

MARX'S REFUSAL OF THE LABOUR THEORY OF VALUE

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It is widely believed that Marx adapted the labour theory of value from Ricardo as a founding concept for his studies of capital accumulation. Since the labour theory of value has been generally discredited, it is then often authoritatively stated that Marx's theories are worthless. But nowhere, in fact, did Marx declare his allegiance to the labour theory of value. That theory belonged to Ricardo, who recognized that it was deeply problematic even as he insisted that the question of value was critical to the study of political economy. On the few occasions where Marx comments directly on this matter,¹ he refers to "value theory" and not to the labour theory of value. So what, then, was Marx's distinctive value theory and how does it differ from the labour theory of value?

The answer is (as usual) complicated in its details but the lineaments of it can be reconstructed from the structure of the first volume of *Capital*.²

Marx begins that work with an examination of the surface appearance of use value and exchange value in the material act of commodity exchange and posits the existence of value (an immaterial but objective relation) behind the quantitative aspect of exchange value. This value is initially taken to be a reflection of the social (abstract) labour congealed in commodities (chapter 1). As a regulatory norm in the market place, value can exist, Marx shows, only when and where commodity exchange has become "a normal social act." This normalization depends upon the existence of private property relations, juridical individuals and perfectly competitive markets (chapter 2). Such a market can only work with the rise of monetary forms (chapter 3) that facilitate and lubricate exchange relations in efficient ways while providing a convenient vehicle for storing value. Money thus enters the picture as a material representation of value. Value cannot exist without its representation. In chapters 4 through 6, Marx shows that it is only in a system

where the aim and object of economic activity is commodity production that exchange becomes a necessary as well as a normal social act. It is the circulation of money as capital (chapter 5) that consolidates the conditions for the formation of capital's distinctive value form as a regulatory norm. But the circulation of capital presupposes the prior existence of wage labour as a commodity that can be bought and sold in the market (chapter 6). How labour became such a commodity before the rise of capitalism is the subject of Part 8 of *Capital*, which deals with primitive or original accumulation.

The concept of capital as a process – as value in motion – based on the purchase of labour power and means of production is inextricably interwoven with the emergence of the value form. A simple but crude analogy for Marx's argument might be this: the human body depends for its vitality upon the circulation of the blood, which has no being outside of the human body. The two phenomena are mutually constitutive of each other. Value formation likewise cannot be understood outside of the circulation process that houses it. The mutual interdependency within the totality of capital circulation is what matters. In capital's case, however, the process appears as not only self-reproducing (cyclical) but also self-expanding (the spiral form of accumulation). This is so because the search for profit and surplus value propel the commodity exchanges, which in turn promote and sustain the value form. Value thereby becomes an embedded regulatory norm in the sphere of exchange only under conditions of capital accumulation.

While the steps in the argument are complicated, Marx appears to have done little more than synthesize and formalize Ricardo's labour theory of value by embedding it in the totality of circulation and accumulation as depicted in Figure 1. The sophistication and elegance of the argument have seduced many of Marx's followers to thinking this was the end of the story. If this was so then much of the criticism launched against Marx's theory of value would be justified. But this is not the end. It is in fact the beginning. Ricardo's hope was that the labour theory of value would provide a basis for understanding price formation. It is this hope that subsequent analysis has so ruthlessly and properly crushed. Marx early on understood that this was an impossible hope even as he frequently slipped (I

suspects for tactical reasons) from values to prices in his presentations as if they were roughly the same thing. In other instances he studied systematic divergences. In Volume 1 Marx recognizes that things like conscience, honour and uncultivated land can have a price but no value. In Volume 3 of *Capital* he explores how the equalization of the rate of profit in the market would lead commodities to exchange not at their values but according to so-called “prices of production.”

But Marx was not primarily interested in price formation. He has a different agenda. Chapters 7 through 25 of Volume 1 describe in intricate detail the consequences for the labourer of living and working in a world where the law of value, as constituted through the generalization and normalization of exchange in the market place, rules. This is the famous transition, at the end of chapter 6, where Marx invites us to leave the sphere of circulation, “a very Eden of the rights of man” where “alone rule Freedom, Equality, Property and Bentham.” And so we dive into “the hidden abode of production” where we shall see “not only how capital produces but, how capital is produced.” It is only here, also, that we will see how value forms.

