INTERNATIONAL WORKING GROUP ON VALUE THEORY

2003 Value Theory Mini-Conference
New York

Session 4: *Money, Value and Unequal Exchange*

On the theoretical significance of Marx's ambivalences towards Classical Political Economy

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1. The object and method of Marx's *Capital*

Marx's *Capital* does not present an analysis of different economic "models" of "themes" (first the "simple commodity production", then the "capitalist commodity", etc.). It has a unique object of study, *the capitalist mode of production* (CMP), which Marx analyses, first of all, in relation with the concept of value: From the first text in the period under examination, the *Grundrisse* (1857-8),[1] to *Capital* (1867),[2] Marx insisted that value is an expression of relations exclusively characteristic of the capitalist mode of production.

Marx specifies and develops the notion of value and through it all other notions reflecting the immanent regularities and tendencies of capitalist societies (which constitute what Marx describes as the CMP) on the basis of a twofold methodology: (a) an analysis on *different levels of abstraction*, which aims at (b) a process of *gradual clarification-concretisation*, starting from a commonly accepted definition of the concept under discussion and reconstructing it step by step into a new (Marxian)

[1] "The concept of value is entirely peculiar to the most modern economy, since it is the most abstract expression of capital itself and of the production resting on it. In the concept of value, its secret is betrayed. (...) The economic concept of value does not occur in antiquity" (Marx 1993: 776 ff.).
[2] "*The value form of the product of labour* is the most abstract, but also the *most general form* of the bourgeois mode of production as a particular kind of social production of a historical and transitory character" (Marx 1990: 174).

concept.[3] It is in this sense that his theory constitutes a *Critique* and not a correction (or a version) of Classical Political Economy.

It is clear then that a comprehensive theoretical investigation of Marx's theory shall not stick itself to the introductive treatment of the notions in question, but take into consideration his whole analysis in (the 3 Volumes of) *Capital*.

2. Marx's monetary theory of value

Marx applies the above-described methodology to the elaboration of his concept of value. That is why he makes the Ricardian version of value as his point of departure. However, he does not restrict himself to this initial definition but formulated a new, monetary theory of value.[4]

In Volume 1 of *Capital,* Marx devotes Part One, which is 120 pages long (Penguin edition) to an analysis of value. According to the aforementioned method of analysis, Marx starts from a *simple Ricardian-like definition of value*, determined by the quantity of labour (with socially average characteristics of productivity and intensity) expended on the production of a commodity.

Following Marx's text one may note that of these 120 dealing with the notion of value, only the first seven (Marx 1990: 125-31) are devoted to formulating and clarifying this simple preliminary definition of value (the value of a commodity derives from labour and quantitatively is proportional to the labour time which has been expended for its production). The following six pages (Marx 1990: 132-37) are devoted to a formulation of the concept of *abstract labour*, as the historically specific form of labour which produces value. The exploitation of productive labour is not examined in this section of *Capital*, but is introduced, in the context of what has already been analysed, in Part Two of the work. The 107 pages which follow the analysis of abstract labour (Marx 1990: 138-244) are concerned with exchange value, that is to say with value as a *relation* of exchange, and in this framework they arrive at the question of money. *If we wish to take Marx seriously, we must therefore see what is said in these 6 + 107 pages beyond the simple preliminary definition of value of the first seven pages of his text.*

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[3] A small illustration of Marx's method regarding the "deconstruction" of "common parlance" and the gradual build up of the notions proper to his theory: In Ch. 1, Sec. 4. of Vol. 1, of *Capital* ("The Elementary Form of value considered as a whole"), he writes: "When, at the beginning of this chapter, we said, *in common parlance*, that a commodity is both a use-value and an exchange-value, we were, accurately speaking, wrong" (Marx-Internet-*Capital* I, emphasis added). Or in respect to use-value: After having accepted as a point of departure the common-sense idea of use-value being a "useful thing", he later clarified "that the product must be not only useful, but useful for others" (op. cit.). Besides, Marx called his readers' attention on the fact his analysis should not be regarded as concluded when the first definitions are introduced, as he emphasised, from the very first page of Vol. 1 of *Capital*, before having spoken about capital, wage labour and surplus-value, that the products of labour become commodities in «those societies in which the capitalist mode of production prevails». For a more detailed argument in concern with the thesis that Marx's notions are being gradually built up through his abovementioned method see Dimoulis, D. and J. Milios (2003), "On 'Commodity Fetishism' and Ideology: Marxist Traditions vis-à-vis Marx's analyses in *Capital*", to be published in *Historical Materialism*.

