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The Labour Theory of Value: Materialist versus Idealist Interpretations

ABSTRACT

This paper presents a novel interpretation and affirmation of Marx's initial arguments for the labour theory of value in *Capital*. The materialist principles that (i) powers are materially based, and (ii) 'labour' articulates nature and society, are developed so as to validate and emphasise Marx's opening arguments. The argument is presented as a novel addition to existing critiques of 'systematic dialectics' and of 'value form theory'. Though having some resemblance to critical realism, the materialist and dialectical underpinnings of the argument are drawn from the philosophy of E.V. Ilyenkov.

Key words: Capitalism; Dialectics; Labour Theory of Value; Marxism; Methodology

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Introduction

Amongst the current literature on Marx's method, a group of authors including Arthur (e.g. 2002b), Reuten (e.g. 2004a), Smith (e.g. 1990) and Williams (e.g. 2001) have, in recent years, advanced our understanding of Marx and hence of capitalism very significantly. These authors have articulated the need to develop a comprehension of capitalism systematically from abstract to concrete with great clarity, drawing explicit inspiration from Hegel (Brown, Slater and Spencer, 2002). They argue, in different ways, that Marx tries to break free from classical political economy through the employment of this essentially Hegelian method of 'systematic dialectics' (despite Marx's own critique of Hegel).

Arthur (2002b) discusses the approach of this broad group, which could be described in full under the heading 'contemporary and Hegel-inspired systematic dialectics', and will be termed 'systematic dialectics', for short, below. In sometimes very different respective ways, members of this group successfully defend systematic dialectics against the charge of 'idealism' on many different interpretations of that term. However, no member of the group defends systematic dialectics adequately against E.V Ilyenkov's (1977; 1997) interpretation of 'idealism'. Elsewhere (Brown, 2002a), a *philosophical* argument for the above assertion has been made, setting out Ilyenkov's philosophy of materialist dialectics. This paper aims to bring out corresponding *theoretical* deficiencies in systematic dialectics, in particular regarding Marx's labour theory of value.¹

Systematic dialectics does not vindicate Marx's initial arguments in *Capital* for the 'necessity' of the proposition that abstract labour is the substance of value. Some systematic dialecticians view the proposition as a plausible hypothesis, the necessity of which cannot be established at the outset, whereas others deny the proposition altogether (see Moseley, 1993b, pp.10–11). Many systematic dialecticians draw upon 'value form theory'², to support their respective positions. This paper offers a novel interpretation of Marx's initial arguments for the labour theory of value in *Capital* by way of critique of systematic dialectics. The materialist principles that (i) powers are materially based, and (ii) 'labour' articulates nature and society, are developed so as to validate and emphasise Marx's opening arguments. This represents a novel addition to existing critiques of systematic dialectics and of value form theory.³

It is important to note that the two aforementioned materialist principles appear consonant with critical realist philosophy (Lawson, 1997; 2003). The impression of consonance is strengthened by the fact that critical realism also critiques Hegelian idealism (Bhaskar, 1993). However, elsewhere it has been argued that (i) critical realism does not stress the positive contribution of systematic dialectics, the need to develop a comprehension of capitalism systematically from abstract to concrete;⁴ (ii) critical realism is ambivalent towards

¹ Though Marx never uses the phrase 'labour theory of value', it has a long history within the literature (Fleetwood, 2002, p.83) and is, according to the argument below, apposite.

² Taylor (2000) provides a clear presentation of value form theory and of Hegel-inspired systematic dialectics.

³ Such critiques include Elson (1979), Likitkijksomboon (1995), Moseley (1997) and Saad-Filho (2002, Ch. 2).

⁴ See for example, Arestis, Brown and Sawyer (2003), Brown et. al. (2002) and Roberts (2001).

‘materialism’ (as opposed to ‘realism’)⁵. This paper argues that (i) and (ii) explain why critical realist interpretations of the labour theory of value⁶ do not develop the two materialist principles in the manner of set out below.

