Reconstructing Value-Form Analysis

Michael Eldred and Marnie Hanlon

A common feature of interpretations of Marx's theory of value is the understanding of value as embodied labour. On this understanding the commodity is a value because it embodies a certain amount of 'abstract human labour' which is measured by 'socially necessary labour time'.[1] This interpretation, which has a good foundation in Marx's text, has also been the ground on which many attacks on *Capital* have been launched. Marx's critics—including Schumpeter—have claimed that Marx's value theory is not essentially different from that of Ricardo and other classical labour value theories.

Marx's theory, however, constitutes a fundamental advance over classical and other embodied labour value theories in that it is able to grasp the peculiar characteristics of the form of value, namely, the commodity form and, most importantly, to develop money as a form of value. This aspect of Marx's theory has generally been neglected.[2] In order to develop money as a form of value Marx turned first to a consideration of the exchange relations of industrial commodities. Through an analysis of these relations the substance of value could be determined as abstract labour, an abstraction from the different concrete forms of labour embodied in the commodities. The Ricardians, on the other hand, gave little importance to the (commodity) form of value and were thereby unable to explicitly draw this distinction in the character of the labour which pertains to the universal exchange relations of commodities: they simply treated labour-as-such as the substance of value. Emphasis on the specific commodity form of the labour which constitutes the substance of value enabled Marx to make a conceptual link between commodities and money as forms of value. When this inner connection between commodities and money is neglected, the claim of the theory to have successfully comprehended what money is thereby ignored. For classical and other embodied labour value theories the question of what money is remains: there is still the problem of connecting the commodity as an embodiment of labour to a concept of money which is an adequate foundation for the capital-analysis. As Backhaus has pointed out, when money is omitted as part and parcel of the value theory, the difference between classical and Marx's value theory can scarcely be made (Backhaus, 1969).

Disregard for the value-form is not due merely to the oversight of Marx's interpreters but has a foundation in the fact that the theory of the value-form and the embodied labour concept of value fit ill together. In particular, Marx's determination of magnitude of value as the embodiment of a certain amount of socially necessary labour measured in time (and intensity) lends itself to an understanding of the concept of value in which the conceptual connection between value and money is not adequately made and in which the value-form is lost to a notion of value as embodied labour. With respect to Marx's determination of the concept of magnitude of value, there are good grounds for the claim that his theory constitutes no advance at all over classical labour value theories.

The main question in the first part of the paper is: what has magnitude of value got to do with the value-form? The aim is to expose the contradictory nature of the relation between value and magnitude of value as it is developed by Marx and to reconstruct a concept of magnitude of value which is more closely linked to the value-form. Our re-presentation reveals that magnitude of value can be consistently linked to the value-form—in particular, to the price-form—and that it must also be conceptually distinguished from the labour content which is embodied in commodities and measured quantitatively by socially necessary labour. For us the concept of socially necessary labour does not arise with the analysis of value and magnitude of value but is to be developed at a later point in the capital-analysis along with the treatment of relative surplus-value production. A short presentation of both relative and absolute surplus-value production is given which follows up the consequences of the newly developed concept of magnitude of value in this respect. At this later level, the relation between the labour embodied in commodities and their magnitude of value can be properly articulated. Namely, the labour content of commodities has significance for the capitalist process of production only to the extent that it gains practical recognition through sale as an amount of abstract associated labour.

The absurdity of the fact that in capitalist society what counts as 'social' labour is measured not by the conscious allocation by the members of society of labouring activities but, on the contrary, by a mysterious social thing—money—is more starkly demonstrated in our reconstructed value-form analysis than with Marx. For, despite his careful development of money as a measure of value, Marx treats commodites as endowed with a magnitude of value measurable in terms of duration (and intensity) and, therefore, measurable independently of money. We object that, on the contrary, the labour content of commodities deserves the name of value of a certain magnitude only insofar as it proves itself to be such through being sold. Only then (that is, *post facto*) can we properly speak of the labour performed in the immediate process of production as value-creating labour.

The format of the paper is as follows. We give a re-presentation of the relevant sections of the capital-analysis which reconstruct the value-form and which follows up in a new argument some of the consequences of the new concept of magnitude of value. During the course of this argument, we point to the differences between our systematic presentation and *Capital* and, at various stages, develop our criticism of Marx's argument. In addition, we comment on other relevant literature and consider commentaries of various authors to the value theory in *Capital*.

Methodological Remark

Here is not the place for an extended discussion of method.[3] Rather, we want to emphasise the special character of material dialectics as a dialectics of the value-form. The bourgeois form of labour, which obtains its quintessential expression in money, contains the germ of all the contradictions of the capitalist mode of production which are to be unfolded in the total capital-analysis. For us, the key to understanding the relevance of a dialectical theory of the bourgeois world lies in grasping the contradictory nature of the value-form and its consequences. This dialectic of the value-form is only to be realised in a systematic progression of concepts which bit by bit conceptualise elements of everyday consciousness of bourgeois society. One of the essential features of this dialectical thinking is the separation from one another of elements of everyday conscious, which co-exist in everyday life. An illustration of this is the blending out (*das Ausblenden*) of the character of commodities as private property from the capital-analysis. The relations between commodites and their guardians is at first viewed in a purely material way, so that buying and selling, for example, are conceived initially as an exchange of materials between character masks (*die Charaktermasken*, cf. CI: 89; KI 100 n.b. inaccurate English translation: 'the characters who appear on the economic stage'). Only at a systematic level beyond the capital-analysis will the categories of property and property-owner be developed (cf. Roth *et al.*, 1981). A consequence of this initial blending out of relations of property (and will) is to emphasise the nature of the value-form as a social form in which material things (commodities and money) function as the concentrates of social relations. In particular, the peculiar form of value, money, has the social power of not only buying objectified labour but also of hiring living labourers. This bending back of dead labour onto living labour, that is, the process of capital, signifies the transition of the value-form from the sphere of exchange to its domination of bourgeois production. Only by initially blending out categories of property and will can the value-form be focused upon and the details of the total process of capital be investigated. The former categories can then be developed as forms of appearance which arise necessarily on the basis of the capitalist reproduction process and which mystify and invert the latter in everyday consciousness. The present paper, however, is only concerned with reconstructing that part of the capital-analysis corresponding to *Capital*, Volume I, Parts I-V.

The Commodity form of Value

This part of the paper will develop the concepts of value and magnitude of value using the first chapter of *Capital*, Volume I as our point of departure. We seek to lay bare a contradiction in Marx's development of this pair of concepts and to resolve it by presenting an alternative concept of magnitude of value which is truer to the practical relations of capitalist economic life.

The concept of value is to be arrived at by considering the exchange relations between industrial commodities that are the products of labour.

> 'The starting point of the argument is a statement of the well-known fact about the commodity economy, the fact that all commodities can be equalised with each other and the fact that a given commodity can be equated with an infinity[?] of other commodities' (Rubin, 1972: 109).

Rubin here does not mention that this equalisation proceeds via money. This omission has led to many misunderstandings in the marxist discussions, where direct exchange of products is understood, instead of money-mediated exchange. For the first part of the presentation this mediation is blended out and the commodities are considered as exchanging one for the other, i.e. only the end results of sales and purchases are at first considered:

Expanded Exchange Schema

$$x \text{ Commodity A} \qquad \begin{array}{r} \text{is} \\ \text{exchanged} \\ \text{for} \end{array} \left| \begin{array}{l} y_1 \text{ Commodity } B_1 \\ \text{or} \\ y_2 \text{ Commodity } B_2 \\ \text{or} \\ \cdot \\ \cdot \\ \cdot \\ y_n \text{ Commodity } B_n \end{array} \right.$$

For a given Commodity A, the rest of the world of commodities for which it can be exchanged are its *exchange-values* (CI: 44; KI; 51E/R; 16, SG:4).[4] The exchange relations always take place with definite quantities of commodities, measured in suitable units (CI: 43; KI: 50). Thus x Commodity A can be exchanged for y_1 Commodity B_1 or y_2 Commodity B_2 or . . . y_n Commodity B_n, where x, y_1, y_2 . . . y_n are definite quantitie measured in appropriate units such as pounds, yards, kilograms, tons, etc. y_1 Commodity B_1, y_2 Commodity B_2 . . . y_n Commodity B_n are the exchange-values of x Commodity A.

We have already determined the commodities which stand in relation to one another in the expanded exchange schema as products of labour.[5] If we now take labour as a common elemen of these industrial products of labour, the specific character o that labour as a common element within the context of the exchange relations has to be determined. As Marx says of Ricardo who fails to consider this specific character:

> 'But *Ricardo does not examine* the form—the peculia characteristic of labour that creates exchange-value o manifests itself in exchange-values—the *nature* of this labour (Marx, 1975: II: 164).

This involves a closer consideration of the expanded exchange schema. We can then articulate the qualitative reduction from one kind of labour to another which practically takes place in universal commodity exchange in our society.

To all the different kinds of commodities there correspond various kinds of labouring activity (CI: 46; KI: 52). Just as bread and steel are two qualitatively different industrial commodities so too are the particular *concrete labours* which produced them breadmaking and steelmaking. Industrial commodities are also produced by isolated, *dissociated labours*. (Marx refers to these in some places as the labour of private independent producer (CI: 49; KI: 57) and elsewhere as that of a 'private individual' (Marx: 1975: III: 130, 135). *With regard to the exchange relations of the commodity world*, however: firstly, a practical abstraction from *every kind* of concrete labour is accomplished It makes no difference which kind of commodity, and thus which kind of concrete labour stands in the place of Commodity A. Nor does it matter which kind of commodity—and thus which kind of concrete labour—stands in an exchange-relation to x Commodity A. Any kind of commodity (so long as it is there in appropriate proportions) can stand in exchange-relation to any other kind of commodity. And, through universal commodity exchange, *all* concrete labours are set equivalent to one another. The result of this practical abstraction from every kind of concrete labour objectified in commodities is called *abstract labour*. Secondly, in that x Commodity A is in exchange-relations with the totality of industrial-commodity products of labour, a practical connection of dissociated labours is constituted. The labour embodied in the world of commodities becomes socially synthesised (*vergesellschaftet*) only as objectified labour through the commodity form, that is, through exchange of the products of labour. In assuming a social form, the dissociated labours objectified in the commodity represent themselves as their polar opposite, as a part of the total commodity producing labour of society. This practical connection of dissociated labours accomplished through universal commodity exchange is called *associated labour*. In the activity of universal commodity exchange, then, the concrete dissociated labours objectified in the commodities prove themselves to be simultaneously *abstract associated labour*. As an objectification of abstract associated labour, the commodity is constituted as a *value*. Abstract associated labour is the substance of value which represents itself in the exchange-values of commodities.