[4] Marx introduces, of course, the notion "labour power", which is a *major* new theoretical concept distinguishing him from Ricardo. However it is not *the* major point, as we have noted in the past (Milios et al, 2002, pp. 15, 31): When the Classic economists claim that the value of «labour» (the wage) equals the value of the worker's means of subsistence, it is clear that they speak about something different from the quantity of labour expended by the worker. In other words, the notion of labour power is to be found implicitly in Ricardo's (and Smith's) analysis.

Value is determined by abstract labour; however, abstract labour does not constitute an empirical magnitude, which could be measured by the stopwatch. It is an abstraction, which is constituted (it acquires a tangible existence) in the process of exchange:

> "Social labour-time exists in these commodities in a latent state, so to speak, and becomes evident only in the course of their exchange. (...) Universal social labour is consequently not a ready-made prerequisite but an emerging result" (Marx 1981: 45).

Value can be expressed only by means of money.[5]

In this context, in Parts 1-3 of Volume 1 of *Capital* Marx illustrates the tenets of his *monetary theory of value*, which constitutes a radical critique of Ricardo's non-monetary approach of "labour expended". We do not have "two worlds", on the one hand value and on the other money (as a means of measurement or a means of circulation of values). The "two worlds" picture is typical not only for Classical and Neoclassical theory, but also for some interpretations of Marx. However, I believe that it fails to conceptualise the Marxian notion of value.

Even when he starts developing his theory of the value-form, Marx notes that in the "simple form of value" we do not have two commodities of pre-existing (i.e. measured independently, e.g. by the quantity of "labour expended" for their production) equal values exchanging with each other. Instead we have only *one commodity* (the commodity acquiring the relative form), whose value is measured in units of a different use value (equivalent form, serving as the "measurer of value" of the commodity in the relative form):

> "In the development of the *value form of the commodity*, in the final instance its money form, and thus of *money*, the *value of* a commodity presents itself in the *use-value* of the other commodity, i.e. in its natural form" (Marx 1881).
> "But as soon as the coat takes up the position of the equivalent in the value expression, the magnitude of its value ceases to be expressed quantitatively. On the contrary, the coat now figures in the value equation merely as a definite quantity of some article" (Marx 1990: 147).

The simple value form corresponds to:

x Commodity A = y Commodity B or 20 yards of linen = 1 coat,

As noted, the equivalent (the coat) constitutes the measure of value of the "relative". In other words the simple form of value tells us that twenty yards of linen *have the value of* one coat. In its Marxian version, *the "simple form of value" measures only the value of commodity A in units of commodity B:*

The value of a unit of A is y/x units of B.

To the extent that the coat remains in the position of the equivalent, its value remains latent, which is to say it "does not exist" in the world of tangible reality.

From the analysis of the simple value form, Marx has no difficulty in deciphering the *money form*.

This form registers the *relationship of exchange* between each commodity and *all other* commodities. It constitutes the material expression of the social

[5] A detailed analysis of the theses presented in this section of the paper is to be found in: Milios J., D. Dimoulis and G. Economakis, *Karl Marx and the Classics. An Essay on Value, Crises and the Capitalist Mode of Production*, Ashgate: Aldershot - Burlington USA - Singapore - Sydney, 2002.

homogenisation of labour in the capitalist mode of production (as delineated through the concept of *abstract labour*).

Thus the relation of general exchangeability of commodities is expressed (or realised) only in an indirect, *mediated* sense, i.e. through money, which functions as *general equivalent* in the process of exchange, and through which all commodities (acquiring the relative position) express their value.

The Marxian analysis does not therefore entail reproduction of the barter model (of exchanging one commodity for another), since it holds that exchange *is necessarily mediated by money*. It is a monetary theory of the capitalist economy (a monetary theory of value) since money is interpreted as an *intrinsic and necessary element in capitalist economic relations*.

> "Commodities do not then assume the form of *direct mutual exchangeability*. *Their socially validated form is a mediated one*" (MEGA II, 5: 42).

Based on his monetary theory of value, Marx shows that the value of a commodity is expressed through its forms of appearance. Moreover, it cannot be defined in isolation, but *exclusively in relation to all other commodities*, in a process of exchange. This relation of exchange value is materialised in money. In the Marxist system there cannot be any other "material condensation" of (abstract) labour, any other measure (or form of appearance) of value:

> "It has become apparent in the course of our presentation that value, which appeared as an abstraction, is only possible as such an abstraction, as soon as money is posited" (Marx 1993: 776).
> "The *social* character of labour appears as the *money existence* of the commodity" (Marx 1991: 649). "Within the value relation and the expression of value immanent in it, the abstractedly general [i.e. value, J.M.] does not constitute a property of the concrete, sensorily actual [i.e. of exchange value, J.M.] but on the contrary the sensorily actual is a simple form of appearance or specific form of realisation of the abstractedly general (…) Only the sensorily concrete is valid as a form of appearance of the abstractedly general" (MEGA II, 5: 634).

