-form and within it the value-relation.

The separation of the operations of commensuration and measurement not only subordinates the primary condition of social production - the distribution of productive activities - to the formal measure of value, but also excludes it from the hierarchy of explanation which ultimately leads to the explanation of precisely such a formal measure. And in excluding it from her account of Marx's theory of value she effectively collapses that explanatory hierarchy. Money and value, concrete and abstract labour, value and price, each collapses into its opposite, expelling the very possibility of explanation. This can be seen in her account of abstract labour.

Abstract labour 'is the concept of the unity or similarity of human labour, differentiated simply in terms of quantity, duration. It is not an assumption that all work is physiologically identical. Rather, it draws attention to the fact that all work takes time and effort, irrespective of what kind of work it is' (59). Abstract labour is thus defined by Elson as one among four aspects of labour in its transhistorical sense as the transformation of natural materials into objects for human use, the others being concrete, private and social (60). She explains further:

Marx specifically claims that this aspect of labour 'in all situations ... must necessarily concern mankind, although not to the same degree at different stages of development', and offers a brief discussion of the way it is of concern in the case of Robinson Crusoe, European feudalism, peasant family production and communal production (61).

In all societies work takes time and effort. The problem faced by each society is how to distribute this time and effort in a manner which will sustain it. What Marx shows in each of the examples which he gives in Section Four of Chapter One of Capital is that this distribution takes place under two kinds of regulator, that in which labour is social from the outset and thereby regulated according to custom (pre-capitalist or pre-market forms) or plan (post-capitalist forms), and that in which labour is regulated through the unconscious mechanism of the market, in which case labour is private in the first instance.

In the case of the market form of social production, labour-time cannot assert itself until labour exists in a social-form. According to Marx, it becomes social by taking the form of abstract labour,

labour which has become equal via the exchange of commodities as an exchange of equivalents. The quality of being equal labour is the specific form taken by social labour, and which is consequently measured in units of social labour-time, in societies which are founded on private production and in which the products of such labour are compelled to take the form of commodities. In treating abstract labour as a transhistorical category, Elson must inevitably encounter difficulty in explaining the specificity of the form of commodity-production itself other than with a tautology: 'The social character of labour is established precisely through the representation of the abstract aspect of labour' (62). In short, the social character of labour is established through the social character of labour!

Commodities can thus be defined as immanently commensurable without recourse to labour-time as the measure of value because all labour is social and abstract from the outset. Consequently, she denies the precondition of commodity exchange, viz., private production, and paradoxically opts for a labour-money explanation of the measure of value in which the money-commodity is simply a pragmatically constructed representation of the immanent equivalence of commodities and labour. And, since commodities are immanently equivalent, subject only to quantitative measurement in their exchange with money, the only relevant category required for the understanding of the whole process is price:

Marx's claim that exchange of commodities entails their equivalence does not derive from an ahistorical and formal concept of exchange, but from observation of a specific capitalist process of exchange, in which goods actually are socially commensurated, the visible expression of which is their prices (63).

It is difficult to see any difference between this account of Marx's theory of value and that position adopted by Steedman in which he claims that the argument for the redundancy of Marx's value-magnitude analysis 'involves no denial of Marx's statements concerning the "form of value", abstract social labour, "the universal equivalent" and so on' (64). Like Mohun and Himmelweit, and now Steedman, Elson can provide no more than a definition of abstract labour as homogeneous labour (65). She cannot explain why labour must be homogeneous in an economy founded on commodity-production and cannot as a consequence connect the two-fold nature of commodity-producing labour to Marx's explanation of the magnitude of value. Ultimately the logic of this position leads to a denial of the role of the market as a regulator of production. If, in commodity-producing economies, the market does not regulate production, what does? What other means does society possess of measuring its productive activities, other than in labour-time? Marx emphasised a point which Aristotle already knew, that money of itself cannot measure things which are different unless they are first reduced to some single uniform substance, of which they represent greater or lesser amounts. Aristotle found this problem unresolvable; Marx calls it universal labour-time. But since he only spoke of abstract labour in relation to exchange, his explanation of exchange-ratios appeared to contain a circular argument. The two positions which have been examined, however, appear to offer little hope of a solution. In the explanation of Marx's law of value offered by R. L. Meek, the qualitative analysis of the social form of commodity-producing labour appears to be undermined by quantitative inconsistency; in short, the theory of abstract labour seems to make

