

The Labour Theory of Value: Emails 2003

12 January 2003

There is no such thing as value (as opposed to price) and if there were the Labour Theory of value would be a false account of it.

12 January 2003

Len writes:

I would welcome an account of the operation of a capitalist economy without the notion of exchange value (as opposed to, but including, use value). Adam Smith and David Ricardo et al certainly could not do without such an idea. Value, as a category, only makes sense in a capitalist world. It is not a timeless, placeless abstraction but a way of thinking about a particular form of organisation of one type of exploitative society. It is as nonsensical to say 'there is no such thing as value' as it is to say 'there is no such thing as exploitation'. The extraction of 'surplus labour' (over and above that required for the existence and replacement of the exploitees) by a 'class' of exploiters is the 'essence' of all forms of non-communal, class' societies. Capitalist society operates through the extraction of surplus labour via the mechanism and process of extraction of surplus value, value being merely the measure of the ('abstract or undifferentiated general) labour required to produce an exchangeable commodity. Surplus value is transformed into an 'average' rate of profit by the 'smoothing', equilibrium seeking (not that equilibrium is ever really found) supply and demand imperative, the only mechanism that 'economics' recognises. Price is similarly arrived out. Value only exists dressed in the coat of price, but it exists nevertheless. What is money? What is capital? These are questions that Marx succeed in finding illuminating answers for. No sensible answer can be found to these questions without the 'labour theory of value' that Marx took from the work of his British (Scottish) 'political-economist' forerunners. But then, maybe Charles could put me right.

Len R.

How do capitalist enterprises make a profit? Because the price of the goods and services they sell exceeds the price of the costs they incur in producing them. It's as simple (and as complex) as that.

How in general do capitalist enterprises 'exploit' workers? Well, of course I don't really believe in 'exploitation' as an economic category and I certainly don't believe that it is constitutive of capitalism. For me 'A exploits B' if A gets B to do something in a way which seems unfair or otherwise morally reprehensible. Thus whether you regard a given relationship as exploitative depends upon your moral point of view. But in so far as there are relationships which I would regard as exploitative, they are generally to be explained by the relative powers of the contracting parties. Power consists in the ability to get people to do things they would not otherwise do, and if A can get B to do something in a

way that I would regard as reprehensible, this will generally be because A has power over B.

(Of course, the explanation won't stop there. There will then be a long and complicated story as to WHY A has power over B. In my response to Denise Bates, I explained how the reforms of the New Right tended to enhance the power of employers at the expense of employees. But that, of course, is just a part of the story.)

You only get a PROBLEM explaining how companies can make a profit if you postulate a conception of value which lies behind and explains price. Though I have no objection to positing theoretical entities, THIS theoretical entity so far from solving intellectual problems actually creates them. (The big unsolved problem in Marxist economics is the 'transformation problem' which is precisely the problem of how value translates itself into price.) Ask yourself what phenomena is value needed to explain? Exploitation as it occurs in Marxist theory is not a fact which we observe but an interpretation of the facts in the light of an economic theory of which the concept of value and the labour theory of it constitute essential components. It's a fact if the theory is true but not otherwise. (So Len is quite right. Since I don't believe in value I don't believe in exploitation in the technical, Marxist, sense of the term.) Indeed in my view the principal POINT of the labour theory of value, as it appears in Marxist theory, is to invest what is essentially a MORAL critique of capitalist society with a spurious air of economic objectivity.

Just to be clear. There are relationships (commercial and other) which count as exploitative given my moral convictions. That these relationships exist is an objective fact. But it is not an objective fact that they are exploitative. There might be such facts if there were such a thing as value and the labour theory of it were correct. But since there is no such thing, and the theory is false, there is no fact of the matter about whether a given relationship is exploitative. There is only a fact about whether it is exploitative from this or that moral perspective.

What Len and those who agree with him need to do is this:

- 1) They must point to facts that value (as opposed to price) is needed to explain
- 2) The facts can't be facts that only exist if there is such a thing as value on pain of circularity. (For example, it won't do to claim as a fact that capitalism consists in extracting surplus value since if there is no such thing as surplus value capitalists can't extract it.)
- 3) They must show that *best* explanation of those facts is a theory which posits value as opposed to price.
- 4) Having established the existence of value (as opposed to price) they THEN need to establish that the best explanation of THIS is the labour theory of value.