The practical significance of this paper is two-fold. Firstly, the novel interpretation of the labour theory of value is intended as a deepening, or illumination of abstract aspects, of a distinctive strand within Marxian political economy, viz. that represented by Fine, Lapavistas and Saad-Filho (2004), Fine and Saad-Filho (2004) and Saad-Filho (2002). As such, the interpretation can aid comprehension of, and potentially refine, this strand (Brown, 2002a). Secondly, the argument is, in effect, a novel rebuttal of influential and century-old criticisms, from Böhm-Bawerk (1984) onwards, of Marx’s opening arguments in *Capital* (see Park, 2003, for a recent discussion of Böhm-Bawerk’s criticisms).

The paper is structured as follows. Marx’s opening arguments in *Capital*, Vol. 1, Ch.1, will be considered in turn: the choice of starting point; the argument that a ‘third thing’ must underlie exchange value; the argument that ‘labour’ must constitute the ‘third thing’; the argument that this is ‘abstract’ and ‘congealed’ labour; and the argument for the necessary development of ‘value form’ will each be affirmed. At each stage, the idealist deficiencies of systematic dialectics will be critiqued. The conclusion brings out the broader significance of the argument as a whole.⁷

The Starting Point of Marx’s *Capital*

Brown (2002a) sets out Marx’s philosophy of ‘materialist dialectics’ as interpreted by Ilyenkov (1977; 1997). This philosophy substantiates the well-known fact Marx examines society as a specific ‘mode of production’, the contemporary mode being capitalism. The presentation below will demonstrate how materialist dialectics is drawn upon and developed in Marx’s opening arguments in *Capital*. Thus it is the theoretical implications, or manifestations, of materialist dialectics that are brought out below, rather than the philosophical foundations.

The differences between materialist dialectics and systematic dialectics will be emphasised below. It must first be noted, however, that there are points of agreement between materialist dialectics and systematic dialectics. Both agree that what Marx termed the ‘method of presentation’ proceeds from an abstract and simple starting point to progressively more concrete and complex categories. They agree that the identification and overcoming of contradictions is vital to this theoretical development (termed ‘dialectical derivation’). These are very important points of agreement. The absence or misinterpretation of Marx’s notion of the ‘method of presentation’ – the aforementioned method of developing from abstract to concrete categories – is characteristic of most well-known theories, methodologies and philosophies, including critical realism, and hence of most interpretations of Marx (Brown et. al. 2002; Roberts, 2001).

Marx’s starting point for comprehending (presenting) the capitalist mode of production is the commodity as the elementary form of capitalistic wealth:

⁵ For example, Creaven (2000) and Roberts (1999).

⁶ Recent examples are Engelskirchen (2003), Ehrbar (2002) and Fleetwood (2002).

⁷ The focus on the opening arguments in *Capital* means that the ‘method of presentation’ is under scrutiny. This paper will not discuss the prior ‘method of inquiry’ in any detail (the distinction between the two methods is explained in Brown et. al., 2002).

The wealth of those societies in which the capitalist mode of production prevails, presents itself as ‘an immense accumulation of commodities,’ its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity. (Marx, 1998a, p.53)

Despite the aforementioned points of agreement between systematic dialectics and materialist dialectics regarding the starting point of the method of presentation, there remain essential points of disagreement regarding this starting point. Correspondingly there is disagreement over the legitimacy Marx’s own choice of the commodity as starting point. Reuten (1993) is most starkly at odds with materialist dialectics, and with Marx, regarding the starting point and this section will focus upon his position.⁸ Reuten states:

Is this, the commodity, the most abstract all-embracing concept for the capitalist mode of production? I doubt it. For example, does it embrace in itself a notion of the activity of the creation of useful objects in capitalist form? (Reuten, 1993, p.96)

For Reuten, the starting point should be an ‘abstract universal notion’, embracing all the particulars, if only abstractly. The ‘commodity’ with which Marx begins does not do this because it does not, for Reuten, embrace ‘within itself’ the notion of production. Reuten (1993) goes on to suggest that this is evidence that Marx has not broken sufficiently from the method of classical political economy. However, a simpler interpretation is that Marx’s materialist dialectics is different to Reuten’s version of systematic dialectics, as follows.