assumptions about the homogeneity of productive activities which cannot be sustained on examination of actual exchange-relations. The second position, represented in this excursus by the work of Mohun and Himmelweit and Elson, inverts the order of priorities, but in order to avoid the charge of circularity severs the quantitative relationship between productive activities and exchange-ratios, or at the very best posits money as of primary explanatory importance, obscuring the actual process of quantitative determination.

The central argument of the circularity critique is that in using exchange to explain the form in which labour determines exchange-values, Marx contradicted the sense of the labour theory of value. In employing exchange in this way, so the charge concludes, Marx's procedure was tantamount to an admission that exchange created value, not production.

VI. The Circularity Critique - Some Conclusions

It would perhaps be useful to conclude this chapter by making a small number of observations on the circularity critique, and by reference to the matter of its concerns, indicate some important characteristics of the Marxian law of value which identify its unique nature amongst theories of value in general and versions of the labour theory of value in particular.

It is possible to appreciate some of the difficulties which many who advocate the circularity critique have with Marx's account of the labour theory of value. To some, its operation requires something which the laws of logic will simply not allow. For some others, it is

difficult to see how quantities of abstract labour translate into the more familiar prices in accordance with which commodities customarily exchange. To those of an even more prosaic intent, they cannot see how a producer can 'price' his products in terms of quantities of labour. In the face of these objections, the labour theory of value appears to be doubtlessly an elegant piece of theory, but in the regretted absence of any practical application, it must remain nothing more than that.

What these objections share in common is a fundamental misunderstanding of the purpose of the labour theory of value and of the theoretical environment in which it operates. But more than that, what they misunderstand is the very nature of the market form of economy itself.

To take the first objection in more detail. It is argued, probably in the first instance by Bohm-Bawerk, but repeated on a number of occasions since, that Marx commits a logical blunder when he explains the reduction of concrete labour to abstract labour by reference to exchange, an act which post-dates the separate acts of private production (66). Clearly, in terms of a single producer, there would appear to be something of a conundrum here. If the producer is to put his product onto the market, he needs to give it a price or an exchange-value in accordance with which it will exchange for other products. If he tries to 'value' it by the amount of time he spent on its production, he immediately comes up against the problem of differences of skill, intensity, circumstances, etc. How then can he put his product on the market at a value, when that value is not established until the product actually appears in the market?

Rubin argues that this line of argument confuses two distinct concepts of exchange. The first concept of exchange is that which confronts every individual producer, who having spent his time in production has now to find a buyer for that product. Rubin refers to this concept of exchange as a 'particular phase' in the complete system of reproduction (67). The second concept of exchange is much wider. It encompasses that concept which regards exchange as a particular form of social reproduction. As Rubin puts it, 'it stamps the whole process of reproduction with its specific mark and represents a particular social form of the social process of production' (68). Thus when we speak of exchange, as Marx did, as the means by which individual, private concrete labours are reduced to social, abstract labour, Rubin would suggest that we think of it in terms of the wider concept of exchange which takes us into the realm of the value-form as we saw in the previous chapter. Here the problems of the temporal order of determination between production and exchange are avoided because the wider concept of exchange allows a concept of production as production for exchange, in other words, a particular socially located concept of production:

As soon as exchange really became the dominant form of the production process, it also stamped its mark on the phase of direct production. In other words, since today is not the first day of production, since a person produces after he has entered into the act of exchange, and before it also, the process of direct production also assumes determined social characteristics, which correspond to the organisation of commodity production based on exchange (69).