3. Marx's monetary theory of capital

Marx formulated and then developed the theory of capital on the basis of his concept of value. Capital is value which, though created by the working class, has been appropriated by capitalists. Precisely because it constitutes value, capital makes its appearance as money and commodities. But the commodities that function as capital are certain specific commodities: the means of production (constant capital) on one hand and labour power (variable capital) on the other:

> (...) value requires above all an independent form by means of which its identity with itself may be asserted. *Only in the shape of money does it possess this form*. Money therefore forms the starting-point and the conclusion of every valorisation process" (Marx 1990: 255).

Money, functioning as capital, unifies the capitalist production process and the process of circulation, in accordance with the formula M-C-M′ (or M-C-[M + ΔM]). In the capitalist mode of production this formula is nothing more than the "outer husk" of the overall process of capitalist production, i.e. the *circuit of (social) capital*:

M—C (= Mp+Lp) [→P→C′]—M′

Thus "*the circulation of money leads (...) to capital*" (Marx 1993: 776). Money appears to possess "*the occult ability to add value to itself*" (Marx 1990: 255).

From the above it emerges that money, to paraphrase a formulation of Marx, constitutes the most general form of appearance of capital. It is *the adequate form of appearance of value, that is a material embodiment of abstract and therefore equal human labour, which the capitalist has appropriated, and which in the framework of capitalist relations of exploitation is accumulated and functions as a "self-valorising value"* (see Marx 1990: 184). Put in another way, *"capital essentially produces capital"* (Marx 1991: 1020). Capital is therefore not merely "the means of production" in general as held by the Classical and Neoclassical Schools. It is the social relation of capitalistic economic exploitation and domination, which is put in motion by money. *Money* is not a mere "medium" for facilitating economic transactions. It *is the necessary form of appearance of "self-valorising value", of capital*.

In the Marxist theory of the capitalist mode of production *both value and money are concepts which cannot be defined independently of the notion of capital. They contain (and are also contained in) the concept of capital*.[6]

Marx's theory, being a monetary theory of value, is at the same time a monetary theory of capital: The capital relation is objectified in money functioning as capital, which therefore acts

> "as a pure automaton, so that this accumulated product of labour (...) has long since discounted the whole world's wealth for all time, as belonging to it by right and rightfully coming its way" (Marx 1991: 523-4).

4. A higher level of abstraction: *Surplus-labour*

[6] Marx's notion of money presupposes the rejection of all "historisist" approaches, which comprehend money as a historically shaped "means of exchange" that has been inherited by capitalism from previous modes of production. Pre-capitalist money is therefore a distinct notion from money in the CMP (the form of appearance of value and capital). In this context, the following correspondance between Marx and Engels is characteristic: Before the publication of Vol. 1 of Capital, on June 16, 1867 Engels had read the first 5 proof sheets of Vol.1 and wrote to Marx (Marx-Engels-Werke [MEW], Vol. 31, pp. 303 ff.) that his [Marx's] exposition should be more "historic": "Your philistine really is not accustomed to this kind of abstract thinking and will certainly not torment himself for the sake of the form of value. At most, you could provide rather more extensive historical evidence for the conclusions you have here reached dialectically, you could, so to speak, apply the test of history, although you have already said what was absolutely necessary in that respect; but you have so much material that you can surely still write quite a good excursus on it, which will by historical means demonstrate to the philistine the need for the development of money and the process by which this takes place". On June 22, 1867, Marx answered to Engels (MEW, Vol. 31, p. 306): "It is not only the philistines that I have in mind here, but young people, etc., who are thirsting for knowledge. Anyway, the issue is crucial for the whole book. Messieurs Economists have hitherto overlooked the very simple fact that the form: *20 yards of linen fabric = 1 coat* is only the base of *20 yards of linen = £2,* and thus that the *simplest form of a commodity*, in which its value is not yet expressed in its relation to all other commodities but only as something *differentiated* from its own natural form, embodies the *whole secret of the money form* and thereby, *in nuce*, *of all bourgeois forms of the product of labour*". However, Engels always maintained his historisit interpretation of the Marxian categories. In his Preface to the third volume of *Capital* hastened to assert that in Volume 1 Marx "takes simple commodity production as [the] historical presupposition" of capitalism, i.e. that he is "proceeding from this basis, to come on to capital - (...) he proceeds precisely there from the simple commodity and not from a conceptually and historically secondary form, the commodity as already modified by capitalism" (Engels in Marx 1991: 91, emphasis added). Also see Hecker 1998: 73ff.

We have argued above that Marx's theory is a *monetary theory* of value. However, from Part 3 of Vol. 1 of *Capital* onward, where Marx analyses the production and accumulation process of capital, one may find practically nothing about money. Money comes again to the centre of Marx's analysis only in Part V of Vol. 3, when he deals with money-capital, credit and the interest-rate. How can we interpret this "absence" of money from Marx's elaborations? Shall we regard the analysis of the value-form and money as a "philosophical detour" of Marx's analysis and his study of the interest-bearing capital as an annex or a digression of secondary analytical significance, which simply complement his main, non-monetary analysis?