The coercive laws of competition in the market force individual capitalists to extend the working day to the utmost, threatening the life and well-being of the labourer in the absence of any restraining force such as legislation to limit the length of the working day (chapter 10). In subsequent chapters, these same coercive laws push capital to pursue technological and organizational innovations, to mobilize and appropriate the labourers’ inherent powers of cooperation and of divisions of labour, to design machinery and systems of factory production, to mobilize the powers of education, knowledge, science and technology, all in the pursuit of relative surplus value. The aggregate effect (chapter 25) is to diminish the status of the labourer, to create an industrial reserve army, to enforce working conditions of abject misery and desperation among the working classes and to condemn much of labour to living under conditions of social reproduction that are miserable in the extreme.

This is what Diane Elson, in her seminal article on the subject, refers to as “the value theory of labour.” It is a theory that focuses on the consequences of value operating as a regulatory norm in the market for the experience of labourers

condemned by their situation to work for capital. These chapters also explain why Bertell Ollman considers Marx's value theory to be a theory of the alienation of labour in production rather than a market phenomenon.³

But the productivity and intensity of labour are perpetually changing under pressures of competition in the market (as described in the later chapters of *Capital*). This means that the formulation of value in the first chapter of *Capital* is revolutionized by what comes later. Value becomes an unstable and perpetually evolving inner connectivity (an internal or dialectical relation) between value as defined in the realm of circulation in the market and value as constantly being re-defined through revolutions in the realm of production. Earlier in the *Grundrisse* (pp. 690-711), Marx had even speculated, in a famous "fragment on machines," that the embedding of human knowledge in fixed capital would dissolve the significance of value altogether unless there were some compelling forces or reasons to restore it.⁴ In Volume 3 of *Capital* Marx makes much of the impact of technological changes on values leading to the thesis on the falling rate of profit. The contradictory relation between value as defined in the market and value as reconstructed by transformations in the labour process is central to Marx's thinking.

The changing productivity of labour is, of course, a key feature in all forms of economic analysis. In Marx's case, however, it is not the physical labour productivity emphasized in classical and neoclassical political economy that counts. It is labour productivity with respect to surplus value production that matters. This puts the internal relation between the pursuit of relative surplus value (through technological and organizational innovations) and market values at the center of Marx's value theory.

A first cut at Marx's value theory, I conclude, centers on the constantly shifting and contradictory unity between what is traditionally referred to as the labour theory of value in the sphere of the market (as set out in the first six chapters of *Capital*) and the value theory of labour in the sphere of production (as analyzed in chapters 7 to 25 of *Capital*).

But the materials presented in chapter 25 of *Capital* suggest that it is not only the experience in the labour process that is at stake in the value theory. Marx

describes the conditions of social reproduction of all those demoted into the industrial reserve army by the operation of the general law of capital accumulation (the subject of chapter 25). He cites official reports concerning public health in rural England (most notably those by a certain Dr Hunter) and other accounts of daily life in Ireland and Belgium, alongside Engels' account of *The Condition of the English Working Class in 1844*. The consensus of all these reports was that conditions of social reproduction for this segment of the working class were worse than anything ever heard of under feudalism. Appalling conditions of nutrition, housing, education, overcrowding, gender relations and perpetual displacement were exacerbated by punitive public welfare policies (most notably the Poor Laws in Britain). The distressing fact that nutrition among prisoners in jail was superior to that of the impoverished on the outside is noted (alas, this is still the case in the United States). This opens the path towards an important extension of Marx's value theory. The consequences of an intensification of capitalist competition in the market (including the search for relative surplus value through technological changes) produce deteriorating conditions of social reproduction for the working classes (or significant segments thereof) if no compensating forces or public policies are put in place to counteract such effects.