The subjects of analysis are not, therefore, the particular phases of production and exchange, regarded as separate, temporally ordered

social activities, but in effect, the social whole, i.e. a form of social production.

This conception is reinforced by Marx in his second chapter of Capital which is devoted to a wider examination of exchange (70). This chapter is particularly useful because it not only shows how Marx conceived of the two different notions of exchange, but in this chapter he also shows why it is important to make this distinction, and how the wider concept of exchange is linked to production. By examining this chapter it is possible to begin to piece together the materials required to fully formulate a solution to the problem of how production and exchange are linked.

Marx narrates this link, almost in the form of a fable, much like those used by the Classical political economists to illustrate a point or develop a theory. The difference between them ought to become clear.

The starting-point for understanding the relationship between production and exchange is the identification of the point at which use-values become commodities. At first glance, the answer ought to be where products are exchanged. But Marx is adamant on this point. Straightforward barter does not of itself involve an exchange of commodities and therefore there can be no value to think of or quantities of labour or any of the other elements of the labour theory of value:

The direct barter of products attains the form of the relative expression of value in one respect, but not in another. That form is $x \text{ Commodity A} = y \text{ Commodity B}$. The form of direct barter is $x \text{ use value A} = y \text{ use value B}$ (71)

The decisive factor in transforming the mere exchange of use-values into the exchange of commodities is a social one. The first step is taken when the object no longer forms a use-value for its owner. It has become superfluous to his wants and can therefore be of use to him in another way; it can become exchangeable and it is therefore simply a matter of development before objects are specifically produced with a view to exchange:

From that moment the distinction becomes firmly established between the utility of an object for the purpose of consumption, and its utility for the purposes of exchange. Its use-value becomes distinguished from its exchange-value. On the other hand, the quantitative proportion in which the articles are exchangeable becomes dependent on their production itself. Custom stamps them as values with definite magnitudes (72).

At that point, production acquires determined social characteristics. In Rubin's terms, exchange has stamped a particular character on production and has given it a specific social imprint. The question that now has to be satisfactorily answered is to what extent and in what ways is the quantitative dimension of value woven into this 'social' conception of exchange?

On the surface, Marx appears to suggest, in the citation from the French edition of Capital and indeed elsewhere, that exchange, by making the appropriate reductions effectively determines the exchange-ratios. After what we already know of Marx's opinion of Bailey and others on this score, it would be strange to find Marx himself offering the same theory. But this proposition is not difficult to reconcile with Marx's contention that 'value' is produced and that commodities are 'valued' according to how much labour is required to

produce them.

Rubin picks up this argument and eloquently portrays the position of the producer in a market economy:

Even though the commodity producer is still in his workshop and in a given moment does not enter into exchange with other members of society, he already feels the pressure of all those persons who enter the market as his buyers, competitors, people who buy from his competitors, etc., in the last analysis, the pressure of all members of society (73).

And as a consequence of this all-round ongoing system of reproduction, even directly in the process of production itself, the producer appears as a commodity producer, his labour has acquired the character of abstract labour and his product the character of a value (74). As Rubin himself points out, however, care must be taken not to confuse this development within production of certain determined social characteristics with a completely corresponding set of properties in exchange (75).

The Classical political economists compressed the immediate form and content of value into each other so that there was a perfectly symmetrical relationship between production and value and hence production and exchange-value. In this way their theoretical endeavours might be characterised as an attempt to explain immediate prices. But, as we saw in the earlier chapters, this conception ignores the process by which the homogeneity of labour implied in such a theory is brought about. It has to be remembered that in a commodity-producing society, individuals produce independently of each other and only from an economic viewpoint meet when they enter into

exchange. To detect homogeneity prior to the act of exchange would not only make little sense in terms of how products are actually made but would violate the very condition which defines the commodity economy, i.e. private production and exchange. This is not to say, however, that the producer is unconscious of the presence of other producers or of the fact that his primary aim is the realisation of exchange-value. Indeed, he operates with the precisely in mind, and may very well accord some 'value' to his product stated in terms of a quantity of money and thereby in a limited sense include his labour in the labour of society:

But this inclusion of the labour of the individual into the working mechanism of the entire society is only preliminary and surmised: it is still subject to very rough verification in the process of exchange, verification which can give positive or negative results for the given commodity producer. Thus the working activity of commodity producers in the phase of production is directly private and concrete labour, and is social labour only indirectly, or latently, as Marx put it (76).