Intellectually this looks like a tall order. Len fails at step 2.

Regards

Charles

13 January 2003

Len writes:

The 'exchange value' of a commodity, on the other hand, is quantitative. It is how much of another commodity it can be exchanged for.

Not so. If that were what exchange-value amounted to in marxist theory, there would be no distinction between exchange-value and price. The price of a commodity in terms of money or of other commodities can vary up and down in accordance with supply and demand without the labour that went into it varying. So, if exchange-value is something that there can be a labour theory of, it can't be identical with price.

The point that Len does not seem to grasp is that exchange-value as it appears in Marxist theory is a theoretical posit. There is nothing wrong with theoretical posits either in economics or elsewhere BUT not every theoretical posit corresponds to a real thing. To justify this theoretical posit, Len must point to facts which can't be explained without it. And these facts must be uncontroversial facts not facts which only exist if Marx's theory is correct. In defending marxist economics you can't presuppose marxist economics.

I hope people will forgive me but I have a lot of urgent work to do and will not be able to carry on this debate any further.

Charles

13 January 2003

Ravaani,

I'm not sure if you have received both of these messages.

To clarify: My initial email was a response to Bernard Gadd, my subsequent one a response to Len Richards.

The point at issue is this: Marxists and some others believe that in addition to the PRICE of a commodity (as measured either by money or by other commodities) it also has a VALUE (exchange value) which lies behind and EXPLAINS its price. The Labour Theory of Value says that the value of a commodity is determined by the LABOUR POWER that has gone in to its manufacture (including the labour power that went in to raising and educating the people who produced it). The Labour Theory of Value is crucial to the Marxist thesis that Capitalism is essentially and objectively exploitative.

I deny

- 1) That there is such a thing as value (in this sense);
- 2) That the value of a commodity is determined by the labour power that went into its production (since I think that there is no such thing as value);
and
- 3) the Marxist theory of exploitation since it is crucially dependent on the Labour Theory of Value.

Whether I am right or wrong is another matter but I think that Len would agree that this is a fair statement of the points in dispute.

14 January 2003

Paul quotes Mandel's exposition of the standard Marxian arguments for the Labor theory of Value;

1. The Analytical Proof

" proceeds by breaking down the price of a commodity into its constituent elements and demonstrating that if the process is extended far enough, only labour will be found.

"The price of every commodity can be reduced to a certain number of components: the amortisation of machinery and buildings, which we call the renewal of fixed capital; the price of raw material and accessory products; wages; and finally everything which is surplus value, such as profit, rent, taxes, etc."

At every stage right back through the production and distribution process, raw materials and components are mined, milled, transported, processed and assembled by labour, to produce everything manufactured, including the buildings and machinery used in the process of manufacture.

This argument is worthless. It presupposes that the determinants of price are to be found among the causes or the constituents of a given item. But perhaps its price is determined (either in whole or in part) by its real or supposed EFFECTS. Or perhaps price is determined not by its intrinsic characteristics but by its RELATIVE characteristics (eg. scarcity). The argument simply ignores the very obvious possibility that price is determined by demand. All we can say is that if an item is to be sold at a profit the price must exceed the costs of its manufacture. But this does not mean that the price WILL exceed the costs of its manufacture since some things are sold at a loss.

2. The Logical Proof

"Marx poses the question in the following way. The number of commodities is very great. They are interchangeable, which means that they must have a common quality, because everything which is interchangeable is comparable and everything which is comparable must have at least one quality in common .

"What qualities do (commodities) possess .. they have an infinite set of natural qualities: weight, length, density, colour, size, molecular structure; in short, all their natural physical, chemical and other qualities. All those things which make up the natural quality of a commodity .certainly determine its use value, its relative usefulness, but not its exchange value. Exchange value must consequently be

abstracted from everything that consists of a natural physical quality in a commodity.

