Marx's Value Theory Revisited.
A 'Value-form' Approach

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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* (i.e. the immanent regularities and tendencies of capitalist social relations), 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 (CMP).

Marx specifies and develops the notion of value and through it all other notions reflecting 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) concept.[3] It is in this sense that his theory constitutes a *Critique* and not a correction (or a version) of Classical Political Economy (see also Arthur 2002: 33 ff.).[4]

[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).

[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 1872-Internet, 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, when Marx emphasised, from the very *first page* of Vol. 1 of *Capital*, before having spoken about capital, wage labour or surplus-value, that the products of labour become commodities in 'those societies in which the capitalist mode of production prevails', he simply called his readers' attention to the fact that his analysis should not be regarded as concluded when the first definitions were introduced. For a more detailed argument in concern with the thesis that Marx's notions are being gradually built up through his abovementioned method see Arthur 2002, Dimoulis, D. and J. Milios 2003.

[4] The point of departure shall always be a 'simple', i.e. easily recognizable form, which though may lead to the 'inner'-causal relationships: '*De prime abord*, I do not proceed from "concepts", hence neither from the "concept of value", and am therefore in no way concerned to "divide" it. What I proceed from is the simplest social form in which the product of labour presents itself in contemporary society, and this is the "*commodity*". This I analyse, initially in the *form in which it appears*' (MEW 19: 368, Marx 1881-Internet). 'The simple circulation is mainly an abstract sphere of the bourgeois overall production process,

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. The Introduction of Marx's Monetary Theory of Value: The Circulation of Commodities

Marx applies the above-described methodology to the elaboration of his concept of value. That is why he makes a Ricardian-like version of value as his point of departure. However, he did not restrict himself to this initial definition (according to which value is identified with the quantity of labour –with socially average characteristics of productivity and intensity– expended on the production of a commodity), but formulated a new, monetary theory of value.[5]

As it has been argued elsewhere (s. e.g. Heinrich 1999, Milios et al 2002, Milios 2002, Arthur 2002), Marx's theory of value shapes a new theoretical domain and a new theoretical object of analysis: Marx's concept of value constitutes a complex notion, a theoretical 'junction' which allows the deciphering of the capital relation, by combining the specifically capitalist features of the labour process with the corresponding forms of appearance of the products of labour.

Marx shaped thus a new theoretical discourse and a new theoretical 'paradigm' of argumentation. He showed that the products of labour become values because they are produced within the framework of the capital relation, (i.e. as 'products of capital' see Arthur 2002: 39-62). Further, that value necessarily manifests itself in the form of money.[6] Accordingly, money is the par excellence manifestation of value and thus of capital.

Value is the 'property' that the products of labour acquire in capitalism, a property which gains material substance, that is actualised, in the market, through the exchangeability of any product of labour with any other, i.e. through their character as commodities bearing a specific (monetary) price on the market. Value registers the *relationship of exchange* between each commodity and *all other* commodities and expresses the effect of the specifically capitalist homogenisation of the labour processes in the CMP, (production for-the-exchange and for-profit), as delineated through the concept of *abstract labour* (Milios et al 2002: 17-23).

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which manifests itself through its own determinations as a trend, a mere form of appearance of a deeper process which lies behind it, and equally results from it but also produces it –the industrial capital' (MEGA II, 2, 1980: 68-9).

[5] 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: 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.

[6] The product of labour 'cannot acquire the properties of a socially recognised universal equivalent, except by being converted into money' (Marx 1872-Internet, Ch. 3; MEW 23: 120).

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).

Marx commences with developing his theory of value (and of the CMP) from an analysis of *commodity circulation*. In order to decipher the form of appearance of value as money, he introduces the scheme of the 'simple form of value', in which, *seemingly*, a quantity of a commodity is exchanged for a (different) quantity of another commodity:

x commodity A is exchanged for *y commodity B*.

Classical economists have thought this scheme to be barter; they further considered that all market transactions may be reduced to such simple barter acts (merely facilitated by money, since, with its mediation, a mutual coincidence of needs is not required any more).