Marx’s development of materialist dialectics for the study of capitalism is, on the interpretation offered here, rooted in the characteristic and dominant ‘appearance forms’ of ongoing day to day contemporary social production and social life. In our ongoing day to day activity within capitalistic society we continually encounter commodities, amongst many other particular and individual things. Marx starts the presentation with this characteristic form of the product, the commodity as such, abstracting from all other aspects encountered (including non-products that appear as commodities). Later in the presentation Marx will introduce further ‘forms’, i.e. further experiences and activities dominant in the day to day life of individuals within capitalism. In particular he will ‘derive’ the form of simple circulation (C-M-C) and then introduce the form of capital (M-C-M’). On this interpretation, Marx’s key arguments develop from the firmest of foundations, for they develop from nothing more than the indisputable presence of these manifest forms, these ongoing experiences and activities which are so common that they are seldom rigorously problematised at all. Marx does no more than comprehend the nature of these forms, uncovering the relations of production, the specific society that their prevalence necessarily implies.

From a methodological perspective the focus on an immediate everyday experience as starting point is superficially similar to the critical realist notion that manifest ‘demi-regs’ (Lawson, 1997) initiate research. However, the similarity is misleading. The starting point has not been arrived at by ‘surprise’, as in the typical case discussed within critical realism, rather it has been carefully and systematically arrived at by the ‘method of inquiry’ that has preceded the method of presentation (Brown et. al., 2002). The mode of inference that proceeds from the starting point is not the hypothesis (‘retroduction’) of new entities at another level of being, as

⁸ Reuten’s position is a development of that found in Reuten and Williams (1989). The differences between other systematic dialecticians (e.g. Arthur, 1993; 2004; Smith, 1990) and materialist dialectics regarding the starting point are more subtle, though turn on similar issues.

in critical realism. Rather the mode of inference is that of a series of (dialecto-)logically necessary derivations from, or developments of, this starting point, grasping the mode of production of which it is a necessary part.

The starting point of *Capital*, the commodity as such, appears as on the one hand a use value, on the other an exchange value. As an exchange value it is related to all other commodities and, as Lenin puts it:

Marx first analyses the simplest, most ordinary and fundamental, most common and everyday *relation* of bourgeois (commodity) society, a relation encountered billions of times, viz. the exchange of commodities. In this very simple phenomenon (in this “cell” of bourgeois society) analysis reveals *all* the contradictions (or the germs of *all* the contradictions) of modern society. (Lenin, 1972, pp.360–61, cited approvingly both by Ilyenkov, *ibid.*, p.85, and Saad-Filho, 2002, p.113)

Thus, Lenin summarises two aspects of the starting point that have been emphasised above. Firstly, Lenin refers to the immediate, everyday nature of the starting point, in stark contrast to Reuten’s view that the starting point should be an abstract universal. Secondly, Lenin refers to the unique status of the starting point as the ‘cell-form’ for developing a grasp of capitalism, a status that has no counterpart in extant critical realist methodology. A third aspect (not in the above quotation) is that the commodity as a product of labour is focused upon (non-products are abstracted from) since it is the relations of production that are of interest (this contrasts with Arthur, 2004, who does not agree that non-products should be abstracted from initially).

The Existence of the ‘Third Thing’

On the basis of the starting point established, Marx argues that a ‘third thing’ must underlay the exchange value of the commodity:

A given commodity, *e.g.*, a quarter of wheat is exchanged for x blacking, y silk, or z gold, &c.—in short, for other commodities in the most different proportions. Instead of one exchange-value, the wheat has, therefore, a great many. But since x blacking, y silk, or z gold &c., each represents the exchange-value of one quarter of wheat, x blacking, y silk, z gold, &c., must, as exchange-values, be replaceable by each other, or equal to each other. Therefore, first: the valid exchange-values of a given commodity express something equal; secondly, exchange-value, generally, is only the mode of expression, the phenomenal form, of something contained in it, yet distinguishable from it. (Marx, 1998a, p.56)

At this stage, Marx has not introduced ‘labour’ as constituting the third thing. He has simply and briefly argued that there must be some or other third thing, without suggesting what this third thing is. This argument has been subject to many well-known criticisms. It can be counter-argued that there is no ‘logical’ necessity for the identity of diverse commodities, as exchange values, to be underlain by some ‘third thing’, common to them all, of which exchange value is merely the ‘mode of expression’ or ‘phenomenal form’ (Schumpeter, 1954, develops this view; Samuel Bailey had engaged Marx’s mind with similar views, see Rubin, 1982, p.108, and Kliman, 2000). According to ‘formal’ logic, it is ‘logically’ possible for commodities to have (many) exchange value(s) without any third thing. More pertinently, perhaps, it can be argued that there is no physical or, more generally, ‘natural’ necessity for

the third thing, according to the conception of scientific laws contained in the best known philosophies of science, whether prescriptive (Popper, Lakatos) or descriptive (the current ‘recovery of practice’).⁹ At best, it might seem that Marx is making a ‘hypothesis’ for which he should not claim *necessity*.