This description encompasses one of Marx's most innovative and also most neglected ideas. In it is expressed the fundamental quality of uncertainty which characterises the market economy. If the individual producer could not only predict the value at which his product would sell but also guarantee making a sale in the first instance, it would surely not be a market economy which we would be discussing (77).

In its unexchanged state, the commodity is only latently a value and a product of abstract labour. It is only validated as such by being exchanged for some other product and in being exchanged it is subject to the pressure exerted by the mass of commodities of its class. Consequently, regardless of how much labour the individual had to put

into producing his commodity, it will only exchange for what its class of commodity is worth by reference to the socially necessary labour-time on average required to produce them. The individual producer who takes less time will benefit, he who takes longer will suffer.

In his presentation, Rubin goes on to explain how abstract labour is quantitatively determined (78). It would be useful to conclude by making some comments on the relationship between 'latent' and 'actualised' value as this is not pursued in any great detail by Rubin (79).

Marx's most fertile comments on this relationship are contained in the Grundrisse, a preparatory work unavailable to Rubin. The work consists of a number of notebooks arranged in Chapters on Money and Capital. The Chapter on Money contains an exploration of the relationship between value and money and their social preconditions. Marx pegs much of this exploration, as we saw in the third chapter, on consideration of the views and opinions of a strand of French Socialism, associated with Proudhon and Darimon, disparagingly regarded as the 'time-chitters'. The essence of the argument advanced by Proudhon et al. was that the modern development of money had distorted the natural relationships between people in such a manner that money itself had ascended into a position from which it governed human affairs. The way to resolve this problem was to reduce money down to size by turning it into a simple commodity. This, they concluded, would be achieved if the producer, in return for his labour, received a 'time-chit' specifying how much 'value', i.e., labour-time, he was entitled to. These humble time-chits,

representing a pre-determined claim on society's product, would then be used in exchange for other commodities.

Marx immediately seized upon the contradiction inherent in this proposal. The labour of the individual is specific. It is not immediately social labour. The time-chit as a general object of exchange, however, has to count as general labour because it will be given in exchange for every other kind of labour. The proposal breaks down precisely because it fails to address how incommensurables can be made commensurate. The problems inherent in the time-chit proposal are only the general problems inherent in a society regulated by the exchange of products. Exchange is brought about because of the development of the division of labour to a point where producers operate independently of each other. Once producers come to depend upon the exchange-value of their commodities, they already come to think of them in those terms from the outset, hence existing stocks and work-in-progress can be valued. But one over-riding fact dominates these procedures:

Every moment, in calculating, accounting etc., that we transform commodities into value symbols, we fix them as mere exchange values, making abstraction from the matter they are composed of and all their natural qualities. On paper, in the head, this metamorphosis proceeds by means of mere abstraction; but in the real exchange process a real mediation is required, a means to accomplish this abstraction (80).

What is expressed in the mind is the latent value of the commodities, in effect, the unrealised or potential value. Thus before exchange takes place, the product adopts the character of a value and for its owner represents the currency of his participation in society. By being exchanged, the value of the commodity is realised, both

quantitatively, as socially necessary labour-time and qualitatively,
as universal social labour.