Marx shows however that in this scheme we do not have two commodities of pre-existing equal values (i.e. measured independently, e.g. by the quantity of 'labour expended' for their production) exchanging with each other. Instead we have only *one commodity* (the commodity acquiring the first, i.e. the 'left-hand position' or the *relative value form*), whose value is measured in units of a different use value (the 'commodity' acquiring the position of the equivalent, and thus serving as the 'measurer of value' of the commodity in the relative form). The second 'commodity' (in the position of the equivalent: B) is not an ordinary commodity (unity of exchange value and use value), but plays simply the role of the 'measure of value', of 'money', for the first commodity.

The value of the relative (A) is being expressed *exclusively* in units of the equivalent (B).[7] The value of the latter (of B) cannot be expressed; it does not exist in the world of tangible reality:

> '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).

It has come out therefore that the 'simple value form' does not amount to an equality in the mathematical sense or a conventional equivalence: x commodity A = y commodity B (which would imply that y commodity B = x commodity A). It is on the contrary characterised by a 'polarisation', i.e. by the fact that each 'pole' occupies a

[7] In a letter to Engels on June 22, 1867, Marx noted: '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*' (MEW, Vol. 31: 306).

qualitatively different position and has a correspondingly different function. This polarisation and this difference result from the fact that value is manifested (i.e., empirically appears) *only* in exchange value.

In other words the simple form of value tells us that x units of commodity A *have the value of* y units of the equivalent B, or that *the value of* a unit of commodity *A is y/x units of B*. In its Marxian version, the 'simple form of value' measures only the value of commodity A in units of the equivalent B.

From the analysis of the simple value form, Marx has no difficulty in deciphering the *money form*. For this purpose he utilises two intermediate intellectual formulas, the *total or expanded* and the *general form* for expressing value. The second form in this developmental sequence (the *general form* of value) is characterised by one and only one equivalent in which all the other commodities express their value. These commodities are thus always in the position of the *relative* value form. Only one 'thing' ('commodity') has come to constitute the *universal equivalent form of value* (Marx 1990: 161).

The first feature of money is its 'property' of being *the general equivalent*. 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*. 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, 1983: 42).

In Marx's theoretical system there cannot be any other measure (or form of appearance) of value. The essential feature of the 'market economy' (of capitalism) is thus not simply commodity exchange (as maintained by mainstream theories) but monetary circulation and money:

> 'The *social* character of labour appears as the *money existence* of the commodity and hence as a *thing* outside actual production' (Marx 1991: 649).

The fact that even the most straightforward act, that of exchanging two commodities must be understood as a procedure consisting of two successive monetary transactions, a sale followed by a purchase, in accordance with the formula C-M-C (where C symbolises the commodity and M the money) allows the comprehension of a main inherent trend of the 'market economy': the propensity of money to become independent from its role as a *means* of exchange or a measure of value, its tendency to become an '*end in itself*': On the one hand in the case of 'hoarding' (e.g. as a result of a sale that is not followed by a purchase: C-M), and on the other in the case that money functions as 'means of payment', i.e. when the purchaser appears in the act M-C as 'debtor', 'as the mere representative of money, or rather of future money' (MEW 23: 149; Marx 1872-Internet, Ch. 3).

> 'The circulation of commodities differs from the direct exchange of products (barter), not only in form, but in substance. (...) The process of circulation, therefore, does not, like direct barter of products, become extinguished upon the use-values changing places and hands (...) Circulation sweats money from every pore. Nothing can be more childish than the dogma, that because every sale is a purchase, and every purchase a sale, therefore the circulation of commodities necessarily implies an equilibrium of sales and purchases. (…) No one can sell unless some one else purchases. But no one is forthwith bound to purchase, because he has just sold' (MEW 23: 126-27, Marx 1872-Internet, Ch. 3).

Money is the 'material embodiment' of the social relations immanent in the CMP.[8] Production and circulation of commodities carries with it or rather presupposes money. With Marx's words:

> '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).

3. Marx's monetary theory of capital

Taking into consideration the above stated analysis, one comprehends that in Marx's theory of money the notion of the 'general equivalent' cannot be the final, but an *intermediate*, provisional and 'immature' concept in the course of the theoretical analysis. The same is valid for the sphere of circulation of commodities, which according to Marx builds the outer husk or the surface of the whole capitalist economy. The sphere of circulation is a structural feature of the CMP; it characterises no other mode of production.[9]

We saw that even from the moment that Marx introduces the notion of money as the general equivalent he argues that money does not only play the role of a 'means' or a 'measure', but that it also tends to attain the role of an 'end in itself' (hoarding, means of payment, world money). Here we have to deal with an *introductory definition of capital*, with the (provisional and 'immature') introduction of the *concept* of capital: money functioning as an end in itself.