The answer is definitely negative, given *the object and method of Marx's analysis* (see section 1 of this paper). The "absence of money" is due to the fact that Marx feels obliged, after the completion of Part 4 of Vol. 1, to continue his analysis on a higher level of abstraction than that of value: on the level of *labour and surplus-labour*, which characterises every mode of production and not only the CMP. The analysis on this higher level of abstraction is necessary, so that the readers comprehend that surplus-value (which appears as profit) signifies surplus-labour.

In Parts 3 - 5 of Volume 1 of *Capital*, Marx analyses the process of capitalist exploitation of labour-power by capital. (*The production of absolute vs./and relative surplus-value*). In this context he shows not only that the profit ΔM acquired by capital is the necessary form of appearance of surplus-value, but also that this surplus-value springs from the appropriation of surplus-labour by the capitalist; furthermore, that the absolute and relative quantity of surplus-labour constitutes a major matter in contestation, shaping thus the relation between capital and labour as a relation of non-conciliatory class antagonism.

Something that perhaps complicates the understanding of Marx's approach in these Parts of his work, and thereof his theory of value, is that in most cases he identifies surplus-labour with surplus-value. This simple presentation of surplus-value as surplus-labour does not mean, however, that one shall put aside Marx's monetary theory of value (as developed, e.g., in Parts 1, 2 & 3 of Volume 1 of *Capital*) and to treat Marx as a critical exponent of the Classical theory of value (as "labour expended"). It has been pre-supposed that labour is *abstract labour*, i.e. capitalistically expended labour utilised by capital to produce exchange value (commodities).[7]

Marx himself warned the reader of the simplistic assumptions in this part of his analysis, namely that when talking about surplus-labour one talks not about the

[7] Marx writes: "This portion of the working-day [devoted to surplus-value production, J.M.], I name surplus-labour-time, and to the labour expended during that time, I give the name of surplus-labour. It is every bit as important, for a correct understanding of surplus-value, to conceive it as a mere congelation of surplus-labour-time, as nothing but materialised surplus-labour, as it is, for a proper comprehension of value, to conceive it as a mere congelation of so many hours of labour, as nothing but materialised labour". (Marx 1990: 325). However, the tribute paid by the peasant communities to the emperor of China or to the Sultan of the Ottoman Empire (eg. the tenth of their wheat production, etc.) was also the product of surplus-labour. The total working hours of those peasants (the direct producers in the specific mode of production) were actually significantly more compared to the time required to produce their subsistence means. This does not mean, however, that they produced commodities or surplus-value. To analyse capitalism one has to move forward, to the specific forms of appearance of surplus-labour and surplus product. This is what Marx emphasises, when he adds to the above-cited passage: "*The essential difference between the various economic forms of society, between, for instance, a society based on slave-labour, and one based on wage-labour, lies only in the mode in which this surplus-labour is in each case extracted from the immediate producer, the worker*" (Marx 1990: 325, emphasis added).

specificity of capitalism,[8] but about an exploitation relation which is common in all modes of production:

> "Capital has not invented surplus-labour. Wherever a part of society possesses the monopoly of the means of production, the labourer, free or not free, must add to the working-time necessary for his own maintenance an extra working-time in order to produce the means of subsistence for the owners of the means of production, whether this proprietor be the Athenian καλός κ' αγαθός, an Etruscan theocrat, a civis Romanus, a Norman baron, an American slave-owner, a Wallachian Boyard, a modern landlord or a capitalist" (Marx-Internet-*Capital* I; Marx 1990: 344-45).

The reason for this analysis of exploitation on the basis of surplus-labour, (a notion which does not reflect the *specific difference* of the specific mode of production under examination), and not in relation with the specific forms under which this surplus-labour appears in capitalism (profit and money relations), is not a supposed "measurability" of "labour expended" in the capitalist mode of production, but the existing in it self-generating consequences of concealment of class exploitation: The subordination of labour to capital imposes the capitalist as the producer of commodities and regulates exchange ratios between commodities in accordance with production costs. Profit is thus presented as proportion of the advanced capital, so that

> *"surplus-value itself appears as having arisen from the total capital, and uniformly from all parts of it"* (Marx 1991: 267). "The money-relation conceals the unrequited labour of the wage labourer" (Marx 1990: 680).[9]

Marx utilised the notion of surplus-labour (as equivalent to surplus-value and in "abstraction" of money) only to sidestep these concealment effects of exploitation created by the money-relation. He did not adhere to the Classical notion of value as "labour expended", at least in his self-published works.