Systematic dialecticians seldom address this issue separately from the subsequent introduction of ‘abstract labour’ as constituting the ‘third thing’ in question. Arthur (1993; 2004) is an exception. He recounts the above argument against the invocation of a third thing, stating ‘it seems to me that this argument has much more force than most Marxists allow’ (Arthur, 1993, pp.76–7). According to Arthur, in initially considering exchange value, ‘we have only the *postulate* of identity in essence and of common measure’ and ‘there need not, however, *be* any such identity or resulting immanent determination of exchange ratios’ (ibid., p.76). Only later theoretical developments can establish such necessity on Arthur’s view (Arthur, 2004). Thus systematic dialectics in general does not explain Marx’s argument on the existence of the third thing and Arthur in particular rejects it.

The Need for a ‘Determinate’ Underlying Material Property

For materialist dialectics, by contrast, it is an absolute necessity for a common power to be underlain by a common and determinate material property. This is not so much a profound philosophical principle as a statement of the obvious: powers do not spring up on their own, rather they are inherent expressions of definite forms of matter. Materialist dialectics affirms this view but prevalent positions within contemporary philosophy and corresponding interpretations of Marx do not. The critical realist proposition that powers are tied to structures is similar to that of materialist dialectics. However, critical realism does not see structures as being *absolutely* necessary to powers, thus a force field is taken within critical realism to be an example of a power that lacks any structural ground. Hence the postulation that something underlies a given power is initially a ‘hypothesis’ according to critical realism, rather than being absolutely necessary as it is for materialist dialectics. According to materialist dialectics, speculative hypotheses are to be avoided at this very abstract and simple level of the method of presentation.

In the case at hand, the common power, or way of acting, of commodities is their ‘exchangeability’, in definite proportions. In other words, and in common parlance, this power is the ‘purchasing power’ conferred on individuals by virtue of their ownership of commodities. That the power ultimately resides in commodities, rather than individuals, is confirmed by the fact that it is the commodities that confer the power in question to the individual owner, and not the other way around. For critical realism, this power of exchangeability in definite proportions (purchasing power) would usually be thought to be underlain by some or other social structure, where a social structure is constituted by internal relations between social positions, practices or roles (e.g. Fleetwood, 2002; Engelskirchen, 2003). The initial step of Marx’s argument, however, looks for a common property of the commodity itself, rather than searching directly for social relations between people (or any other relations or properties) that are distinguishable from the commodity. This initial step nevertheless results in the uncovering of specific social relations.

⁹ See Hands (2001) for a review of developments within economic methodology and science theory.

Thus, according to a materialist dialectics interpretation of Marx's argument, the common power of 'exchangeability' (in definite proportions) of commodities, must be underlain by a common and determinate material property of commodities. That this common property must be 'determinate' means that the variations in the *particular form* taken by the property in each respective commodity (e.g. the *particular* respective length or weight or age of each commodity) must be systematically related to the corresponding respective exchange values of each commodity. The circumstance that each commodity has length *as such* is not, for example, enough to suggest that length is the sought after 'third thing' underlying exchange value. Only if variations in exchange value were systematically related to variations in the length of the commodity could length be the common and determinate material property. A relationship of *proportionality* between the magnitude of the underlying material property and the magnitude of exchange value is the simplest possible systematic relationship that may obtain but proportionality, whether for each individual commodity, or merely on average, is not necessary. All that is necessary, according to the materialist argument, is that *some or other* systematic relationship obtains between the underlying determinate material property and the magnitude of exchange value. This is because matter can exist only in determinate form, and so to abstract from all determinate material properties (to have no systematic relationship with any such property) is to abstract from (have no systematic relationship with) matter itself.¹⁰ Such an abstraction is precisely what materialism forbids (Ilyenkov, 1977, Essay 2).