To emphasise the value character of the commodity, we refer to it as a product of abstract associated labour, as a *universal*, as a member of the universe of the industrial commodity-products of labour. By contrast, the commodity as a product of dissociated concrete labour will be referred to as a *particularity*.[6]

Marx's determination of the substance of value as 'abstract human labour' includes only one of the determinations given here. For Marx, the character of the labour which is manifest in exchange-relations is that of an abstraction from all concrete forms of labour which are objectified in the commodities (CI: 46; KI: 52). Marx claims, in fact, that this abstraction from concrete forms of labour constitutes an abstraction from the useful character of the labour objectified in the commodities; this abstraction, in turn, is said to result from the abstraction from the use-values of commodities. It is true that one kind of commodity is as good as any other when it comes to practical exchange-relations. We have articulated this fact as an equivalence of all forms of concrete labours which, however, does not constitute an abstraction from the commodities' use-values. At a later point we criticise Marx for identifying the commodity's character as a use-value with its character as a product of concrete labour (c.f. below pp. ff.). This criticism aside, we have retained Marx's determination of the abstraction from all concrete forms of labour as one aspect of the labour which forms the substance of value. It is to be noted, however, that in his determination of this substance as abstract human labour Marx includes a step of argumentation which is, on the one hand, superfluous and, on the other, misleading. Let us consider his argument more closely.

Marx points out that x Commodity A (for him, 'wheat') 'has many exchange-values instead of only one' (CI: 44; KI: 51). The very next step in his derivation of the substance of value, however, consists in a consideration of the exchange-relation of only two commodities in isolation from the totality of exchange-relations of the commodity world. In particular, Marx isolates the equation one quarter of wheat = x Cwt. iron and claims that this equation tells us that:

> 'in two different things, namely, in one quarter of wheat and in x Cwt. of iron, there exists in equal quantities something common to them both. They are, therefore, equal to a third something which in and for itself is neither the one nor the other. Each of them, in so far as it is exchange-value, must therefore be reducible to this third thing' (CI: 45: modified; KI: 51).

Marx then determines this 'common something' as that of being products of labour. In the process of exchange the concrete labours are reduced to a 'third something' which Marx calls 'abstract human labour'. The commodities, as crystallisations of this latter substance, are called values. But this consideration of the exchange relation between only two commodities is not a step in the derivation of the substance of value. For, the exchange-relation of two commodities does not suffice in order to be able to articulate the abstraction from *all* forms of concrete labours. This articulation demands that there be universal exchange relations. It is to be noted, therefore, that the abstraction from concrete forms of labour which Marx determines as the character of the labour which constitutes the substance of value is an abstraction which practically occurs in our form of society[7] where there exists universal and not isolated exchange-relations.

In his derivation of the substance of value in *Capital*, Chapter 1, Marx does not include the determination of 'associated labour' but, nevertheless, emphasises this aspect of the character which labour assumes in exchange:

> 'Useful objects only become commodities because they are products of private labours undertaken independently of one another. The complex of these private labours makes up the total social labour. Since the producers first come into social contact through the exchange of their labour products, the specifically social characters of their private labours also first appear within this exchange. In other words the private labours act in fact as members of the total social labour first through the relations into which exchange sets the products of labour and indirectly, through them, the producers' (CI: 77ff: modified; KI: 87).[8]

The terminology 'dissociated labour' and 'associated labour' diverges from Marx's terms 'private labour' and 'general labour' respectively. The reason for this is threefold. *Firstly*, we want to avoid the historicist tendency within marxist theory to treat the labour of 'private independent producers' as belonging to a mode of production, namely, so-called simple commodity production, which historically precedes capitalist production.[9] *Secondly*, the term 'private labour' carries connotations of 'private property' which lead some authors to expand on the meaning of private labour as being labour carried on with the capitalist's private property. At this level of the analysis, however, the concepts of 'capital' and 'private property' have not yet been developed. In order to articulate capital, it is necessary to first develop money as a form of value. Furthermore, the category of private property has first to be systematically unfolded after the completion of the capital-analysis. It is inconsistent with a program to derive super-structural forms on the basis of an analysis of capital to arbitrarily introduce notions of property at this abstract starting point of the presentation. Moreover, at this early stage, the conceptual structure is not rich enough to articulate a concept of property. *Thirdly*, the concept of privacy has special relevance in connection with a particular sphere of bourgeois life—the private sphere—and will first be developed in its analysis. The term 'dissociated' is chosen because it captures the nature of capitalist commodity production as the unconnected activities of various commodity producers. That these dissociated labouring activities only become associated in the exchange of their result, objectified labour, represents the kernel of the contradiction between production and exchange.

Rubin also formulates in different language the opposition between dissociated and associated labour:

> 'The labour of individuals does not directly appear as social labour. It becomes social only because it is equalised with some other labour, and this equalisation of labour is carried out by means of exchange' (Rubin, 1972: 66; cf. also p. 70).

The concept of value stands at the most abstract level of the presentation where only a few elements of the totality of everyday knowledge are taken into account and articulated in the analysis. The value concept serves as a foundation for the rest of a reconstructed capital-analysis and also for the argument in this paper. The question which now confronts us is: how does a commodity express itself as value? We can begin by returning to the exchange relations between industrial commodities. Now that the category of value has been developed, the expanded exchange schema can be called the expanded expression of value.[10]

$$\begin{array}{lr|l}
 & & \quad y_1 \text{ Commodity } B_1 \\
 & & \text{or} \\
 & & \quad y_2 \text{ Commodity } B_2 \\
 & \text{is} & \\
x \text{ Commodity A} & \text{exchanged} & \text{or} \\
 & \text{for} & . \\
 & & . \\
 & & . \\
 & & \quad y_1 \text{ Commodity } B_n
\end{array}$$

The emphasis which we place on the substance of value being constituted only in the context of a *single totality* of exchange relations is expressed by our insistence on using the expanded exchange schema to determine the substance of value as abstract associated labour. This procedure has significance for the question posed above with respect to the expression of a commodity as value. We do not want to surrender this connection to the totality of universal exchange relations when it comes to the consideration of how a single commodity expresses itself as value. For this reason, we bypass the 'elementary or accidental form of 'value' (CI: 55ff; KI: 63ff) and proceed from the expanded exchange schema, where the substance of value is determined, to the expanded expression of value where our task is to investigate how x Commodity A expresses itself as value by practically proving itself to be a member of the total commodity world.

With respect to Marx's claim that the exchange-relation between only two commodities constitutes an expression of value, we reply—in the first place—that this claim does not conform to his own concept of value. For, as we have already seen, the derivation of this concept relies on the existence of universal exchange-relations: in an isolated exchange-relation the abstraction from all concrete forms of labour objectified in the commodities cannot be articulated.[11] This claim, then, constitutes a contradiction within the terms of Marx's own presentation. Secondly, and this point also expresses a contradiction within the terms of Marx's theory, we object that the claim has little to do with practical relations in capitalist society. This objection renders Marx's theory contradictory in the following sense. The abstraction from all concrete forms of labour objectified in commodities expresses something true about exchange-relations in our society. In this sense Marx's concept of value cannot be interpreted merely as a thought abstraction but is a practical one. The dimension of 'associated labour' which we include in our determination of the substance of value (which makes sense only in the context of a society with universal commodity exchange) adds force to the specificity of value as a form of 'social labour' which pertains only to capitalist societies. This point holds *even though* the 'dissociated producers' of the industrial commodities cannot yet be conceptually split into the character masks: capitalist and labourer (cf. p. 30).

In the expanded expression of value the commodity on the left-hand side plays a different role from the commodities on the right-hand side of the expression. The former is the commodity whose value is being expressed and is in the position of the *relative value form*: Commodity A expresses itself as value relative to the commodity world in commodities different from itself. The commodity in the position of relative value form expresses itself as value in relation to the totality of its exchange-values on the right hand side of the expression. These commodities, by serving as the material in which that value is expressed, are in the position of the *equivalent form of value* (of being exchangeable with the commodity whose value is being expressed).

The Money form of Value and Magnitude of Value

In the universal expression of value Commodity A has to practically prove its value character by being exchangeable against all other commodities; one other commodity cannot serve in its particularity as the material for the expression of Commodity A's value. If, however, one member of the commodity world is given the additional determination of being *immediately exchangeable* against all other commodities whereby, as an 'excluded commodity',[12] it can act as a mediator of commodity exchange, as a *means of circulation*, i.e. if practically this peculiar commodity can *always* be exchanged directly against all other members of the commodity world, then the practical demonstration of this exchangeability is obviated. That is, the excluded commodity would contain all the possible exchange relations and so would be spared the practical demonstration of its value character. Instead of having to express itself as value in universal exchange relations it would be, by virtue of its immediate exchangeability, *value in itself*. Such a commodity which is i) excluded from the commodity world as immediately exchangeable and ii) medium in which Commodity A expresses itself as a value is *money* and we have the *price expression of value of the commodity* or simply, its *price*:

x Commodity A   is sold for   z money

With the concept of money developed, the exchange of commodities via the mediation of money can be referred to as the *simple circulation of commodities*. Money[13] suffices in itself, as a single material, to express the commodity world as value:

> 'The money-form is merely the reflection thrown upon a single commodity by the relations between all other commodities' (CI: 93: modified; KI: 105).

Money however, is not a commodity: it is *absolute value* in that it represents the *universality* of value as a *particular* product of labour, it is a *singularity* (*Einzelheit*: Hegel). Herein it functions as a fixed *universal equivalent form of value*. At this stage of the analysis there cannot be two moneys for the same reason that there cannot be two universal equivalents. To have two universal equivalents would be to have two 'excluded commodities' each of which functions as a separate immediately exchangeable object in which the value of commodities is expressed. We would have two 'values' in contradiction to the uniformity of the substance of value as abstract associated labour, labour of the same type constituted by a single totality of exchange relations of commodities.