"Marx's conclusion is that the only common quality in these commodities which is not physical is their quality of being the products of human labour, of abstract human labour that is to say (of) producers who are related to each other on a basis of equivalence as a result of the fact that they are all producing goods for exchange .

"It is, consequently, the quality of socially necessary labour in the production of commodities which determines their exchange-value."

This argument rests on the assumption that everything that is comparable must have at least one quality in common. This is not a truth of logic (take it from me - I'm a trained logician!). But is it true? The answer I think is that in so far as it is true, it does not support the Marx/Mandel argument. Suppose that two things are comparable with respect to their distance from the sun. Do they have to have anything in common? Yes - a distance from the sun. (i.e. a spatial location with respect to the sun). But they don't have to have anything ELSE in common. Now suppose that two distinct items command the same price. That is, suppose that would-be purchasers are prepared to exchange the same amount of money (or in a non-money economy an equivalent bundle of goods and services) for the given items. Do the two items have to have anything in common? Yes - the fact that they command the same price, i.e. that would-be purchasers are prepared to exchange the same amount of money (or in a non-money economy an equivalent bundle of goods and services) for the two items. But they don't have to have anything ELSE in common, Now, suppose the two items command DIFFERENT prices but that the prices are 'comparable'. Do they have to have anything in common? Yes - they both have to have a price. Do they have to have anything ELSE in common? No. What Marx and Mandel are implicitly presupposing is that for two items to be comparable with respect to price they must have something in common APART FROM THE FACT THAT THEY HAVE A PRICE. And this is obviously false. (Consider: Two things can be comparable with respect to height when they have nothing in common apart from the fact that they have a height.)

The argument therefore is a complete failure. I must say Mandel has an infernal nerve dishing up a piece of intellectual slop such as this and calling it 'logic'. Marx, at least, had the excuse of being miseducated by Hegelians.

Incidentally the argument that Mandel paraphrases comes from *Capital* vol 1, part 1, chapter 1, section 1. I commend Antony Brewer's comment in *A Guide to Marx's Capital*: 'His [Marx's] argument is not very convincing as it stands, and 'the labor theory of value' must be justified by the use Marx makes of it in his system as a whole.'

3. The Reduction-to-the-Absurd Proof

"Imagine a society in which living human labour has completely disappeared, that is to say, a society in which all production has been 100% automated. Can value continue to exist under these conditions? Can there be a society where nobody has an income but commodities continue to have a value and to be sold? A huge mass of products would be produced without this production creating any income, since no human being would be involved in this production. But someone would want to "sell" these products for which there were no longer any buyers!

" a society in which human labour would be totally eliminated from production, in the most general sense of the term, with services included, would be a society in which exchange-value had also been eliminated at the moment human labour disappears from production, value, too, disappears with it."

This is an even more abject piece of reasoning than the last. To begin with it simply does not follow from the fact that if there were no labor nothing would have a price, either

a) that there is such a thing as value as distinct from price:

or

b) that the value of an item is determined by its price.

Besides, the fact is no fact at all.

Suppose that 'living human labor has completely disappeared' and that all goods and services are produced by robots. Suppose however that different robots produce different things. Suppose too that all robots are privately owned (so that all the remaining people are proprietors of armies of mechanical slaves) but that robot holdings are neither equal nor homogenous. Then if proprietor A wanted the goods and services produced by the robots of proprietor B, and if B was not prepared to give them to him gratis, they would have to do a deal and enter into an exchange. Before long, I suspect the proprietors would transcend barter and arrive at the useful institution of money. There would be prices and - if you like - exchange value, and all without the interposition of human labor. This would be all the more likely if we suppose that the raw materials for the productive process (or rather for the productive processes) are privately owned and unevenly distributed.

In other words, the thought-experiment that Mandel asks us to consider proves to be a spectacular own-goal for the Labor Theory of Value. If we could have prices and presumably 'exchange value' WITHOUT living human labor, then we have an independent reason to suppose that the Labor Theory of Value is false.

And now comrades, I am going to make a request. If you want to argue with me about this stuff could you postpone any further postings for a fortnight? I really don't have time to respond and should not even have written this. Please don't tempt me any further!

Charles