At this very early stage of Marx's argument, it is strictly speaking incorrect to introduce considerations thrown up in the vast literature on Marx's labour theory of value, which pertain to later stages. However, any acquaintance with the literature is likely to evoke the following response to the above paragraph: 'what about the transformation problem?' This is the problem, known at least since Ricardo, that money prices and labour times are not, in general, proportional to one another in reality due, *inter alia*, to profit rate equalisation. Indeed one commentator famously and mischievously referred to Ricardo's labour theory of value as a '93% theory of value' on this account (Stigler, 1958). The implication is that without proportionality, the labour theory of value offers an incorrect or at best a partial grasp of the 'third thing', if such a thing exists at all. Materialist dialectics, however, rejects this implication. For materialist dialectics all that is required is that a *systematic* relationship between the 'third thing' and prices exists, there is no requirement for *proportionality*. Without such a systematic relationship then materialism would be falsified but the question of proportionality is not relevant.¹¹

¹⁰ Dancy's (1987, Ch. 3) straightforward notion of 'determinate abstraction' has been adapted in the above discussion. For Dancy, abstraction is a mental operation – particulars are 'abstracted from' in thought. In the above discussion, however, to 'abstract from' means to 'have no systematic relationship with' – thus this notion refers to a relationship that holds in immediate reality, rather than to a mental operation. In the literature on value this notion of 'determinate abstraction' has sometimes been called 'real' (e.g. Arthur, 2001) or 'actual' (e.g. Reuten and Williams, 1989) abstraction.

¹¹ Rubin (1982, p.110) is correct in noting that, unless 'value' (the 'third thing') exists – and by implication has some some or other systematic relationship with price – no explanation of exchange would be possible; complete chaos, or at least, complete unintelligibility would ensue. This is precisely what the materialist conception of matter-in-motion (more complexly, the notion that common powers are expressions of common material properties) recognises. Materialist dialectics goes much further, in that it coherently applies that principle of 'intelligibility' to all things, and argues that the only 'alternative' is (Humean) irrationality (Brown, 2002a).

Marx's argument takes for granted what is, to him, this patently obvious materialist principle, that powers are tied to material properties. This materialism is indicated at the outset (the reference to 'mode of production' noted above) and suffuses the whole of *Capital*. Marx had no need to justify materialism in his critique of classical political economy, by spelling out its' basic principles, because classical political economy was itself materialist (Clarke, 1982). Little wonder, then, that the argument discussed above is presented by Marx in little more than a few lines. Systematic dialectics (in common with many other contemporary positions) does not recognise or does not agree with this materialist principle. Disagreement is demonstrated starkly by Arthur (personal communication; see also 2004), who comments:

I see no reason why an artificial form thrown up in exchange necessarily has a common substance. The supposed 'power' of exchangeability would be a fetish imputed on the basis of what exchangers do.

It is important to consider carefully the implications of this, at first sight, quite plausible comment. In essence the comment implies that society is able to create systematically ('throw up') something (a 'form') that has no necessary relation to matter. This further implies that society is able systematically to create something that *abstracts entirely from (is entirely unrelated to) material production*.¹² Arthur's view expresses precisely *idealism* according to the materialist philosophy advocated within this paper. In the history of philosophy the paradigmatic case of a 'thing' which abstracts entirely from matter is precisely the *ideal*, or 'mind', and the paradigmatic argument in favour of such a 'substance' is that offered by Descartes (Brown, 2002a; 2002b). Further consideration of Marx's value theory, as interpreted through materialist dialectics, will serve both to develop these points and to explain why systematic dialecticians might be led to idealism.