When we turn to everyday knowledge we see that the money systematically developed in the presentation corresponds only to a particular kind of (world) money, namely, to gold, an industrial product of labour which serves as a universal equivalent. Gold, then, is the first *kind of money* (in distinction from the money form of value) which, as money, is not a commodity. As jewellery, catalyst etc. gold is not simply gold but a commodity in which gold has functioned as a raw material. Gold can only become a commodity in relation to money, which on this level of the analysis is an absurdity, since only gold is money. At a systematically later level, where state paper money is developed, gold becomes describable as a commodity in relation to the various national currencies. Our immediate experience of commodity exchange is that the exchange relations are mediated by paper or credit money. This mediation was blended out above and we have now arrived at a concept of money, gold money, which differs from the money in our everyday practical relations but which, nevertheless, corresponds to one kind of money. Gold money, as the first kind of money, is articulated on the basis of an analysis of very few features of commodity exchange, considered on a simple material level. The conceptual language on this level is not yet rich enough for thinking a higher type of money such as credit money and state paper money. These latter types may only be articulated on later levels of the analysis. Credit money arises first with the consideration of interest-bearing capital; state paper money requires for its understanding a concept of state. A main task of conceptualising paper-money will be to analyse the connection between gold-money and national currencies. Furthermore, the character of money as the material for the value expression of the whole world of commodities requires a concept of money corresponding to a process of commodity exchange not confined to national boundaries. State paper money is only money within a definite country; outside the country the paper currency becomes a (higher-order) commodity in exchange with other paper currencies. Gold, on the other hand, knows no national boundaries and serves as money for the world exchange process.

With the transition from the expanded expression of value to the price expression of value we have another divergence from Marx's presentation, where the 'general form of value' is treated as an expression of the value of the commodity world in a single commodity which is in the position of equivalent form of value, a universal equivalent (CI: 70ff; KI: 79ff). We, however, reserve the term 'universal equivalent' for money. We consider Marx's argumentation with respect to the 'general form of value' false because the complex of exchange relations which he treats under its heading is, in fact, no expression of value. Marx arrives at the 'General form of Value' by a consideration of the converse of the exchange relations constituting the expanded expression of value:

$$\left.\begin{array}{l} y_1 \text{ Commodity } B_1 \\ \text{or} \\ y_2 \text{ Commodity } B_2 \\ \text{or} \\ \quad . \\ \quad . \\ \quad . \\ y_n \text{ Commodity } B_n \end{array}\right. \quad \begin{array}{r} \text{can be} \\ \text{exchanged} \\ \text{for} \end{array} \quad x \text{ Commodity A}$$

This converse simply says that any commodity within the world of commodities can be exchanged for Commodity A, the latter being a commodity excluded from the world of commodities. In our view it cannot be regarded as an expression of value because the single Commodity A in itself cannot serve in its particularity as the material for the expression of value. Before the systematic development of money the only expression of value is the practical proof of membership of a commodity in the commodity world. The bypassing of the 'General form of Value' does not, however, mean that our presentation fails to conceive of the expression of the commodity world itself as a value totality. We have an expression of the commodity world as a value totality in the sum of price expressions of single commodities.

Whatever the units are in which money is standardised and counted, it is clear that within itself money shows only quantitative differentiations. It is something qualitative which exists as pure quantity, thus qualitative quantity or *quantum*.[14] Although qualitatively speaking, the expression of value of x Commodity A can be represented by:

Commodity A   is sold for   money

this expression has also a unique quantitative aspect, in that x Commodity A is sold for z units of money. Thus not only does money serve as the medium in which commodities express their value qualitatively, but definite units of the commodity express also their value quantitatively in a definite amount of money. Just as the substance of value is abstract associated labour, the *magnitude of value* is the amount of abstract associated labour. Money serves as the *measure of magnitude of value*, i.e. it measures amounts of abstract associated labour. This derivation of the concepts of magnitude of value and its measure is accomplished by considering the practical relations in which commodities express themselves as values thereby also unearthing the practical measure of magnitude of value lying within universal exchange relations.

Problems with Marx's Concept of Magnitude of Value

We have seen that a consideration of the concept of magnitude of value and its measure only arises once the concepts of money and price have been developed. Abstract associated labour is the character given to the labour in commodities by universal commodity exchange in our form of society. The character of this labour and also the character of a commodity as a value is only manifested in exchange relations with all other commodities. The measure of magnitude of value which practically exists in capitalist societies must also be sought in exchange relations: it cannot be arbitrarily defined for theoretical convenience, as some authors propose.[15] Just as the value of a commodity is only expressed in exchange relations, so can the magnitude of value only be expressed in these relations. The expression of quantity, however, is achieved through its *measure*; thus the measure of magnitude of value is to be sought in exchange relations. It is only with the transition to the money expression of value, however, where gold assumes the position of universal equivalent, that we gain a single measure of value valid for the whole world of commodities (CI: 74; KI: 84, E/R: 18, 20f, SG: 15). Gold's exclusion from the world of commodities is signified by it becoming (systematically) *money*, a social object to be conceptualised only on the basis of commodities, but also as different from commodities. The measure of magnitude of value is thus gold, which is invariably quantified as some convenient unit of weight such as ounce, sovereign etc. (CI: 102f; KI: 115). The expression of value of commodities now only occurs, systematically speaking, in the price expression of value.

Marx's development of the concept of magnitude of value is quite different from the one given here. While we reserve the measure of magnitude of value to money, Marx discusses it immediately following his derivation of the substance of value. It is important to note the statement with which Marx initiates this discussion, namely:

> 'The course of our investigation will lead us back to exchange-value as the necessary mode of expression or form of appearance of value, which at first, however, has to be considered independently of this form' (CI: 46: modified; KI: 53).

Although Marx states that he is about to consider 'value' independently of its expression, what he in fact discusses is the measure of magnitude of value. He continues:

> 'A use-value or good therefore only has value because abstract human labour is objectified or materialised in it. How, then, is the magnitude of its value to be measured? By the quantum of 'value-creating substance', labour, contained in it. The quantity of labour, however, is measured by its duration and labour-time in turn has its standard in definite portions of time such as the hour, the day etc' (CI: 46: modified; KI: 53).

In this passage Marx equates 'value-creating substance' with 'labour' (in the ordinary aconceptual usage of the term 'labour'), even though his presentation has already determined the substance of value as *abstract labour*. Once this identity of abstract labour and labour is asserted, it is clear that labour has its measure in time (and intensity) of labour. But here the point is not to quarrel with Marx's omission of intensity as a determinant of the quantity of labour objectified.[16] Rather, the point is that, after Marx has painstakingly clarified the value-creating substance as abstract labour, he surrenders it once again in the determination of the concept of magnitude of value, and therefore, with respect to the latter, falls back to the level of the Ricardians who simply treated labour as the substance of value. Through this procedure the specificity of the form of 'social labour' is lost.

Marx puts forward no argument for why abstract labour, at least as far as its quantitative measurement is concerned, can be regarded simply as labour, even though he has taken care to develop the abstractness of abstract labour as an abstraction from the objectified concrete forms of labour achieved only in universal exchange relations. We can only conclude that in the moment of this identification of abstract labour with labour-as-such (with the consequence that both have the same measure), the abstraction is to be treated as merely something in thought.

We are simply meant to think of amounts of labour as measured by duration independently of specific concrete forms of its expenditure. In separating the measurement of amounts of abstract labour from the mode in which this character of labour comes to be expressed (namely, in universal commodity exchange, and ultimately, in money), the commodity product of labour ceases to be the object of analysis. An incongruity between value form and value magnitude is thereby introduced.[17]

This is not to deny the possibility of talking about concrete dissociated labour processes as value-creating processes. This must be treated when it comes to considering how the industrial commodities analysed in the first part of the analysis are produced. But this need not involve a separation of the expression of the substance of value and its quantitative measure and can be done only on the basis that the concrete dissociated labours embodied in the commodities have proved themselves to be also amounts of abstract associated labour by being sold for a certain price. It is only, therefore, *post facto* that value-creation can be considered conceptually mediated with the mode in which value comes to be expressed and measured. Thus, for us, paradoxically, Marx's question to the Ricardians 'why this content assumes this form' (cf. Backhaus, 1969: 131) is quite misleading;[18] it implies, and the following quote from Marx confirms the implication, that the content (value) is separable and distinguishable from the commodity form, or in other words, that the products of labour have an intrinsic value before they hit the market:

> 'The process of exchange does not give the commodity which it transforms into money its value, but its specific value form' (CI: 93: modified; KI: 105).

A symptom of this view is Marx's claim that magnitude of value is measured independently of the exchange-relations (in duration):

> 'We see plainly [in the expanded expression of value] that exchange does not determine the magnitude of the value of a commodity; but that, conversely, the magnitude of value of a commodity determines its exchange relations' (CI: 69: modified; KI: 78).

It can be noted here briefly that Marx's concept of magnitude of value gives rise to three well-known problems of the value theory which do not arise with the concept of magnitude of value which we have developed. The *first*, and perhaps fundamental, is the problem of the lack of conceptual connection between magnitude of value and exchange-value (price). Because Marx appeals to an obviousness[19] in concluding that (labour-) time is the measure for the magnitude of value, he immediately has to qualify what counts as value-creating labour. For the purpose of determining magnitude, the only labour that counts, according to Marx, is 'socially necessary labour time', the 'labour time required . . . to produce a use-value under the normal social conditions of production and with the socially average degree of skill and intensity of labour prevalent at the time' (CI: 47: modified; KI: 53). The magnitude of value, therefore, in Marx's more exact formulation, finds its measure in units of 'socially necessary' labour time and not in the practical exchange against money. The term 'socially necessary labour time' is introduced here by Marx for the first time in a way that leaves its connection to abstract labour and exchange-relations entirely unexplained. Indeed, symptomatically, in the above passage Marx talks about the labour time required to produce a 'use-value', not a value. Earlier, in deriving the substance of value he identified the labour required to produce a use-value with concrete labouring activity and it is true that time is the obvious measure (along with intensity) for the concrete (and dissociated) labours as they are performed in productive activity. The lack of inner conceptual connection between magnitude of value and exchange-value (price) in Marx's presentation leads him to make the connection by way of an assumption of presentation. The prices of commodities, as Marx repeatedly states throughout Volumes 1 and 2, are assumed to be proportional to the socially necessary labour-time which they represent. Marx asserts that in simple commodity circulation:

> 'the two extremes of the circuit have the same economic form. They are both commodities. They are also commodities of the same magnitude of value' (CI: 148: modified; KI: 164).