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[8] Marx's notion of money presupposes the rejection of all 'historicist' 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 notion distinct from money in the CMP (the form of appearance of value and capital). Money had a different nature in societies where pre-capitalist modes of production prevailed: In those societies, money as means of exchange or a store of 'wealth' had played a rather marginal role, filling up the 'external pores' of society. In capitalism, by contrast, money is the most general form of appearance of the core economic relation, of capital (see the following section of this paper); it is the 'vehicle' through which the economy's structural relations manifest themselves.

[9] 'An analysis (...) would show, that the whole system of bourgeoisie production is presupposed, so that exchange value may appear on the surface as the simple starting point, and the exchange process (…) as the simple social metabolism which though encircles the whole production as well as consumption' MEGA II.2: 52 (*Urtext von 'Zur Kritik der Politischen Oekonomie'*, 1858). As Murray (2000) correctly notes, '*Marx's whole presentation of the commodity and generalised simple commodity circulation presupposes capital and its characteristic form of circulation.* It is perhaps the foremost accomplishment of Marx's theory of generalised commodity circulation to have demonstrated – with superb dialectical reasoning – that a sphere of such exchanges cannot stand alone; generalised commodity circulation is unintelligible when abstracted from the circulation of capital'.

In order to be able to function as an end in itself, money has to move in the sphere of circulation according to the formula M – C – M. Due to the homogeneity of money however, this formula is meaningless[10], unless for the case that it describes a quantitative change, i.e. an increase in value: The aim of this motion cannot be anything else than the continual 'creation' of surplus-money. The formula becomes then M – C –M′, where M′ stands for M+ΔM .

However, money can function as such an 'end in itself' only in the case that it dominates over the sphere of production and incorporates it into its circulation, M – C – M′, i.e. when it functions as (money) capital. The exploitation of labour power in the production sphere constitutes the actual presupposition for this incorporation and this motion. Thus '*the circulation of money leads (...) to capital*' (Marx 1993: 776).

Marx formulated and then developed the theory of capital on the basis of his concept of value. Capital is value which 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.

The capitalist appears on the market as the owner of money (M) buying commodities (C) which consist of means of production (Mp) and labour power (Lp). In the process of production (P), the C are productively used up in order to create an outflow of commodities, a product (C′) whose value would exceed that of C. Finally he sells that outflow in order to recover a sum of money (M′) higher than (M).

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. Marx's theory, being a monetary theory of value, is at the same time a monetary theory of capital.[11]

The motion of money as capital binds the production process *to* the circulation process, in the means that commodity production becomes a phase or a moment (although the decisive moment for the whole valorisation process) of the total circuit of social capital: M—C (= Mp+Lp) [→P→C′]—M′

> 'Value therefore now becomes value in process, money in process, and, as such, capital. (...) The circulation of money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits' (MEW 23: 167; 170; Marx 1872-Internet, Ch. 4).

The circuit of social capital attains its dynamics from the exploitation of labour power in the sphere of production. However, it is wider than the commodity production and circulation process, since it embraces also the spheres of credit and finance and the speculation associated with them.

[10] Or, better, aimless: it can neither cause a change in the quality nor in the quantity of the entity in motion.

[11] '(...) 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).

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

After the introduction of his monetary theory of value and capital, i.e., from Part 3 of Vol. 1 of *Capital* onward, Marx analyses the process of capitalist production and accumulation without making any more reference to 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 'disappearance' of the concept 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 complements his main, non-monetary analysis?

The answer is definitely negative. The 'absence of money' is due to the fact that Marx feels obliged, after the completion of Part 2 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*, so that the readers comprehend that surplus-value (which appears as profit) derives from surplus-labour. In other words, Marx tries in this section of his work to illustrate the process of class exploitation of the working class by capital, a process that is being concealed by the money relations between the capitalist and the worker.