NOTES TO CHAPTER FIVE

1. See Section I of this chapter.
2. Mohun and Himmelweit, for example, favour a 'complete reconceptualisation of value, a recasting of the theory of value as an abstraction, rather than an hypostasised assumption, wherein its significance and status is such that its apparent inconsistencies can be recreated as the expression of the real contradictions of capitalist society'. Mohun and Himmelweit, 1978. Abstractions notwithstanding, inconsistencies, 'recreated' or otherwise, are inconsistencies.
3. Reuten, for example, embarks on a veritable odyssey through a world of Platonic forms when, unconvinced by Marx's 'privileging of labour', his categories break their links with labour, labour-time, and for that matter, everything else terrestrial. Reuten, 1988.
4. Marx, 1977, 46.
5. Cf. P. Sweezy, 1970, 42, Mandel, 1971, 66, and Sowell, 1967, 70.
6. Marx, 1977, 47.
7. Ibid, 47.
8. Marx, 1970, 32.
9. Loc cit.
10. Marx, 1977, 47.

11. Gerstein, 1976, 53.
12. Marx, 1977, 47.
13. Marx, 1973, 173.
14. Marx, 1970, 31.
15. Loc cit.
16. Rubin, 1972, 128-9.
17. Marx, 1977, 51-2.
18. This point is made explicitly by Marx in an illustration employed in the first German edition of Capital, but which was excised from subsequent editions. See Marx, 1976, 14.
19. This is emphasised by I. I. Rubin's discovery of a change Marx made for the French Edition of Capital: 'In the second edition of Capital we find the well-known sentence: "The equalization of the most different kinds of labour can be the result only of an abstraction from their inequalities or of reducing them to their common denominator, expenditure of human labour power or human labour in the abstract" ... In the French edition Marx, at the end of this sentence, replaced the period with a comma and added: 'and only exchange brings about this reduction opposing the products of different forms of labour with each other on the basis of equality". Rubin, 1972, 148.
20. Bohm-Bawerk, 1984, 83.
21. Marx-Engels, 1975, 180.

22. Bohm-Bawerk, loc cit.
23. Elson, 1979, 131.
24. Meek, 1973. 7. All references are to the second edition which contains the text of the first, in addition to a new Introduction and an appended essay from 1966, 'Karl Marx's Economic Method'.
25. Ibid, xvi.
26. Pilling, 1972.
27. Elson, 1979.
28. Meek, 1973, 165.
29. Ibid, 166.
30. Ibid, 168.
31. Ibid, 169.
32. Ibid, 170.
33. See Hilferding, 1984; Sweezy, 1970, and Rowthorn, 1979.
34. Meek also recognises that there is a problem with non-acquired skills such as natural ability. Blaug (1984) and Elster (1985) have independently argued that such non-acquired skills pose insuperable problems for the labour theory of value. The argument of this chapter is that such insuperability is the product of the criteria stipulated for a labour theory of value by such writers, criteria which are unfulfillable by any theory of value by virtue

of the nature of commodity-producing economies alone, and which are therefore for that reason questionable.

35. Meek, 1973, 169.

36. One recent attempt to rescue the theory of abstract labour from circularity has argued that Marx and Rubin both failed 'to adequately address the question of the historical necessity of value, and so raises a serious dimensionality problem that reduces the labour theory of value to a tautology'. The author's proffered view is that the 'ontology of abstract labour being advanced herein asserts that, to the contrary, it is through the development of capitalist relations of production that labour ... becomes the substance of value, i.e., a real social phenomenon'. Gleicher, 1983, 113. The author agrees with Meek that abstract labour is to be sought in production itself as a material-technical activity; he disagrees with Meek in that where the latter identifies abstract labour with commodity-production, Gleicher identifies it with capitalist production. The origin of capital, is, of course, problematic for this position, but it is worth recalling what Marx has to say on the subject:

To develop the concept of Capital it is necessary to begin not with labour but with value, and precisely, with exchange-value in an already developed movement of circulation. It is just as impossible to make the transition directly from labour to capital as it is to go from the different human races directly to the banker or from nature to the steam engine. Marx, 1973, 259.