In the same way that the value theory of labour is foundational for Marx's approach to value, so "a value theory of social reproduction" emerges as an important focus for study. This is the prospect that Marx opens up in the last sections of chapter 25 of volume 1 of *Capital*. This is the focus of those Marxist feminists who have worked assiduously over the past forty years to construct an adequate theory of social reproduction.⁴

Marx (*Capital*, Volume 1, p.827) cites an official report on the conditions of life of the majority of workers in Belgium who find themselves forced "to live more economically than prisoners" in the jails. Such workers "adopt expedients whose secrets are only known (to them): they reduce their daily rations; they substitute rye bread for wheat; they eat less meat, or even none at all, and the same with butter and condiments; they content themselves with one or two rooms where the family is crammed together, where boys and girls sleep side by side, often on the same

mattress; they economize on clothing, washing and decency; they give up the diversions on Sunday; in short they resign themselves to the most painful privations. Once this extreme limit has been reached the least rise in the price of food, the shortest stoppage of work, the slightest illness, increases the worker's distress and brings him to complete disaster; debts accumulate, credit fails, the most necessary clothes and furniture are pawned, and finally the family asks to be enrolled on the list of paupers." If this is a typical outcome of the operation of the capitalist law of value accumulation then there is a deep contradiction between deteriorating conditions of social reproduction and capital's need to perpetually expand the market. As Marx notes in Volume 2 of *Capital*, the real root of capitalist crises lies in the suppression of wages and the reduction of the mass of the population to the status of penniless paupers. If there is no market there is no value. The contradictions posed from the standpoint of social reproduction theory for values as realized in the market are multiple. If, for example, there are no healthy, educated, disciplined and skilled labourers in the reserve army then it can no longer perform its role.

The dialectical relations between competitive market processes, surplus value production and social reproduction emerge as mutually constitutive but deeply contradictory elements of value formation. Such a framework for analysis offers an intriguing way to preserve specificities and differences at the theoretical level of value theory without abandoning the concept of the totality that capital perpetually re-constructs through its practices.

Other modifications, extensions and elaborations of the value theory need to be considered. The fraught and contradictory relation between production and realization rests on the fact that value depends on the existence of wants, needs and desires backed by ability to pay in a population of consumers. Such wants, needs and desires are deeply embedded in the world of social reproduction. Without them, as Marx notes in the first chapter of *Capital*, there is no value. This introduces the idea of "not-value" or "anti-value" into the discussion. It also means that the diminution of wages to almost nothing will be counterproductive to the realization of value and surplus value in the market. Raising wages to ensure "rational

consumption” from the standpoint of capital and colonizing everyday life as a field for consumerism are crucial for the value theory.

What happens, furthermore, when the presumption of perfect competition gives way to monopoly in general and to the monopolistic competition inherent in the spatial organization of capital circulation poses another set of problems to be resolved within the value framework. I have recently suggested, following on some relevant formulations by Marx, that the usual acceptance of the idea of a single expression of value be replaced by recognizing a variety of distinctive regional value regimes within the global economy.

Marx’s value form, I conclude, is not a still and stable fulcrum in capital’s churning world but a constantly changing and unstable metric being pushed hither and thither by the anarchy of market exchange, by revolutionary transformations in technologies and organizational forms, by unfolding practices of social reproduction, and massive transformations in the wants, needs and desires of whole populations expressed through the cultures of everyday life. This is far beyond what Ricardo had in mind and equally far away from that conception of value usually attributed to Marx.

1 See “Notes on Adolph Wagner,” in Marx., K., *Value: Studies by Marx* (ed. A. Dragstedt), London: New Park Publications, 1976.

2 Much of what follows derives from Harvey, D., *Marx, Capital and the Madness of Economic Reason*, London, Profile Books; New York, Oxford University Press, 2017

3 Elson, D., “The Value Theory of Labour,” in Elson, D. (ed.) *Value: the Representation of Labour in Capitalism*, London, CSE Books, 1979; Ollman, B., *Alienation*, London, Cambridge University Press, 1971.

4 The so-called “fragment on machines” has been widely debated in recent years. See Carlo Vercellone, “From Formal Subsumption to General Intellect: Elements for a Marxist Reading of the Thesis of Cognitive Capitalism,” *Historical Materialism* 15 (2007) 13–36

5 See the recent survey and collection in Bhattacharya, T., *Social Reproduction Theory: Remapping Class, Recentring Oppression*, London, Pluto Press, 2017.

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