More precisely, in Parts 3 - 5 of Volume 1 of *Capital*, Marx analyses the process of capitalist production and the 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 one 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-value with surplus-labour time expended on the production of a certain commodity. 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 nalue creating labour is *abstract labour*, i.e. capitalistically expended labour *utilised by capital* to produce exchange value (commodities).[12]

[12] 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 (e.g. the tenth of their wheat production, etc.) was also the product of surplus-labour. The total working time of those peasants (the direct producers in the specific mode of production) were significantly over 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 the surplus product produced by surplus-labour. This is

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 specificity of capitalism,[13] but about an exploitation process which is common in all modes of production. Surplus labour expenditure and the creation of a surplus product which is appropriated by the ruling class characterises every mode of production and not only the CMP:

> '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 1872-Internet; 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 the appropriation of surplus-labour manifests itself in capitalism (profit and money relations), is, as mentioned, the existing in these forms 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).

It is worth noticing that in all modes of production there exist self-generating consequences of concealment, but their tendencies may 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).

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 appropriated surplus-labour. It is a complex key notion which allows an insight into the

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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).

[13] To this point see also Arthur 2002.

specific difference of the process of class exploitation in a society of generalised commodity production, i.e. in a society where labour power appears also as a commodity: in capitalism.

5. Marx's second Discourse

Marx's long theoretical detour had serious consequences not only for his readers (who tend to ignore his monetary value and capital theory) but also for himself: At certain points of his work Marx becomes ambivalent towards Classical (Ricardian) Political Economy. This happens especially at certain points of his 1864-65 draft of Volume 3 of *Capital*, which were edited and published by Engels in 1894.

Before dealing with Marx's ambivalences towards classical Political Economy, let us resume the main theses formulated above:

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 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.

However, when Marx deals in Volume 3 of *Capital* with the 'transformation of values into prices of production', and later with 'absolute ground rent' he 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*: 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 the two 'invariance postulates', namely 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* *shall be equal to the total profit*. The 'transformation of values into prices of production' was aimed to provide that proof.[14]

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 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[15]; 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 theoretical consequences of the non-perception by Marxists of the existence of two

[14] 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).

[15] 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).

differentiated discourses on value in Marx's writings, and more precisely with the effects of the domination of empiricism in most contemporary interpretations of Marx's economic theory.

6. Empiricism and the problem of 'measurability' of value

Marx's monetary theory of value (what we named 'theoretical *Discourse I*') 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 *causality* 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, and without themselves possessing the same dimension with prices (so as to be equated with prices on the level of the economy as a whole). 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; they are measured as prices, in monetary units.

Prices represent exclusively *forms of appearance* of value, and production prices represent that price level which secures average profit for all enterprises in –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 can be constructed without any reference to values (which supposedly makes the Marxian theory of value 'redundant'):[16]

Karl Marx defined as 'vulgar Political Economy' all those approaches, which simply define 'prices' (of outputs) through 'prices' (of inputs), in a way of circular

[16] The basic arguments concerning the superfluity of the theory of value and the theoretical priority of the 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).

tautology which is peculiar to all non-scientific discourses.[17] Neoricardian theory develops its arguments in such a framework of circular tautology, and the mathematical formalisation it uses can hardly disguise its lack of theoretical foundation. Exactly like 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', while at the same time it does not even pose the question of what *are* the commodity prices, or why are use-values commensurate (and are therefore exchangeable). 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 'equal amounts' of prices and profits respectively.

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. They so 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* (the invariance postulates).

However, as already argued, 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 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).

[17] '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).

Surplus-value is not the product of an already established ‘profit rate’ and the ‘material inputs’, in a linear ‘production system’. It is the effect of the specifically capitalist mode of surplus-labour appropriation, more precisely 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).

Our thesis that the linkage between surplus-labour, surplus-value and profit is notional and not quantitative implies the following:

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 value unit 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 production and appropriation*; this is indeed what distinguishes capitalism from any other class society. To stick to the idea of surplus-labour calculation means to miss Marx’s main point.

8. Conclusions

The above analysis may 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 constitutes 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.

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 abstraction level of ‘surplus-labour’ (forgetting Marx’s warning that ‘capital has not invented surplus-labour’), and focuses on the weak points of Marx’s writings, like, e.g., the ‘transformation of values into prices of production’.

c) The existence of ambiguities or contradictions should be expected not only for Marx but also for any theory that emerges as a radical theoretical 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 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). 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.

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