37. Meek, 1973, 7.

38. Ibid, 311.

39. Cf. Pilling, 1972; Elson, 1979.
40. Mohun and Himmelweit, 1978, 233.
41. Loc Cit.
42. Loc Cit.
43. Ibid, 225.
44. Ibid, 233.
45. Loc Cit.
46. Cf. Shaik, 1979, 299.
47. Mohun and Himmelweit, 1978, 234.
48. Ibid, 235.
49. Elson, 1979, 135.
50. Ibid, 136.
51. Loc Cit.
52. Loc Cit.
53. Loc Cit.
54. Ibid, 137.
55. Ibid, 137-8.
56. Ibid, 138.

57. Loc Cit.

58. Loc Cit.

59. Ibid, 148.

60. Loc Cit.

61. Loc Cit.

62. Ibid, 149.

63. Ibid, 153.

64. Steedman, 1977, 20.

65. 'All summations of labour-times are summations of quantities of abstract labour' because: 'The very fact that these different labour-times expended in a capitalist economy, are added together means that they are treated as abstract labour-time'. Ibid, 19. The problem for Steedman's argument is that labour only becomes abstract because, before labour can be distributed according to labour-time, it must first become social and it only becomes social in the exchange of commodities which is, of course, the means by which labour is regulated in an economy founded on the private production of commodities. This explanation is, however, omitted from Steedman's account.

66. See Note 19 above.

67. At first glance, exchange seems to be a separate phase in the process of reproduction. We can see that a process takes place in

- direct production and is then followed by the phase of exchange. Here, exchange is separate from production and counterposed to it. Rubin, 1976, 122.
68. Ibid, 122-3.
69. Ibid, 123.
70. Marx examines, it will be remembered, the specific structure of exchange and its composition in Section Three of Chapter One of Capital which analyses the value-form.
71. Marx, 1977, 91.
72. Loc Cit.
73. Rubin, 1972, 149.
74. Ibid, 150.
75. Expressed in one way, this confusion besets Meek's account of Marx's theory of value, particularly his insistence that concrete labour becomes historically more abstracted as the economy develops. In other words, Meek finds that labour, directly in production is to be classed as abstract and undifferentiated.
76. Loc Cit.
77. Indeed, Rubin proceeds to compare the social articulation of labour in a market economy with that of a socialist economy in which the part played by the individual producer is already framed within the social from the outset. Cf. Rubin, 1972, 152.

78. Ibid, 151-8.

79. Probably the main reason for this is that Marx only discussed the question in any great detail in the Grundrisse, which as we know was unavailable to Rubin. In Capital, these detailed discussions are omitted, but they are an important component of the complete theory of value because, as we saw, they draw out the absolute necessity and singular importance of the value-form.

80. Marx. 1973, 142.

CONCLUSION

The objective of the preceding considerations has been to explore a number of problems within the labour theory of value. Those problems did not arise with Marx. They have been shown to have existed in the prior theoretical contributions made by the Classical political economists, particularly Adam Smith and David Ricardo. Those problems, the nature of value; the specification of its substance; its measurement, and manner of expression have then been explored and shown to be solvable in an account of the labour theory of value which gives full expression to the role of the value-form, a role first identified and analysed by Marx. Furthermore, it has been shown that much of the criticism of the labour theory of value has been misconceived precisely because of the absence of a systematic account of the value-form or an appreciation of the role which it plays. Where the value-form has been considered by earlier work it has been necessary, at one and the same time, to expand upon its comments where it appears to be theoretically limited and to reject certain of its conclusions where they would appear to come into contradiction with what was described at the outset as the fundamental sense and concept of the labour theory of value.

It has also been shown that certain problems arising from the manner in which value is expressed, such as the circularity claim made by Bohm-Bawerk, can be resolved within the framework of the fundamental principle precisely by means of the value-form. Such criticisms of the labour theory of value can then be shown to be based on the more primitive theoretical efforts of the Classical school, leaving Marx's unique contribution effectively untouched. Indeed, it has been the

case that much of the criticism levelled at Marx has arisen precisely because of the critics' failure to fully explore the distinction between Marx and his predecessors. This has historically provoked a specific response from commentators sympathetic to Marx which has typically sought to distinguish Marx from the Classical school in the basis of perceived inadequacies within the latter's account.