And elsewhere:

> 'Gold becomes the *measure of value* because the exchange-value of all commodities is measured in gold, is expressed in the relation of a definite quantity of gold and a definite quantity of commodity *containing equal amounts of labour-time*' (Marx, 1971: 65f; latter emphasis by E/H).

This assertion can be compared with Marx's explicit denial of the necessity of a relation between socially necessary labour-time and price:

> 'The possibility, therefore, of quantitative incongruity between price and magnitude of value [socially necessary labour time] or, the deviation of the former from the latter is inherent in the price-form itself' (CI: 104: KI: 117).

This contradictoriness expresses the dubiousness of Marx's assertion that in simple commodity circulation equal magnitudes of value (in his sense) are exchanged. It also has significance for assessing the dubiousness of Marx's earlier assertion that 'equal quantities' of labour are exchanged in the exchange-relation between two commodities (CI: 45; KI: 51). There are no grounds in experience for this assertion nor for the assertion that equal magnitudes of value are exchanged in simple commodity circulation.

Our reconstructed presentation reveals that there is *no such identity* between the amount of (concrete dissociated) labour embodied in a commodity and its magnitude of value. This is because the measure of the former (duration and intensity) is incommensurable with the measure of the latter (money). As a consequence of this incommensurability, the relation between these two characters of the labour objectified in commodities is a *mediated* one in which the labour performed in the production process has no direct one-to-one relation to its acknowledgement as value-creating labour (cf. below p. 37f). The prices of the various commodities *are* their expressions quantitatively as a portion of the total commodity-embodied abstract associated labour of society. The commodity price expresses the extent to which the particular concrete dissociated labours embodied in the commodity are acknowledged as universality. It is price, therefore, and not duration which measures with final validity the extent to which the labour performed in the immediate process of production of a commodity is recognised within the totality of industrial commodities as value of a definite magnitude. For this reason, and in contrast to Marx, fluctuations in price are to be regarded as fluctuations in the commodity's magnitude of value.

Attempts have been made to overcome the anomaly in Marx's presentation whereby at one level of the analysis prices represent magnitude of value and at another level prices of production by interpreting simple commodity circulation as something which occurs in a simple commodity production economy. The latter is an economy which idealises a stage historically preceding capitalism. But this means that we have left the object of our analysis, namely, those societies 'in which the capitalist mode of production dominates' (CI: 43: modified; KI: 49). Other attempts[20] at resolving the anomaly centre on trying to show that equilibrium prices are proportional to embodied socially necessary labour time when competition between capitals is abstracted from and otherwise 'perfect competition' of independent producers is assumed. Here, the real object of analysis is departed from in order to make a model whose logic remains unclear. Why should perfect competition between independent producers ideally result in prices proportional to socially necessary labour times? (cf. Marx's description of this CIII: 175ff; KIII: 184ff). A third way of resolving the anomaly—Marx's solution—is to separate the levels of the systematic analysis and to make an assumption of presentation that prices are equal to magnitude of value (proportional to socially necessary labour time) until the level of profit and prices of production is reached. Our criticism of this procedure is represented by the above argument against Marx's concept of magnitude of value, whose conclusion is that such an assumption of presentation is superfluous.[21]

Secondly, and following on from the first problem, the reduction problem emerges: the problem of whether 'complicated' or skilled labour creates more value in equal socially necessary times than simple labour (cf. CI: 51f; KI: 59f). This dilemma arises because Marx identifies abstract labour with simple labour.

All other types of labour then have to be 'reduced' to this simple labour and Marx turns to the practical reduction in exchange:

> 'That this reduction continually takes place is shown by experience. A commodity may be the product of the most complicated labour, its *value* sets it equal to the product of simple labour and therefore represents itself as only a definite quantum of simple labour' (CI: 51: modified; KI: 59).

Marx is quite correct in pointing out that simple labour and complicated labour are made equivalent to one another in exchange as value-creating labour. He overlooks, however, that both simple and complicated labours, as general classifications of particular kinds of concrete labours, are reduced to value-creating labour and that their respective amounts, as measured by time and intensity, are reduced to a common measure in amounts of money, or price. Boehm-Bawerk has already criticised Marx for the circularity of his reduction procedure (Boehm-Bawerk, 1975: 81ff).[22] With our concept of magnitude of value, this dilemma of reduction does not arise. Our view is that the differences between 'complicated labour' and 'simple labour' have to be considered on the level of competition, after the capital-analysis proper, although even at this early abstract level of the analysis, the reduction of complicated and simple labours to abstract associated labour is accomplished practically in exchange.

Thirdly, there is Marx's problematic identification of abstract labour with the physiological expenditure of 'human brains, nerves and muscles' (CI: 51; KI: 58; cf. also Marx, *Cont.*, 1971: 31; MEW13: 18):

> 'All labour is the expenditure of human labour-power in the physiological sense and in this characteristic of equal human or abstract human labour it forms commodity-value' CI: 53; KI: 61).

This determination of abstract labour as a physiological expenditure of labour-power leads to the crudest understanding of value and the loss of the socially specific character of value-creating labour (cf. Rubin, 1972: 132ff). The abstractness of value-creating labour is determined by the exchange process which accomplishes the abstraction from the multifarious concrete labours objectified in commodities. This abstractness does not (contrary to Marx) 'exist in the form of average labour which, in a given society, the average person can perform' (Marx, *Cont.*, 1971: 31; MEW13: 18).[23]

Despite the tendency in Marx's presentation to treat value as embodied labour, he continually underlines the importance of the *form* of value-creating labour:[24]

> 'Exchange-value creating labour is, on the other hand, a specific social form of labour. Tailoring, e.g. in its material determinacy as a particular productive activity, produces the coat but not the coat's exchange-value. It produces the latter

> not as tailoring labour but as abstract, general labour, and this belongs to a social connection which the tailor has not devised' (Marx, *Cont.*, 1971: 36: modified; MEW13: 24).

What our argument rests on is simply a consistent pursuit of Marx's development of the character of value-creating labour with regard to the quantitative side of the value concept. 'The commodity' Marx says:

> 'is use-value . . . and 'value'. It presents itself as this doubled thing, which it is, as soon as its value possesses its own form of appearance different from its natural form, that of exchange-value. It possesses this form never viewed in isolation but always only in a value- or exchange-relation to a second commodity[?] of a different kind' (CI: 66: modified; KI: 75).

What is said here with regard to the form of appearance of value holds also with regard to the measurement of magnitude of value. The commodity represents itself as magnitude of value as soon as its 'magnitude of value' possessses its own form of appearance, and it possesses this form never in isolation but only in price. And price represents the social connection—the value relations—between the whole commodity world. The contradictoriness of capitalism has its germ in the form assumed by 'social labour' in our society, the commodity form. No less a contradiction is to be unearthed in the absurdity of amounts of 'social labour' being measured by a thing, money, rather than labouring activities being allocated consciously by the members of society.

Even though it is quite unambiguous that Marx regards (socially necessary) labour time (and intensity) as the measure of magnitude of value, he gives formulations which express that the measure of magnitude of value lies in money. These formulations are symptoms of the contradiction hidden in Marx's presentation between the value-form and the form-less determination of magnitude of value. In the following passage Marx expresses something which does not conform to his own determination of magnitude of value but which, nevertheless, makes the connection between magnitude of value and value-form which we have pursued:

> 'Thus it was only the analysis of the prices of commodities which led to the determination of the magnitude of value, it was only the collective (*gemeinschaftliche*) money expression of commodities which led to the fixation of their value character' (CI: 49: modified; KI: 90).

In another place Marx writes:

> 'For example, if all commodities express their value in gold, then this expression in gold, their gold price, their equation with gold is an equation on the basis of which it is possible to elucidate and compute their value relation to one another, for they are now expressed as *different quantities of gold* and

> in this way the commodities are represented in their *prices* as comparable magnitudes of the same common demonomination' (Marx, 1975: III: 134; 131f).

And elsewhere he says:

> 'When we speak of the commodity as a materialisation of labour—in the sense of its exchange-value—this itself is only an imaginary, that is to say a purely social, mode of existence of the commodity which has nothing to do with its corporeal reality; it is conceived as a definite quantity of social labour in money' (Marx, 1975: I: 171 quoted in Rosdolsky, 1977: 519f; cf. also 123).

and

> 'It is in its immediate materiality, as the *weight* of precious metal, that it [money] is *magnitude of value*' (*Grundrisse* Urtext S.880 our emphasis E/H).

Himmelweit and Mohun (1978) also have formulations which are near to what is being said by us without, however, drawing out the implications for a criticism of Marx's concept of magnitude of value. Thus they write, for example:

> 'Only market processes realise the quantative expression of abstract labour, and this quantitative expression only has a price-form' (H&M, 1978: 84);

and:

> 'Price is the sole expression of value (and exchange-value[?]). 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 (weight, for example)' (H&M, 1978: 74).

Himmelweit (1979) writes:

> 'But within Marxist theory, the measure of value is *socially* necessary labour time, something which cannot be calculated *a priori*, because it is the sale of the commodity which both certifies and measures the labour employed in its production as socially necessary' (Himmelweit, 1979: 142f).

By emphasising that socially necessary labour time is only measured in the sale of the commodity, Himmelweit here is already diverging from Marx's concept of socially necessary labour time, which is defined independently of exchange.

Rubin briefly entertains the idea that the magnitude of value is to be measured by exchange-relations, only to quickly dismiss it:

> 'At first glance it might seem that if abstract labour is the result of social equalisation of labour through the equalisation of the products of labour, the only criterion of equality

> or inequality of two labour expenditures is the fact of equality (or inequality) in the process of exchange. From this standpoint we cannot speak of equality or inequality of two labour expenditures before the moment of their social equalisation through the process of exchange. On the other hand, if in the process of exchange these labour expenditures are socially equalised, we must consider them equal even though they are not equal (for example, with respect to the number of hours of labour) in the process of direct production' (Rubin, 1972: 154).

For us, this passage contains the truth not only at first glance but also on closer consideration. Rubin raises only two objections to this 'false impression' which we will answer in turn. Firstly, he continues:

> 'Such an assumption leads to false conclusions. It deprives us of the right to say that in the process of exchange equal quantities of labour, and sometimes very unequal quantities . . . are socially equalised' (Rubin, 1972: 154).