The notion of surplus-value does not simply refer, therefore, to a quantity of surplus-labour expended. It is a complex key notion which deciphers the structure of the capitalist relation of class exploitation and domination.

5. Marx's second Discourse

Marx's monetary theory of value demonstrates that value and prices are not situated at the same level of analysis. They are not commensurate i.e. qualitatively similar (and so quantitatively comparable) entities. Money is the necessary form of appearance of value (and of capital) in the sense that prices constitute the only form of appearance of the value of commodities. The difference between values and production prices (i.e. prices ensuring the average general rate of profit for the whole capitalist economy) is thus not a quantitative one, assuming that the latter simply arise from the former

[8] To this point see also Arthur 2002.

[9] It is worth noticing that in all modes of production there exist self-generating consequences of concealment, but their tendencies might be in opposite directions, as Marx noted with regard to capitalism and slave ownership: "In slave 1abour, even that part of the working day in which the slave is only replacing the value of his own means of existence, in which he therefore works for himself alone, appears as labour for his master. All the slave's labour appears as unpaid labour. In wage labour, on the contrary, even surplus-labour, or unpaid labour, appears as paid. In the one case, the property-relation conceals the slave's labour for himself; in the other case *the money-relation conceals the unrequited labour of the wage labourer*" (Marx 1990: 680, emphasis added).

through a "redistribution of value among capitalists". It is a difference between two non-commensurate and so *non-comparable* quantities, which are, though, intertwined in a notional link, which connects causal determinations (values) and their forms of appearance (prices).

When Marx does not refer to money in his analysis of the capitalist production and accumulation, this does not mean that he abandons his monetary theory of value and capital, but that he places his analysis on a higher level of abstraction.

It is thus a problem of a different order when Marx at certain points of Volume 3 ("transformation of values into prices of production", "absolute ground rent") distances himself from the implications of his own theory (non-commensurability between value and price) and draws *a quantitative comparison between values and production prices* and through mathematical calculations "transforms" the former into the latter. In this way, albeit tacitly, he adopts (he retreats to) the Classic viewpoint that values are entities that are qualitatively identical and therefore quantitative comparable (i.e. commensurable) with prices.

Instead, therefore, of re-affirming his theoretical system, according to which prices are derived from values conceptually ("the *social* character of labour appears as the *money existence* of the commodity" –Marx 1991: 649), Marx retreats to the *empiricism* of the Ricardian theory: He accepts the problematic that two individual capitals utilising the same amount of living labour but different amounts of constant capital produce an output of equal *value* but (given the general profit rate) unequal (production) price. He then claims that in order to justify the theory of value one has to prove that, on the level of the economy as a whole *the sum of values equals the sum of commodity prices, while at the same time the total surplus-value should be equal to the total profit*. The "transformation of values into prices of production" was aimed to provide that proof.[10]

There so emerges a second discourse in Marx's writings, which adheres to the Classical tradition of Political Economy.

Between the two Discourses there exists a notional gap; they are incompatible with each other.

As shown above, *Discourse 1* (Marx's monetary theory of value), comprehends money as the only empirically tangible measure of value ("value can only manifest itself in the social relation of commodity to commodity", Marx 1990: 138-39).), since it considers price to be the exclusive *form of appearance of value* (both notions, value and money, being situated on different levels of abstraction: "value, which appeared as an abstraction, is only possible as such an abstraction, as soon as money is posited", Marx 1993: 776). In the value expression, the [general] *equivalent* constitutes the *measure of value* of any commodity, ([all] being situated in the "relative" position), and its value cannot be expressed ("the magnitude of its value ceases to be expressed quantitatively", Marx 1990: 147). Any form of non-monetary

[10] It is characteristic that when Marx describes the mechanism for equalising the rate of profit in the various sectors of the capitalist economy by means of competition, he frequently speaks – following the concepts of the Classical system – of the *values* which initially diverge and are then transformed through competition into production prices, instead of the *prices which diverge from the production prices* (and thus entail different rates of profit) but which are finally converted into production prices (which is tantamount to equalisation of the rate of profit). For a detailed analysis see Milios et al (2002), pp. 111-141. The issue of qualitative identity and thus of quantitative comparison between values and prices appears also in Part VI, Ch. 45 of Vol. 3 of *Capital*, when Marx analyses the "absolute ground rent": "If the composition of capital in one sphere of production is lower than that of the average social capital (…) the value of its product must stand above its price of production" (Marx 1991: 892-93).

exchange or "value-comparison" between commodities is precluded: "Commodities do not then assume the form of *direct mutual exchangeability*. *Their socially validated form is a mediated one*" (MEGA II, 5: 42).