The Common Determinate Property: Being the Product of 'Labour'

Marx's next argues that being the product of labour is the only common property of commodities as exchange values:

As use-values, commodities are, above all, of different qualities, but as exchange-values they are merely different quantities, and consequently do not contain an atom of use-value ... If then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour. (Marx, 1998a, pp.56–58)

To call being the product of labour the *only* common property of commodities as exchange values raises the well-known objection that other common properties can be pointed out. What about scarcity, utility, being appropriated (Böhm-Bawerk, 1984, pp.74–5), simply existing on the planet, being under the stars (Kay, 1979, points out the latter examples if only for ridicule), etc? *None* of the contributors to Moseley (1993a) – including systematic dialecticians such as Arthur, Murray, Reuten, Smith and Campbell – vindicates Marx's early claim that being the product of labour is the only common property (Moseley, 1993b, pp.10–11). Reuten (1993, p.97) specifically objects to the 'reductive abstraction' that Marx appears to have undertaken. Smith (1990, p.67) actually attempts to defend Marx's argument but he agrees explicitly that 'there are indeed a variety of factors common to commodities'. Furthermore, some systematic dialecticians attempt to diagnose the problem that leads Marx into his alleged error. Arthur (1998) concludes that Marx is methodologically 'confused'

¹² This is a 'determinate abstraction', in the sense defined above.

especially regarding the relationship of Hegel's method to that employed by Marx. Reuten (1993, p.110) and Reuten and Williams (1989) go further and suggest that Marx's reference to labour as the 'substance' of value 'embodied' in the product is symptomatic of Marx's alleged inability to free himself completely from the legacy of classical political economy. Thus, Marx was unable to embrace a truly rigorous and Hegelian systematic dialectical exposition, on the view of these authors.

Materialist dialectics, however, affirms Marx's argument. As noted above, Marx is searching for a common determinate material property to which the power in question – the 'exchangeability' or purchasing power of commodities – is tied. The various suggested alternative 'common properties' (ignoring the ridiculous) – utility, scarcity, being appropriated – refer to relations that the commodity enters into as a *use value*. Thus commodities confer utility to people as use values. A commodity is scarce in so far as people want, but are unable, to use (consume) it. Commodities are appropriated for use (consumption). Materialism disallows a 'purely subjective' or 'purely ideal' notion of 'utility' found in neoclassical economics, i.e. a notion of utility that is abstracted entirely from the material properties of the use value. Instead, materialism stresses that the natural material properties of the object confer its usefulness, and make it a use value.¹³ Therefore, if use value is to be the third thing, there must be a common and determinate natural material property of commodities that is systematically related to exchange value. However, Marx notes that 'the exchange of commodities is evidently an act characterised by total abstraction from use-value' (Marx, 1998a, p.57).¹⁴ This means, firstly, that the natural material properties common to all commodities as use values – mass, height, age, etc. – have no systematic relationship with exchange value, hence cannot be the sought after common property. Secondly the diverse natural material properties that constitute different commodities, giving them their specific use are, by definition, not common to all commodities.

The complete abstraction from the commodity as a use value in exchange must immediately strike a materialist as contradictory. For, it would appear that exchange value does after all abstract entirely from all determinate material properties of the commodity and thereby that exchange value falsifies the materialist principle that powers are tied to determinate material properties. As noted above, contradictions are central to theory development, according to both materialist and systematic dialectics. Marx, on noting this apparent feature of commodities as exchange values, is therefore keen to stress and to explain this 'ghostly' nature of value. Systematic dialecticians also stress this feature.¹⁵ There are, however, crucial respects in which systematic dialecticians differ from Marx and materialist dialectics. Firstly the abstraction from *natural* matter in exchange suggests the need to invoke the existence of a *new* 'substance' different from natural matter, just as Descartes invokes the new substance, 'mind', on finding it impossible to explain the behaviour of thinking beings in terms of matter (Brown, 2002a; 2002b). Thus, having discussed the abstraction from use value in exchange, Marx characterises the third 'thing' underlying exchange value as a common 'substance'

¹³ Of course, use value is subjectively and socially mediated. The point is that without the natural material properties of the object there would be nothing to mediate and that these material properties constrain and enable such mediation.

¹⁴ In the terminology discussed above this is an example of a 'real' or 'actual' abstraction.

¹⁵ Arthur (2002a) argues that value is 'spectral' in nature, drawing upon copious citations from Marx. Reuten and Williams (1989) refer to value as a 'pure form' that is as abstract as time and space.

(Marx, 1998a, pp.56–8).¹⁶ Hence Marx’s use of the term ‘substance’ is philosophically precise, rather than being a mistaken ‘metaphor’, as Reuten (1993) suggests.