To maintain that abstract associated labour is only measured quantitatively in price does not preclude a comparison of the labour contents of various commodities on the market. In the analysis of relative and absolute surplus-value production it becomes not only possible, but necessary to treat the relationship between the concrete dissociated labours embodied in commodities (as measured by duration and intensity of the labour processes which produced them) and their magnitudes of value. Rubin's second objection follows on from the first:

> 'We would have to admit that the social equalisation of labour in the process of exchange is carried out in isolation of dependence on quantitative aspects which characterise labour in the process of direct production (for example, the length, intensity, length of training for a given level of qualification, and so on), and thus, the social equalisation would lack any regularity since it would be exclusively determined by market spontaneity' (Rubin, 1972: 154).

To leave the determination of magnitude of value to exchange-relations seems to cut the nexus between productive activity and exchange-relations. The prices of commodities would then be completely capricious, arbitrary measurements of the magnitude of value, wholly divorced from conditions of production. But the measure of magnitude of value in money does not deny the mediations existing between conditions of production and exchange. Rather, our alternative formulation insists that the relationship *is* a mediated one in which the labour performed in the production process has no direct relation to its acknowledgement as value-creating labour and in which, conversely, the production process reacts to the conditions of the market. It is the task of the concepts of absolute and relative surplus-value production to articulate the mediated relationship between productive activity in a capitalist production process and price (cf. below p. 37f).

The Concept of Ground-Form Capital

Under this heading we give a formulation of the essential process of capitalist economy, the valorisation of value, in terms of the value-form analytic concept of magnitude of value. In doing so, we do not continue a detailed comparison with Marx's presentation. Most of our divergences from Marx in the following section are the consequence of our arguments against him in the preceding section of this paper. The development of the presentation beyond the level of simple commodity circulation is initiated by the question as to how the industrial commodities, which were analysed in the first part of the presentation, were produced.

With the concepts of value and money developed, the specifically capitalist social form of productive activity can now be articulated. Money, as absolute existence of value, has the power to relate to things other than values (industrial commodities) so that now value as money subsumes objects which are not values under its power; for now, a thematisation of the character-mask, the labourer, becomes necessary. A new piece of everyday knowledge is thereby picked up: that *labourers* are *hired* by capitalists, who set the formers' labour-power into motion in the production of new commodities. The figure of the 'producer' who stands behind the commodities in the first part of the analysis thereby splits into the capitalist and the labourer. In return for the expenditure of the labourer's capacity to labour, that is, the expenditure of *labour-power*, over a definite period of time (this period is initially taken as the time for production and sale of the commodity (cf. below p. 31), the labourer receives a *wage*.

Here again there is a divergence from Marx, who, instead of formulating the relation between capitalist and labourer as one of *hiring* (or, more generally, as a *loan*), simply treats labour-power as another commodity, albeit a commodity with special characteristics. The concept of exchange, however, is not adequate to the relation between capitalist and labourer. The exchange of commodity for money is the reciprocal and total surrender of commodity for money and money for commodity; a monetary relation in which the buyer and seller come into momentary contact. With the hiring of labourers, however, the relation is not simply the surrender of something for money. Rather, the capitalist gains the temporary possession of the labourer, a human bearer of labour-power, who he can now employ in a labour-process producing industrial commodities. The bearer of the labour-power is not bought but only hired. In the period of the loan, the capitalist directs only the expenditure of labour-power, which is thereby realised as labour ('labour-power in use is labour itself' (CI: 173; KI: 192)).

Neither the labourers themselves nor their labour-power are values, since the latter can only be industrial commodities, objectifications of abstract associated labour. Whereas money is a form of value because it is only developed on the basis of being an immediately exchangeable 'excluded' commodity, labour-power is a qualitatively new type of entity which draws money as a hiring charge for the labourer. The wages so gained are spent by the labourers on industrial commodities, which constitute the labourers' *articles of (individual) consumption*. The latter are values, and in this mediated way, the labourers' labour-power is brought into equivalence with a portion of the totality of abstract associated labour.

At this level of the analysis, and throughout the capital-analysis, the labourers are to be characterised in this abstract reified way as mere living bearers of labour-power who buy articles of consumption with their wages as an essential component of the maintenance of their lives. The subjectivity of the labourers receives its first determinations on the level of competition in the treatment of the individuals of competition. Furthermore, the availability of labourers on the market is assumed until the level of competition. Thus, our view is that topics dealt with in *Capital* which turn upon the finiteness of the availability of labourers, such as the industrial reserve army and over-accumulation, are more appropriately treated in the competition-analysis. Similarly, the analysis of how and the social form of life in which the labourers maintain themselves is reserved to a systematically later level: the private sphere.

After the period of hire, the labourers receive wages from the proceeds of the sale of the commodities they have produced. (This counter-factual assumption of presentation will be relaxed with the treatment of turnover; cf. also CI: 170; KI: 188: 'In every country . . .'). Money is advanced by the capitalist to buy industrial commodities, the *means of production* required for the particular kind of labour-process under consideration. (The incorporation of the natural conditions of production into the presentation is achieved only on the level of ground-rent.) In the production process, P, the *use-value* of the means of production is realised in producing C''. The process of *ground-form capital* can now be depicted as:

$$\begin{tikzcd}[column sep=small]
M \arrow[r, dash] & MP \ldots P \ldots C'' \arrow[r, dash] & M'' \arrow[r] \arrow[d] & M'(= M + \quad M) \\
 & LP \arrow[u, dashed] & W &
\end{tikzcd}$$

where M is the money advanced to buy means of production MP, labour-power LP is drawn into a production process P, producing commodities C''. The money, M'', from the sale of C'' is used to pay the labourers' wages, W, leaving M' in the hands of the capitalist. Only when $\Delta M = M' - M$ is positive can this process be regarded as the process of ground-form capital, a process of ΔM is negative, that is, where value fails to reproduce itself, belongs to a later stage of the analysis.

In individual and productive consumption a commodity's character as a use-value is realised. Just as value has no manifestation apart from the social practice of exchange, it is only within the social practice of consumption that a commodity expresses itself as a useful object, as a *use-value* (cf. CI: 44; KI: 50). Insofar as it has a material body, a commodity's use-value can be said to reside in its bodily form, because it is the latter which is either individually or productively consumed. The possession of a bodily form, however, is not necessarily one of the commodity's characteristics but this in no way prevents it having a use-value. It may have no material body but rather only appear as a use-value simultaneously with its consumption, i.e. there is no potential use-value residing in a material 'envelope' of the commodity, but only the actualisation of the use-value in consumption, e.g. transportation (cf. CII: 152ff; KII: 150ff) and electricity (this can be stored, but not as a palpable material object).

In a reconstructed value-form analytic presentation of the capital-analysis the concept of use-value is restricted to the character of the commodity in consumption. The only kind of consumption that the capital-analysis deals with in detail is productive consumption and this is first treated at the level of the capitalist process of production. Productive consumption is the use of means of production by capital in the production process to produce surplus-value. Individual consumption remains simply a black box into which industrial commodities are fed and out of which labourers emerge. Analysis of this cannot be given here; we can only indicate that in our extension of a systematic presentation of bourgeois society beyond the capital-analysis, the private sphere is to be conceptualised after the competition-analysis is made. Productive consumption is by no means directed towards the satisfaction of human need, even indirectly. Far from it; the latter can be shown to be subordinate to the valorisation of capital and conditioned by the reproduction of total social capital. The concept of use-value is not connected, at this level of the analysis, to the satisfaction of human need because such a connection requires that the private sphere, within which human needs come to be satisfied, becomes the object of analysis.

Still another determination of the concept of use-value is given in that Marx sets up an opposition between a commodity's character as a use-value on the one hand and its character as a value on the other (cf. CI: 48f, 62; KI: 56f, 71). Subsumed under this opposition, he postulates the twofold nature of the labour insofar as it creates use-values to be concrete labour (spinning, weaving etc.) and insofar as it is a creator of value to be abstract labour (CI: 64; KI: 72). This introduces a new meaning for the concept of use-value i.e. as the product of concrete labouring activity. The relation between use-value as realised in consumption and the commodity as a product of concrete labour, however, is not straightforward. From the very beginning of the analysis, an industrial commodity is implicitly a use-value in that we are dealing with products of labour. For labour itself is human activity exercised with a definite aim for a definite useful result that is to be realised in use, in consumption. The character of a commodity as a use-value, therefore, is a consequence of its character as a product of *labour*, not especially as a product of *concrete* labour. Concrete labour accounts only for the *particular kind* of commodity produced and thereby for the commodity's particular use-value(s). Moreover, the correspondence between concrete labour and particularity of the use-value is not one to one. For, a given kind of commodity, the product of a particular type of concrete labour (say, steelmaking labour), can be realised as a use-value in many different kinds of (productive and individual) consumption practices (say, shipbuilding, making screws, making wire etc. etc.). Instead of having just one use-value, many commodities have several. Furthermore, the two-fold opposition between concrete dissociated labouring activity on the one hand and abstract associated labour on the other is one that is situated in the *sphere of exchange*. Concrete dissociated labours have to represent themselves as their opposite, abstract associated labour, in money. Marx's formulation of an opposition between use-value and value, however, does not capture this practical doubling that occurs in the sphere of exchange. We have formulated this opposition in the sphere of exchange not as one between value and use- value, but as one between the universal character of the commodity as a value and its character as particularity (cf. p. 7). Our formulation encapsulates the above-mentioned double opposition in the characteristics of the labour objectified in commodities; for, in exchange, the commodity doubles itself into particularity and universality. The opposition between universality and particularity, however, is quite different from the distinction between value and use-value. The latter opposition expresses the separation between consumption and exchange. Besides production, the commodity has a phase of its existence in two other spheres and it realises a different character in each of these spheres. Its character as a value is expressed in exchange (or, now that money has been systematically developed, in simple commodity circulation). Use-value is the characteristic of the commodity manifested in consumption. This opposition between the spheres of exchange (circulation) and consumption becomes crucial in the capital-analysis when the process of circulation becomes the specific object of investigation and especially when the reproduction of the total social capital is considered: the totality of commodities as a universality of values has to mesh with the totality of commodities considered as the totality of consumption processes in the society (cf. CII: 397, 500; KII: 392, 491; E/R: 39ff; Rosdolsky, 1977: 319f).