According to *Discourse 2* (Marx's Classic problematic in Sections of Vol. 3 dealing with the "transformation problem" or "absolute ground rent"), on the contrary, value and price are situated on the same level of abstraction, are qualitatively identical and therefore quantitatively comparable. The implications are, a) that in practice we are able to measure values independently of (abstracting from) money; b) that "abstract social labour" belongs to the world of empirically observable and measurable objects, exactly like money.[11]; c) that one may undertake quantitative "comparisons" between values and prices and even calculate the "money equivalent" of labour time (or its converse) for the aggregate economy.

The question is now raised, of what may be the possible causes of Marx's ambivalences towards Classical Political Economy. Answering in a general way, one may say that the issue simply reflects the contradictions of Marx's break with Ricardian theory, contradictions which are immanent in every theoretical rupture of the kind, i.e. in every attempt to create a new theoretical discipline on the basis of the critique of an established system of thought.

I will let the further discussion of this question open, in order to deal with the causes and the consequences of the non-perception by Marxists of the existence of two differentiated discourses on value in Marx's writings.

Anticipating what is to follow, my thesis may be summarised as follows: Most Marxists suppress the existing contradictions in Marx's work in an effort not to "undermine" the political effectivity of Marxism. That is they tacitly accept the one of the (two) opposite theses or conclusions as if it were the only one expressed in Marx's work and they suppress the other(s) (as if it has never appeared in Marx's writings). Besides, regarding the subject discussed here, Marx's monetary theory of value remains "unnoticed" by many Marxists, as a result of the domination of empiricism in most contemporary interpretations of Marx's economic theory.

6. The politically motivated sanctification of Marx

Marx's writings lay the tenets of the only scientific (and, for that reason, critical) theory of the capitalist relations of production. However, in these writings one may find not only the above-described ambivalences towards Classical Political Economy, but also other, less important discontinuities and contradictions.[12]

The duty and role of the Marxist theoretician should be, among other things, to clarify these dead ends in Marx's work, in the course of further developing Marxist theory. However, starting with Engels, most Marxists, among whom the vast majority

[11] According to *Discourse 1*: "Social labour-time exists in these commodities in a latent state, so to speak, and becomes evident *only in the course of their exchange*. (...) Universal social labour is consequently not a ready-made prerequisite but an emerging result" (Marx 1981: 45, emphasis added).

[12] The most characteristic example has to do with whether capital (exploiting labour) in the circulation process should be regarded as productive or unproductive, a subject on which Marx adopts mutually contradictory theses. In the *Grundrisse* (as well as in the *Results of the Direct Production Process* and in Volume One of *Capital*), Marx correctly considers all capital forms equally productive (i.e. producing surplus-value): "Insofar as circulation itself creates costs, itself requires surplus-labour, it appears as itself included within the production process. (...) Circulation can *create value* insofar as it requires fresh employment (...) in addition to that directly consumed in the production process" (Marx 1993: 524, 547). However, in Volume Three of *Capital*, Marx regarded capital in the circulation process as unproductive: "Commercial capital (...) creates neither value nor surplus-value" (Marx 1991: 395).

of the political and theoretical leaders of the socialist and communist movement treated and still treat Marx's work as the complete unfailing opus of Marxian theory.

This sanctifying stance towards Marx's writings has always been more or less politically motivated. As Marxism is closely related with the labour movement and the strategy of socialist transformation of capitalist societies, Marxists seem to have believed that they needed to show in every direction that their political course derives from a more or less complete, fully fledged and totally cohesive scientific theory, and that Marx's texts contain this theory.[13] This stance seems though to evoke results in an opposite direction.

To make this point clear, we must insist: Marxism is constructed not simply as a theoretical system, but also as an ideology of the masses, as an ideology which determines the political action of organisations and movements of the working classes.

However, Marxism-as-an-ideology-of-the-masses is not Marxist theory itself. It is certain of the conclusions of Marxist theory, which can function as "battle positions" and principles of political strategy for the workers', and wider people's movement: The class-expoitative character of capitalism, the innate conflicting of capital-labour, the concealed class character of the state and of its formally neutral apparatuses, the overturning of this capitalist political power as the precondition of socialism, etc., are conclusions of Marxist theory which in several historical circumstances comprised the basis of Marxism-as-an-ideology-of-the-masses (mass Marxism). Certain of its elements existed in pre-Marxist critiques of capitalism, while within the daily political and syndicalist struggle, the working class almost spontaneously may approach certain positions of this Marxist ideology, independently of any knowledge of Marxist writings.

In contrast, theoretical analyses like the ones in relation to the value form and money, or the expanded reproduction of the social capital, etc., comprise the component elements of Marxist theory, which as a rule, precisely due to their theoretical character, are not contained in what we have named Marxism-as-an-ideology-of-the-masses. They are part of Marxism-as-a-theoretical-system.