This strategy has identified a number of pertinent contrasts which serve to distance Marx from the target of traditional criticisms of the labour theory of value. In particular, this work of recovery has pointed to Marx's qualitative analysis with its emphases on the social and historical attributes of economic phenomena in contradistinction to the largely quantitative and arguably flat, two-dimensional conceptions of the Classical school of political economy. Whilst, however, this work has to some extent been successful in restating some of the important methodological characteristics of Marxist theory in opposition to critiques based on alternative methodological positions, this work has not been extended deeply enough into political economy and, in particular, value theory. It is therefore understandable that debates about the nature and importance of value theory over the last ten years have seemed confused, particularly when it has been suggested that value-theory be dropped altogether. As has been shown, this casual attitude is not new. Earlier generations of commentators on the debates of previous periods in turn recommended the disbanding of efforts to explain value in the face of what appeared to be insuperable problems. The work of R. L. Meek was a case in point. What was absent from Meek's account of the labour theory of value was a fully worked-out explanation of the role of the

value-form and its relationship to the other dimensions of the value phenomenon.

In summary, the value-form encompasses the following phenomena:

1. Value is the form taken by social labour in economies based on the production and exchange of social products as commodities.
2. Exchange-value is the necessary form taken by value in order to equate naturally different products.
3. The money-form of value is the necessary form taken by exchange-value in order to objectively represent social labour as a general object of exchange which measures, through the exchange-relation, the values of all commodities.

This account can be clearly distinguished from both the Ricardian 'invariable measure of value' and the implicit theory of money contained within the labour money proposals of the French and English Utopian socialists. Ricardo's formulation of the invariable measure of value idea was made as a response to the need to find a commodity whose own value was fixed and which therefore could be used to measure the values and changes in value of other commodities. As Sraffa has argued, what really underlies this formulation is the real problem of value and the identification of its substance and measure. If Ricardo had been able to fully articulate a concept of the substance of value, he would have been able to formulate the problem of commensurability and subsequently approach the question of how this is expressed and thence the role of the value-form. Ricardo's failure can be attributed both to a lack of the appropriate methodological framework

- Marx described Ricardo's approach as limited by its analytical method - and to a simple neglect of some basic problems. The 'labour-money' idea fails for similar theoretical reasons. Defining a piece of paper to represent a quantum of labour-time which may be used to exchange for other commodities ignores the problem of labour-heterogeneity and correspondingly the problem of commensuration. The equivalence of commodities is established in the system of exchange in which one commodity is historically selected to function as the general representation of homogeneous labour. This process, however, is precisely what has to be explained. It cannot be assumed from the outset, which is what the labour-money theory does.

The aim of this study has been to clarify and explain. There are, however, a number of vitally important areas which the study has not covered but which would need to be for this project to move forward. The study has only made passing reference to the methodological character of Marx's thought. Whilst this has been sufficient to account for the use of certain categories within the labour theory of value, the wider development of Marxist thought requires a full explication of the categories of dialectics and essentialism as they apply to the study of history and the explanation of social phenomena. In developing Marx's distinctions between value and use-value, concrete and abstract labour, and the relative and equivalent forms of value, implicit reference was made to the contradictory or oppositional nature of these relationships, and moreover the role played by such contradictions in the development of more 'higher' forms of value. It would appear that as yet there has been no systematic account of the notion of contradiction within Marxist

thought. Without a full, sustainable account of the nature and explanatory status of the term contradiction, conclusions as to the soundness of the labour theory of value as developed by Marx must remain tentative pending such an account.

It is intended that the present study form the basis of further work on the development of Marx's theory of the forms of value, most notably capital - to which the greater part of his mature work was devoted to developing an understanding. That understanding, and the conclusions which can be developed from it regarding the course of contemporary economic development, have all but disappeared from rational thought, which has found itself without focus or direction. The purpose of rational thought can once again begin to be fulfilled by taking up the wrongly discarded tools of analysis towards the development of which Marx was a major contributor.

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