The formula'

$$\begin{array}{ccccccc} M & \longrightarrow & MP \ldots P \ldots C'' & \longrightarrow & M'' & \longrightarrow & M', \\ & & \uparrow & & \downarrow & & \\ & & LP & & W & & \end{array}$$

needs to be more closely examined to discover from where the increase in M arises. The commodities C'' are the product of two lots of labour: *firstly*, they embody the concrete, dissociated labour performed in the process P currently under consideration and *secondly*, they embody the old concrete, dissociated labour which formerly had the shape of means of production but which now reappears as a component part of the concrete dissociated labour taken to produce C''. These two lots of labour objectified in C'' gain acknowledgement as abstract associated labour in the sale for an amount of money M''. M'' thus measures both the extent to which the old concrete dissociated labour, and the extent to which the new concrete dissociated labour count as value creating labour, and so splits into two parts, *old value*[25] (M^A and *new-value* M^N). Hence $M'' = M^A + M^N$ (written M^{A+N}) where the two money sums, M^A and M^N have to be further defined. M^N is the magnitude of value created by the labourers employed in the production process P. The labourers receive a portion of this new-value as wages, W. What remains is called *surplus-value* (s). Thus $M^N = W + s$.

The labourers' wages, W, are paid out of new-value, M^N and hence they are produced as value by the labourers themselves in the course of the production process P. If the capitalist is to have enough money to pay the labourers' wages, then new-value at least to the extent of W must be created. W is thus called also the *necessary-value* and new-value is composed of two components necessary-value and surplus-value.

Since in a consistent value-form analytic presentation surplus-value etc. cannot be conceptualised independently of the value-form, i.e. money, the normal marxist terminology of necessary labour-time and surplus labour-time cannot be employed without caution. The simple picture of a working-day divided into two parts, in the first of which the labourers produce their wages, and in the second of which they produce surplus-value for the capitalist, cannot be employed without further ado. A division of the working-day into two parts can only be performed *post facto* using the money quantities, W and s, and by making certain simplifying assumptions such as that value is created uniformly over the whole working period of the production process. The working day, for example, is then divided into the proportion W:s, corresponding to the ratio necessary labour-time:surplus-labour time.

What is the relation between s and the *profit* retained by the capitalist, $p = \triangle M = M' - M$. We have

$$
\begin{aligned}
p = M' - M &= M'' - W - M \\
&= (M^N - W) + (M^A - M) \\
&= s + (M^A - M), \text{ so } p = s \text{ if and only if} \\
&\quad M^A = M.
\end{aligned}
$$

We therefore need to study the relation between M^A and M further. As we have seen, M^A is the magnitude of value of the MP, now reappearing in transformed form as a component part of the new product C''. The concrete dissociated labour objectified in MP has thus been subjected to the process of gaining acknowledgement as abstract associated labour twice; the first time when the capitalist purchased them as MP and the second time as a component part of the labour objectified in C''. The first time it was acknowledged as M and the second time as M^A. As value-creating labour, i.e. as abstract associated labour, the concrete dissociated labour in the original MP is the same as the concrete dissociated labour objectified in new MP of the same kind currently offered for sale on the market. This does not imply that there are equal amounts of concrete dissociated labour in the old and the new MP, but only that the concrete dissociated labour objectified in the consumed MP gains an equal acknowledgement as value-creating labour as that contained in MP of the same sort currently available on the market. M^A is thus the *current replacement price* (magnitude of value) of the MP consumed in the production of C''. If the price of the same sort of MP has altered from the time of purchase of the original MP, then $M = M^A$; otherwise $M^A = M$. From this it follows that p = s if and only if there are no changes in the price of means of production of the same sort. In the analysis of ground-form capital such fluctuations in magnitude of value of MP (of the same sort) are set equal to zero by an assumption of presentation.

Absolute and Relative Surplus-Value Production

The following paragraphs are devoted to an account of absolute and relative surplus-value production, in order to demonstrate how a reconstructed concept of magnitude of value necessitates a reconceptualisation of these categories. The underlying intention is to investigate the limitations to surplus-value production lying in the production process itself, and to discover the adequate means for ameliorating these limitations. The comparison will be made between capitals operating in the same branch but producing different amounts of surplus-value. At this stage no consideration of competition between capitals enters the analysis, but rather simply the grounds for the difference in surplus-value production are investigated.

Consider two capitals, K_1 and K_2, each producing the same kind of commodity and paying the same amount, W, to labourers, L_1, L_2 for the same number of labourers. (The wage per labourer is thus the same for each capital.) Suppose that K_2's labourers produce more surplus-value than K_1's. Then we can depict their activities as follows:

$$\begin{tikzcd}[column sep=small]
K_1: & M_1 \arrow[r, dash] & MP_1 \ldots & P_1 \ldots & C_1 \arrow[r, dash] & M_1^{N+A} \arrow[r] \arrow[d] & M'_1 \\
& & & L_1 \arrow[u, dashed] & & W &
\end{tikzcd}$$

$$\begin{tikzcd}[column sep=small]
K_2: & M_2 \arrow[r, dash] & MP_2 \ldots & P_2 \ldots & C_2 \arrow[r, dash] & M_2^{N+A} \arrow[r] \arrow[d] & M'_2 \\
& & & L_2 \arrow[u, dashed] & & W &
\end{tikzcd}$$

We have $s_2 > s_1$, so $M_2^N - W > M_1^N - W$ and $M_2^N > M_1^N$,

i.e., the labourers in P_2 have created more new-value than those in P_1. Since we assume that K_1 and K_2 are active at the same time, and sell their commodity products on the same market, the price per unit commodity sold is the same for both capitals. The masses of products produced by K_1 and K_2 have been sold for

$$M_1^{N+A} \text{ and } M_2^{N+A}$$

respectively. Each mass can be divided into two components, the first of which is a mass which was sold for

M_1^A, M_2^A respectively and the second of which was sold for

M_1^N, M_2^N respectively.

Since

$$M_2^N > M_1^N,$$

and price per unit is the same, it follows that the mass of commodities sold for

$$M_2^N$$

is greater than the mass of commodities sold for

$$M_1^N.$$

The labourers in P_2, therefore, have created a new-value embodied in a mass of commodities greater than the corresponding mass produced by L_1. If K_1 and K_2 use the same method of production, then the greater mass of commodities produced by L_2 can only be accounted for by a *greater duration or intensity of labour* on their part. Otherwise, the greater mass of commodities representing the new-value component of the respective selling-prices can only be accounted for by a *more productive* method of production in P_2, whereby the same amount of concrete dissociated labour (as measured by duration and intensity) is expended in P_1 and P_2, but nevertheless, more commodities are produced in P_2.

If the first alternative holds we say that K_2 produces *absolute surplus-value* relative to K_1. Or, in other words, K_2 produces more surplus-value than K_1 by working its labourers longer or harder or both. A capital which wrings more labour out of its labourers than another in the same branch of production gets more *surplus-value*. The increasing of surplus-value production over time is not as straightforward since attempts to increase surplus-value production by heightening the duration or intensity of labour may be obviated by changed prices, for example, through a drop in unit selling price of the produced commodities. Nevertheless, relative to other capitals in the same branch, it is always advantageous to have and to strive for a higher intensity and/or duration of labour in the production process.

If the second alternative holds, we say K_2 produces *relative surplus-value* relative to K_1. Any capital with an advantage in productivity over other capitals in the same industry also produces more surplus-value, other circumstances being equal. Once again (cf. p. 39), increases in productivity over time do not lead with certainty to greater surplus-value production compared to the earlier point in time but only to more surplus-value relative to other capitals in the same branch. Moreover, it is here on the level of relative-surplus value production that the concept of socially necessary labour arises. We have seen that of all capitals producing the same type of commodity, the ones with the most productive method of production achieve the greatest production of surplus-value, other circumstances being equal. Those capitals which introduce a more productive method of production create for themselves relative surplus-value with respect to other capitals in the branch for a time until the rest of the branch follows suit. Then capitals operating with the prevailing method of production in the branch create the maximum possible surplus-value, other circumstances being equal. If we define *socially-necessary labour* in a commodity to be the amount of (concrete dissociated) labour taken to produce it under the prevailing most labour-productive method of production (measured by duration and intensity of labour per unit commodity) then only commodities produced with the socially necessary labour allow the capital concerned to maximise surplus-value production.

Rather than simply defining socially-necessary labour to be the labour content of commodities produced "under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time" (CI: 47; KI: 53) and asserting this to be the measure of magnitude of value, as Marx does, here we see that the concept arises naturally along with a consideration of relative surplus-value production.

The level of relative surplus-value production is the first systematic level on which the application of science enters the presentation. We have seen in the preceding paragraph that increases in productivity relative to other capitals results in relative surplus-value production. Increases in productivity arise from modifications either to the objective conditions of production (the means of production) or to the subjective conditions of production (co-operation, i.e. the organisation of the collective worker, including division of labour). The first kind of improvements depends on the state of the natural sciences and technology. The latter kind of improvements is aided by 'management science'. With both kinds of means for increasing productivity, and especially with management science, it is to be noted that improvements in productivity go hand in hand with the attempt by capital to increase the intensity of labour and thus to produce absolute surplus-value relative to other capitals.

The employment of improved technology in the production process implies as a rule the purchase of more expensive means of production, i.e. a greater outlay M_2 than K_1's outlay M_1. Thus, although K_2 produces relative surplus-value relative to K_1 (i.e. $s_2 > s_1$), the *rate of profit* for K_2 may be less than K_1's profit-rate

i.e. $$\frac{P_2}{M_2} = \frac{s_2}{M_2} < \frac{s_1}{M_2} = \frac{P_1}{M_1}$$

Further consideration of this contradiction between the rate of profit and the mass of surplus-value is reserved for a later paper.

Conclusion

With the treatment of relative surplus-value production and its related phenomena, the analysis of the immediate process of capitalist production comes to an end. The sixth (Wages) and seventh (The Accumulation Process of Capital) Parts of *Capital*, Volume I do not correspond to immediately following parts of a value-form analytic presentation. Rather, the treatment of the wage as a deceptive form of appearance of value belongs with the consideration of revenues and their sources. Moreover, essential points of the accumulation section, such as the growing demand for labour-power by accumulating capital, the industrial reserve army and the relative increase in organic composition of capital in the course of accumulation, find their systematic treatment on the level of competition, where the process of capital seeks to realise itself in conditions of finite availability of labour-power The next level of the presentation begins an analysis of the circulation of capital, where the themes of turnover, fixed and circulating capital and division of capital will be developed. The question of the extent to which the quantitatively coloured reproduction schemata of Volume 2 can be taken over into a qualitatively conceived presentation of the total social reproduction process of capital is reserved to a later paper. The numeral I has been used in the title of this paper to indicate that the reconstruction of Marx's capital-analysis has to be performed also with respect to the subject matter of Volumes 2 and 3 of *Capital*. We refrain from giving further, more extended hints on this following reconstruction out of the conviction that nothing less than the presentation itself will enable the reader to assess our efforts at re-construction. Similarly, the elucidation of hints we have given about the further analysis of bourgeois society has to be postponed until the drafts written by us and others in the framework of our common research program have taken a publishable shape.