It may be true that strengthening of Marxism-as-a-mass-ideology constitutes a major precondition even for the development of Marxism-as-a-theoretical-system: Marxism having to struggle against the dominant bourgeois ideology, the systematisation of which and its promulgation is supported in the suffocating supremacy of the ideological state apparatuses (education, family, media, church, etc.), has only one advantage: Its capacity to intertwine with the condition of the struggle of the working classes; in other words, its ability to penetrate the working class, its ability to be reproduced as an ideology of the masses.

However, Marxism-as-a-theoretical-system shall not be reduced to Marxism-as-a-mass-ideology: A sanctifying stance towards Marx, which leaves uncriticised the Ricardian elements that have slipped into Marx's analyses (what we have described as Marx's Discourse 2), obscures the scientific substance of Marx's main Discourse, his *Critique of Political Economy*. It thus fetches up a "Ricardian Marxism", which means nothing less than the displacement of Marxist theory by alien to it theoretical discourses (Classical Political Economy or other forms of bourgeoisie theoretical discourse). In this case, Marxism is weakened not only as a theoretical system in its confrontation with theoretical constructs deriving from the Keynesian or the Neoclassical theory but also as an ideology of the labouring classes, as it cannot

[13] For exceptions from this rule see Milios et al, op. cit., 213.

vindicate its internal consistency or bring forward its ability to decipher the existing economic and social reality.

7. Empiricism and the problem of "measurability" of value

Marx's monetary theory of value (what we named "theoretical *Discourse 1*") constitutes a break with empiricism (and more precisely with that of Classical Political Economy), as it is grounded on the position that empirical observation does not suffice for comprehension of the causality which governs economic processes or that *the notion of reality* cannot be expected to manifest itself on the level of immediate experience.

In this way, theoretical categories are generated which constitute conceptual determinants of concrete (contemporary or historical) reality. Thus, for example, the Marxist concept of capital "does indeed appear *only as an abstraction*; not an arbitrary abstraction, but an abstraction which grasps the specific characteristics which distinguish capital from all other forms of wealth – or modes in which (social) production develops" (Marx 1993: 449).

Values show what prices *are*, without being the factor determining their exact level. Values as such cannot be measured quantitatively, and it is even more impossible to refer to the level of any value at all as such, taken in isolation. Values are expressed through their forms of appearance, prices, i.e. their expression is *mediated* through money.

Prices represent exclusively *forms of appearance* of value, and production prices represent that price level which secures average profit for all enterprises in – and all sectors of – the economy. Through competition between individual capitals, *prices* converge towards the levels of production prices, or in other words *production prices* constitute the "centre of gravity" for prices.

This monetary theory of value cannot be questioned by pre-monetary approaches, like the Neoricardian "linear production systems", on grounds of the argument that a model of calculating production prices without any reference to values can be constructed (which supposedly makes the Marxian theory of value "redundant"):[14]

The Neoricardian approach belongs to what Karl Marx defined as "vulgar Political Economy", as it does not even pose the question of what *are* the commodity prices, or why are use-values commensurate (and therefore exchangeable). It simply defines "prices" (of outputs) through "prices" (of inputs), in a way of circular tautology which is peculiar to all non-scientific discourses.[15] The mathematical formalisation can hardly disguise its lack of theoretical foundation. Exactly like

[14] The basic arguments concerning the superfluity of the theory of value and theoretical priority of the material system of physical quantities and material surplus were first formulated in 1900-1901 by Tugan-Baranowsky, who wrote: "No theory of value is necessary to explain why 15 million tons of grain are 50% more expensive than 10 million tons of the same item or why a person pays 10% more for 220,000 tons of cotton cloth than he does for 200,000 tons of the same product. (…) The social product is assigned a price in the course of the exchange process and the distribution of the social product between the various social classes is achieved through intervention of the price mechanism. (…) The price determines the part of the social product that is appropriated by each separate individual (…) The community as a whole does not have anyone to share its product with. Consequently, social wealth is independent of prices. It can be expressed only in use values (…) The theory of profit we have developed (…) is independent of every theory of value" (Tugan-Baranowsky 1969: 220, 221, 226).

[15] "The vulgar economists (…) assume the value of one commodity (…) in order in turn to use it to determine the values of other commodities" (Marx 1990: 174).

Neoclassical theory, Neoricardianism is situated in the category of pre-monetary approaches, since it takes as its point of departure a system of equilibrium between material quantities (use values) and then introduces "prices". By contrast, Marxist theory perceives that the conditions for reproduction of a capitalist economy are satisfied (when they are satisfied, in a context of economic cycles and crises) with the monetary *price* of each commodity *pre-established*, given that the exchange value of the commodities can be expressed only in mediated form, through money.

However, instead of rebutting Neoricardianism on the basis of Marx's monetary theory of value, the majority of Marxist economists quested for arguments in Marx's weak points, i.e. in his "Discourse 2". These Marxist economists, bound in empiricism, believed that that they could prove the "existence" of value and surplus-value (and their affinity to price and profit, respectively) if they "converted" values and surplus-values into respectively "equal amounts" of prices and profits.

In their effort to defend Marx's analysis on the "transformation of values into prices of production" they essentially distanced themselves from the Marxist monetary theory of value (Discourse 1). Following Marx's weak points (Discourse 2), these economists attempted to construct mathematical models in terms of which a redistribution of value and surplus-value among capitalists would emerge that would result in a uniform rate of profit and corresponding production prices, with the sum of production *prices being equal to* the sum of *values* and the sum of *profits being equal to* the sum of *surplus-values*.

However, it is not the case either that values take the form of empirically palpable entities to be transformed through competition into prices, or that the redistribution of values and surplus-values among capitalists leads to prices, because value and price are not commensurate. They are concepts existing on different analytical planes, so that there is *no way* the one can be "qualitatively identified" with the other.

The significance of the above is that the argument concerning the superfluity of the Marxist theory of value is mistaken: Marx's theory is the only theory which gives an answer to the question: what are *prices*? The concepts of value and surplus-value are a prerequisite for theoretical comprehension of the issue of what (production) prices are. The transition from values to production prices is a *conceptual* and not a quantitative one. So what is superfluous is the conceptual equation of values and production prices (or of abstract labour and money) as commensurate entities, towards which Marx relapses when he formulates the problem of "transformation" of values into production prices. Also superfluous is the Neoricardian reformulation of the scientifically "vulgar" theory of production costs. In this sense,

> "the real contribution of the Neoricardian critique of the theory of value consists in its successfully showing that a *pre-monetary* theory of value is superfluous for determining *non-monetary* production costs" (Heinrich 1999: 280).

Surplus-value is not the product of an exogenously given "profit rate" with the sum of "inputs" in a linear "production system". It is the specifically capitalist type of surplus-labour, more specifically the notion of a historically specific social relation of exploitation which manifests itself as profit (not as tribute, feudal compulsory labour, etc.) and which *can be measured* (empirically) only on the level of its form of appearance (in monetary units).

The linkage between surplus-value and profit is notional and not quantitative, meaning that:

a) it allows us to theoretically decipher profit as a historically specific form of exploitation (surplus-labour appropriation) and to comprehend the laws of motion of capitalism,

b) it reveals the "cause" underlying the trends of change of empirically measurable magnitudes (eg. the labour share, the profit rate, the capital intensity, etc.).

Marxist economic theory contains much more than the simple idea that there is production and appropriation (by the ruling classes) of a surplus product, i.e. surplus-labour. It is not enough for the Marxist economist to stick to this idea, then identify labour expended with value, further consider one hour of labour (with socially average characteristics of productivity and intensity) to be the measure of value and (in case that one feels that a further empirical verification is needed) torment himself or herself to prove (by direct measurement or mathematical calculations) that the sum of values equals the sum of prices and simultaneously the sum of surplus-values equals that of profits. Marxist economic theory exceeds this point by focusing on the *specific historical forms of surplus product and surplus-labour*; this is indeed what distinguishes capitalism from any other society of surplus product appropriation (i.e. from any other class society). To stick to the idea of surplus-labour (and its measurement) means to miss Marx's main point.

8. Conclusions

The above analysis can be summarised as follows:

a) Marx formulated a monetary theory of value; this theory constitutes a radical critique of (a rupture from) the Ricardian theory of value (conceived as "labour expended"). It consists the Marxian economic theory par excellence, which shall be further developed by Marxists, as it is the only theory that can critically interpret contemporary capitalism (crises, speculation, the endogeneity of money, the expansion of the monetary sphere, etc.).

b) The dominant interpretation of Marx's theory by Marxists is "Ricardian", in the sense that it ignores Marx's monetary approach, it misinterprets Marx's elaborations on the basis of "surplus-labour" (forgetting Marx's warning that "capital has not invented surplus-labour") and focuses on weak points of Marx's argumentation, such as the "transformation of values into prices of production".

c) Marx himself retreats to Classical (Ricardian) Political Economy at several points of his work, especially when he deals with the "transformation of values into prices of production" and with "absolute ground rent". Such ambiguities or contradictions should be expected not only for Marx but also for any theory that emerges as the critique of an established system of thought.

d) Marxian theory is attenuated when Marxists do not comprehend Marx's ambivalences towards Political Economy, i.e. the existence of conceptual contradictions and, much more important, of a second, non-Marxist, discourse in his writings. Every "sanctifying" attitude towards Marx, presenting him, as the blameless master who never made a single false step, practically blurs the scientific and heuristic kernel of Marx's analysis, as it identifies it with the Ricardian element, present in some of his elaborations.

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