Footnotes

The authors work in the General Philosophy Department, Sydney University and the Konstanz-Sydney Research Program. The kernel ideas presented here have been developed over the last couple of years in discussions with Lucia Kleiber and Mike Roth. In this final version of the paper we have taken into account detailed objections levelled by Herbert Ruenzi and objections and proposals for improvement made by Chris Arthur, George Markus and by the Capital & Class editorial committee and referees.

1 cf. eg. Mandel, 1979: 45f, The Law of Value.

2 Backhaus' (1969) early paper 'Zur Dialektik der Wertform' has been influential in Germany in drawing attention to the value-form in the last decade.

3 Some general considerations of the dialogue conception of systematic capital-analysis are contained in Eldred/Roth, 1978: 10-13.

4 'CI' ('KI') is used as an abbreviation for *Capital, (Das Kapital)* Volume 1. 'SG' refers to the systematic glossary of terms in Eldred/Roth, 1978).

5 The following development applies only to industrial commodity products of labour. Commodities that are not the products of labour, such as virgin land, are treated at a later stage of the capital-analysis.

6 Cf. Rosdolsky, 1977: 111 (fn. 9).

7 We are not the first to emphasise the *practical* nature of the relations in which the products of labour are determined as values (cf. eg. Sohn-Rethel; Himmelweit & Mohun, 1978: 73; Rubin, 1972).

8 cf. CI: 49, 64, KI: 56, 72f; Marx, 1975: III: 130, 135.

9 Mandel exemplifies the 'logical-historical' form of presentation in the most startling way by completely historicising the development of categories in Part I of *Capital*, Vol. 1. In his recently published German Introduction to Marxism (*Einfuehrung in den Marxismus*, 1979: ISP-Verlag Frankfurt a.M.), Mandel includes a chapter on the transition 'from simple commodity production to the capitalist mode of production' (Chapter 4). Simple commodity production for him is no theoretical abstraction which forms a prelude to the analysis of capitalist production but rather a form of production which 'experienced its most significant expansion in north and middle Italy and in the north and south of the Netherlands between the 14th and 16th Centuries' (S.44). In this form of production, according to Mandel, 'commodities

are exchanged according to the quantity of labour required to produce them . . . the exchange can only be based on such a basis of equality. Otherwise a less well compensated activity would quickly disappear. In this way a deficiency would arise in this area which would lead to a raising of the prices so that the producers considered again obtain a higher counter-value' (S.45). The products in these 'simple commodity production' economies are not exchanged directly for one another but are sold for money; otherwise they could have no 'prices' Mandel's reasoning presupposes that in these imagined or preceding historical conditions the producers are oriented towards gaining the maximum price for their commodities, and that they will alter their productive activity according to where they can maximise their income from the sale of commodities. Otherwise, how could the fluctuations in supply to which Mandel alludes, come about? Furthermore, his reasoning assumes that the producers measure the time they expend in producing their commodities against the money they get for them on sale and that they know and can compare the various ratios between production time and price of the various commodities in the economy. In other words, his argument for an historical existence of the 'law of value' rests on a mythological conception of a preceding kind of production in which the bourgeois economic rationality of the striving for maximisation of profit by capital is projected back onto a situation in which such a rationality had no grounds for existence.

10 The term 'form of value' is used by Marx to refer both to an expression of value (for example, the expanded and money expressions of value) and also to the various positions assumed by commodities within the expression (relative and equivalent forms of value). We reserve the term 'form of value' for the latter and use 'expression of value' for the former.

11 Marx is aware of the inadequacies of the 'elementary or accidental form of value' and turns to the 'total or expanded form of value' (what we call 'the expanded expression of value') in order to consider exchange-relations which are more adequate to the expression of commodity A ('linen' for Marx) as value:

> 'Thus (in the expanded expression of value) this value itself first truly appears as a jelly of undifferentiated labour. For, the value creating labour is now expressly represented as labour which is equally valid as any other human labour no matter which natural form it possesses and no matter, therefore, whether it is objectified in coat or wheat or iron or gold etc. The linen, therefore, through its value-form stands now also in a social relation no longer only to a single other kind of commodity but to the world of commodities. As a commodity it is a citizen of this world' (CI: 68f; KI: 77).

12 'The social action of all other commodities excludes, therefore, a determinate commodity in which they commonly represent their values. Thereby the natural form of this commodity becomes the socially valid equivalent form. To be universal equivalent becomes, through the social process, the

specific social function of the excluded commodity. Thus, it becomes—money' (CI: 90: modified: KI: 101).

13 Our development so far has aimed at a concept of money on the basis of a concept of value. To our knowledge the significance of value theory has not been sufficiently brought out in recent critiques of the Sraffian theory. Steedman (1978), for example, is perfectly happy to talk in detail about profit, prices etc. and, at the same time, to polemicise against value theory:

> '. . . the relationship between surplus labour and the existence of profits can be established quite independently of Marx's concept of value' (Steedman, 1977: 15).

without realising that to talk of profits etc. presupposes, at the very least, a *concept of money*. Steedman simply assumes (*op. cit.*: 16) the 'existence' of money, thus rendering his argument incoherent to the extent that the word 'money' remains in his text a conceptless term. This animosity of the Sraffians towards conceptual development needs to be challenged in detail on the grounds that, firstly, any theory of profits presupposes a theory of money; and secondly, an adequate value theory is simultaneously a theory of money.

14 Hegel develops a concept of value which, instead of being determined by abstraction from the particularity of concrete labour, as with Marx, is determined as an abstraction from the particularity of the thing's ability to satisfy a particular need:

> 'This [the thing's] *universality*, whose simple determinacy is the consequence of the thing's particularity, so that this specific quality is abstracted from, is the *value* of the thing, in which its true substantialness is *determined* and is the object of consciousness' (Hegel, Rechtsphilosophie: Para. 63).

The 'thing's' value is related immediately to money:

> 'what money is can only be understood when one knows what *value* is . . . value—expressed in money—represented for itself' (Hegel's handwritten note to Para. 63).

The conceptualisation of money, however, is not achieved through an analysis of the practical relations in the universality of commodities but rather through a 'progress of thought' (Para. 63: addition) in which 'the qualitative disappears . . . in the form of the quantitative' (Para. 63: addition). Hegel thus harks back to categories out of the *Logic* to conceptualise the transition to money:

> 'The qualitative gives here the quantum for the quantity and is as such maintained as well as sublated [*aufgehoben*]' (para. 63: addition).

Nevertheless, with Hegel, the qualitative connection between value and money is brought out in an unmistakeable way, in contrast to Marx where the 'labour theory of value' aspect of his presentation opens up the danger of the relation between value and money being misunderstood:

> 'The value of a thing can be of many different kinds in relation to need; when one, however, wants to express not the specific but the abstract in value, then this is *money*. Money represents all things . . .' (Para. 63: addition).

Since Hegel's concept of value is related to 'need' rather than to labour, however, he is unable to conceive of money as a social representation of objectified labour. Even modern commentaries to Hegel, which recognise the connection between Hegel's treatment of value and the first chapter of *Capital*, do not probe the differences between the two theories. Thus, for example, one of the most authoritative Hegel scholars in Frankfurt, Liebrucks, mentions Marx's name but simply paraphrases uncritically Hegel's treatment of value (cf. Liebrucks, 1966: Bd. 3 S.522f). The lack of connection between value and labour leads to money being conceived as a mere sign of value rather than as a material expression of it:

> 'In money I have the precipitated [*geronnene*] universality. In money the quality of the things is sublated [*aufgehoben*]. They become fixed to signs which are not on them, but only on metal or certificates which have pure number as their reality, not however in the gold or the paper' (S.523).

Compare this with the striking sentence out of the first chapter of the first edition of *Capital* where Marx emphasises metaphorically the materiality of the universal equivalent, and thus also of gold-money:

> 'It is as if besides lions, tigers, hares and all other real animals . . . also *the animal* existed, the individual incarnation of the entire realm of animals' (Studienausgabe II: S.234).

This materiality of the value-form can be said to distinguish material dialectics from Hegelian dialectics. The materiality of money and the constitution of value by exchange relations among things stands in stark contrast to Hegel's attempt to conceptualise money on the first level of realisation of the free will, abstract right. The domination of the modern world by money thus becomes interpreted as a one-sidedness of the will, rather than as a result of practical relations which are regulated by the compulsion of things:

> 'It [money] is not a qualitative sign for the quality of things but a quantitative sign for the quality which has been reduced to the quantity of numbers, the commodity character of humans and things. In this denial of the immediacy of quality consists the growth of *will* within its first abstract level. The making absolute of this side has assumed proportions today which Hegel could not see' (Liebrucks, 1966: 523).

15 Cf. Morishima & Catephores, 1978.

16 In other places Marx includes intensity in the determination of the measure of magnitude of value (cf. CI: Chapter 17, Section II, Chapter 15, Section 3c 'Intensification of Labour').

17 cf. Elson, 1979:

> 'In other words, 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. This is not the aspect objectified as value, which is its social and abstract aspect' (p. 136).

A consistent conclusion from this passage would be that time is not a suitable measure for this 'social and abstract aspect' of the commodity, that is, for value. Indeed, Elson concludes that 'labour-time *cannot* be the medium of measurement [of value]':

> 'The only way that labour-time can be posed as the medium of measurement is by making the arbitrary assumption that there is no qualitative difference between different kinds of labour, an assumption that Marx precisely refuses to make with his insistence on the importance of the form of labour' (p. 138).

Elson, however, does not draw out the contradiction in Marx's presentation. Rather, she converts this contradiction into a distinction between 'immanent' and 'external' measures.

18 Marx's question was directed against the classical political theorists insofar as they paid so little heed to the specific form of value (cf. CI: 85; KI: 95); it was a sensible question to pose in this context because it drew attention to this lack. Like Marx, we, too, place emphasis on the commodity form of value. At the same time, we criticise Marx for formulating the question in this way because it already separates the content from the form in which it comes to appear. Hence the paradox.

19 The 'obviousness' of labour-time as a measure of value taken over by Marx is here seized upon by Engels in the shape of historical myths about the consciousness of the participants in a 'peasant natural economy' and also about 'exchange between peasant products and those of the town craft-workers' (CIII: 898; KIII: 907). Instead of taking market place haggling for what it is, namely, as the attempt on both sides to get as much as possible for as little as possible, Engels interprets it as the attempt 'to squeeze out . . . the full compensation for their labour-time expended on a product' (CIII: 899; KIII: 908). These historical speculations, far from providing evidence in accordance with an 'historical-logical' mode of presentation, only serve to imaginatively interpret preceding epochs through the prism of a quantitative labour theory of value. According to Engels, the conscious measure for exchange proportionalities in product-exchange remained labour-time 'until the transition to metallic money, which however had the consequence that the determination of value by labour-time no longer visibly appeared on the surface of commodity-exchange' (CIII: 899: modified; KIII: 909). With a money economy, where the products of labour, properly speaking, first assume the commodity-form, Engels maintains that labour-time persists in being the measure of value beneath 'the surface of commodity-exchange', even though 'money became the decisive measure of value from the practical point of view' (CIII: 899: modified; KIII: 909). In his one-sided concentration on a theory of exchange-proportionalities, Engels overlooks that, qualitatively speaking, money is 'the decisive measure of value' within the practical relations of commodity exchange. This qualitative point—that money is the measure of value—is not reconcilable with a theory whose aim is to explain exchange proportionalities in terms of an 'immanent', hidden, measure of value.

20 Cf. Rubin, 1972: 64, 78, 104.

21 This separation of systematic levels was proposed in Eldred/Roth, 1978: 55, SG: 120.

22 It is instructive to look at Boehm-Bawerk's argument and Rosdolsky's reply to it in Rosdolsky, 1977: 506-520. Boehm-Bawerk accuses Marx of circularity because the factor of reduction of skilled to simple labour is only established by exchange. Marx determines the magnitude of value as the amount of socially necessary labour time objectified in the commodity and therefore has to consider why it is that products of skilled labour containing equal amounts of socially necessary labour as products of unskilled labour nevertheless have a higher price. (Boehm-Bawerk's objection therefore cannot be made against us, for the magnitude of value is not defined in terms of socially necessary labour-time.) Rosdolsky replies firstly (and correctly), that this problem of reduction applies not only for the differences between skilled and unskilled labour, but also for the differences between concrete kinds of unskilled labour. So the reduction problem becomes more general: why should different concrete kinds of labour, performed at the average intensity and in normal conditions of production create equal amounts of value in the same time? Rosdolsky answers by saying that all these various kinds of labour can only be regarded as equally value creating after their reduction to 'human labour in the abstract' (p. 511), an abstraction which '*exists* in the form of average labour which in a given society, the average person can perform, productive expenditure of a certain amount of human muscles, nerves, brains etc.' (p. 511 quoting Marx *Cont.*, 1971: 30f). And he further adds as proof, again quoting Marx, that the fact that average labour exists in capitalist society is provided by the circumstance that 'individuals can with ease transfer from one labour to another . . .' (p. 512 quoting Marx, *Grund.*: 1973: 104f). Thus for Marx and Rosdolsky, in these passages, the reduction which practically constitutes abstract, value-creating labour is not the equivalence of all the various products of labour in commodity exchange, but rather the purported existence of average labour in our society (referred to by Krause (1979 121f) as 'the dogma of homogeneous labour'). The reduction performed by exchange is thereby confused with the 'abstraction' of simple average labour. Rosdolsky thus finally concedes that 'the laws governing this reduction' (Rosdolsky, 1977: 515 quoting Marx, *Cont.*: 1971: 31) of concrete labour to simple average labour, and, in particular of skilled labour to simple average labour, have to be be given and so turns to 'Marx's Probable Solution' (p. 515ff.) of how these factors of reduction are to be defined.

According to Rosdolsky the solution lies, again following Marx, in the differing values of labour-power of various kinds of labour, and he quotes *Capital*:

> 'All labour of a higher or more complicated character than average labour is expenditure of labour-power of a more costly kind, labour-power whose production has cost more time and labour than unskilled or simple labour power, and which therefore has a higher value. This power

being of higher value, it expresses itself in labour of a higher sort, and therefore becomes objectified, during an equal amount of time in proportionately higher values' (Rosdolsky, 1977: 518f quoting CI: 191f; KI: 211f).

The focus of attention thus shifts from the magnitude of value of commodities produced by skilled and unskilled labourers to the value of labour-power of skilled and unskilled labourers. This shift, however, provides no solution, for it does not escape circularity. The value of labour-power, as Marx determines it (we do not agree, however, (cf. Eldred/Roth, 1978: 69ff.)), 'resolves itself into the value of a definite quantity of the means of life' (CI: 169; KI: 186). Means of life (we refer to these as 'articles of (individual) consumption' (cf. p. 31)), however, are industrial commodities with magnitudes of value determined by the amount of abstract, associated labour objectified in them. According to Marx's concept of magnitude of value, these magnitudes of value can only be known once the coefficients reducing concrete, individual labours to abstract, associated labour are determined. In this way, we come back to the beginning of the problem without having solved it.

23 The abstractness of abstract labour does not depend on the mobility of labourers between branches of production, which makes abstract labour into 'average labour'. The way lies open to conflate the abstractness of abstract labour as accomplished by universal exchange relations, wherein all the various industrial products of concrete labour are made equivalent, with this other meaning of 'abstract' labour, which is also to be found in some passages in Marx, for example, in the *Grundrisse* (1973: 104f; cf. above fn. 22).

The argument for the reduction of concrete labours to abstract labour depends on the existence of universal exchange relations in our society and not on the levelling of all kinds of labour in capitalism to average labour. An analysis of the capitalist production process reveals that, far from levelling labours to average labour, a developed division of labour gives rise to many specialised, non-interchangeable kinds of labour.

24 Cf. CIII: 638f; KIII: 651f; Rosdolsky, 1977: 125f; Rubin, 1972: 62, 96f.

25 On closer reflection, we have discovered that the concept of old-value developed here is still too close to Marx's corresponding concept. The criticism of Marx and presentation of an alternative, however, would have sprung the architecture of the present paper. We leave the alternative, therefore, to our forthcoming book (Roth *et al.*, 1981), when the reader will be able to make a critical comparison.

Bibliography

BACKHAUS H-G., 1969 'Zur Dialektik der Wertform' in A. Schmidt (ed.). *Beitraege zur marxistischen Erkenntnistheorie* Frankfurt a.M. An English translation appears in *Thesis Eleven*, No. 1, Melbourne 1980.

BACKHAUS, H-G., 1974, 1975, 1978 'Materialien zur Rekonstruktion der Marxschen Werttheorie' 1, 2, 3 in: *Gesellschaft Beitraege zur Marxschen Theorie* 1, 3, 11 respectively, Frankfurt a.M.

BACKHAUS H-G., 'Materialien zur Rekonstruktion der Marxschen Werttheorie' 4, mimeo Frankfurt University.

BACKHAUS H-G., forthcoming 1981, *Marx und die marxistische Orthodoxie*, Suhrkamp, Frankfurt a.M.

BOEHM-BAWERK, E., 1975 (ed. Sweezy) *Karl Marx and the Close of his System*, London.

ELDRED, M. and ROTH, M., 1978 *A Guide to Marx's 'Capital'* London.

ELSON, D. (ed.) 1979 *Value. The Representation of Labour in Capitalism* London.

HEGEL, G. W. F., 1967, Hegel's *Philosophy of Right* trans Knox, Oxford.

HEGEL, G. W. F., 1970, *Grundlinien der Philosophie des Rechts*, Werke Bd. 7, Suhrkamp, Fraknfurt a.M.

HIMMELWEIT, S. and MOHUN, S., 1978, 'The Anomalies of Capital' in *Capital & Class* 6, London.

HIMMELWEIT, S., 1979 Review of 'Value, Exploitation and Growth' in: *Capital & Class* 9, London.

KRAUSE, U., 1979 *Geld und abstrakte Arbeit. Ueber die analytischen Grundlagen der Politschen Oekonomie* Frankfurt a.M.

LIEBRUCKS, B., 1966 *Sprache und Bewusstsein Bd. 3 Wege zum Bewusstsein im Raum von Kant, Hegel und Marx* Frankfurt a.M.

MANDEL, E., 1979 *Einfuehrung in den Marxismus* Frankfurt a.M

MARK, K., *Capital* Progress Publishers, Moscow: 1954 Volume I 1974 Printing; 1956 Volume 2 1974 Printing; 1959 Volume 3 1974 Printing.

MARX, K., 1966 *Studienausgabe II*, Frankfurt a.M.

MARX, K., *Das Kapital* in: Marx-Engels Werke (MEW) Dietz Verlag, Berlin Bd. 23 Buch I, Bd. 24 Buch II, Bd. 25 Buch III.

MARX, K., 1971 *Contribution to the Critique of Political Economy* Moscow.

MARX, K., *Zur Kritik der politischen Oekonomie* in: MEW 13.

MARX, K., 1973 *Grundrisse* trans. Nicolaus, London.

MARX, K., 1953 *Grundrisse der Kritik der politischen Oekonomie (Rohentwurf) 1857-1858* Berlin.

MARX, K., *Theories of Surplus Value* Moscow: 1975 Part I, 1975 Part II. 1975 Part III.

MARX, K., *Theorien Ueber den Mehrwert* MEW 26.1, MEW 26.2, MEW 26.3.

MORISHIMA, M., and CATEPHORES, C., 1978 *Value, Exploitation and Growth* Maidenhead, Berks.

ROSDOLSKY, R., 1977 *The Making of Marx's 'Capital'* London.

ROTH, M., KLEIBER, L., HANLON, M. and ELDRED, M., forthcoming 1981 *Die gedoppelte Verdopplung: Zum Ausbau des Marxschen Systemfragments* Campus Verlag, Frankfurt a.M.

RUBIN, I. I., 1972 *Essays on Marx's Theory of Value* Detroit.

SOHN-RETHEL, A., 1978 *Intellectual and Manual Labour—a Critique of Epistemology* London.

STEEDMAN, I., 1977 *Marx after Sraffa* London.