Secondly, unlike systematic dialectics, Marx requires that the apparent contradiction with materialism must be explained (‘sublated’). Given materialism, there *must* be a determinate material property underlying exchange value, despite the ‘spectral’ (ghostly) nature of value. In order to comprehend just what the ‘common substance’ is, it is necessary (but not sufficient) to recognise that humanity (and any like body, elsewhere in the universe) is the highest form of matter and reacts back upon other forms of matter in the process of self-development, termed ‘labour’. The product is therefore an *embodiment* or *objectification* of human labour. This notion of the objectification or embodiment of labour is an aspect of Marx’s general philosophy of materialist dialectics (see, in particular, Ilyenkov, 1977, Essay 2).¹⁷ Just as commodities have a natural material commonality, just as they are all constituted by ‘matter’, whatever the specific form of that matter, they also have this common material property of being products (hence embodiments) of labour.¹⁸ This second commonality is dependent on the first, since the labourer is a special form of matter able to creatively transform, so as to produce the diverse products here taking the form of commodities. When considered as embodiments of labour, Marx notes that there *is* a *social* ‘residue’ (Marx, 1998a, p.57, cited above) left after abstraction from all *natural* material properties of the commodities in exchange, as explained below.

Exchange value completely abstracts from (has absolutely no systematic relation with) the natural material properties of the commodity. So value is a total abstraction from natural ‘matter’. It would seem, at first, that absolutely no material properties are left, even when commodities are considered as products of labour. For, each and every individual and particular property of labour must have been abstracted from in exchange. If exchange abstracts from (has no systematic relation with) size, weight, colour, etc., then it abstracts from (has no systematic relation with) the particular and individual labours that have produced and crafted these particular determinate properties. However, along with the universal attributes of *natural* matter (size, age, etc.), the products of labour in all *social* formations (whether or not the products predominantly take the form of commodities), have the property of requiring a definite quantity of social labour time. All societies must distribute labour in definite proportions, so that the necessary social labour time for production of items of material wealth must be determined within any society. As Marx puts it:

¹⁶ Murray (1993, p.49) suggests that Marx’s discussion of abstraction in exchange is purposefully redolent of Descartes’ famous discussion of wax in the *Meditations* (Descartes, 1980, pp.64–7). However, the interpretation above emphasises the importance of the *disanalogy* between Descartes’ discussion of wax and Marx’s discussion of exchange value. For Descartes, ‘all observed phenomena’, including therefore wax, can be ‘explained by ... the size and shape of the various particles into which... [matter] ...is divided’ (Cottingham, 1995, p.190). This is why the ‘substance’ of wax is, for Descartes, not ‘mind’ but ‘matter’. In contrast to Descartes’ discussion of wax, Marx notes that exchange value *cannot* be explained by reference to natural matter and hence a *new* substance must be invoked. Marx’s discussion parallels Descartes’ discussion of ‘thought’ (ibid., p.191; see also Brown, 2002a, Chapter 4; 2002b), rather than of wax.

¹⁷ Rubin (1982, p.1), writing in Russia during the 1920s, notes that, from Hilferding onwards, there had been a recognition of the importance of Marx’s trans-historical concept of labour for the comprehension Marx’s labour theory of value. This tradition was, of course, interrupted by the Soviet authorities – Rubin himself was arrested in 1930, then exiled and eventually killed (ibid., p.xxxx).

¹⁸ Recall that Marx begins with commodity as the characteristic form of the product, hence initially abstracts from non-produced items; they are introduced below.

Every child knows a nation which ceased to work, I will not say for a year, but even for a few weeks, would perish. Every child knows, too, that the masses of products corresponding to the different needs required different and quantitatively determined masses of the total labour of society... That this *necessity* of the *distribution* of social labour in definite proportions cannot possibly be done away with by a *particular form* of social production ... is self-evident. No natural laws can be done away with. (Marx, 1988)

Unlike the natural material attributes, exchange value (the characteristic form of the product only of capitalistic society) does *not* utterly or palpably abstract from (lack any systematic relation with) social labour time necessary for production. There are, of course, many cases where a commodity's exchange value magnitude appears to have little relation to social labour time, e.g. antiques, memorabilia, cultivated land, not to mention those things that have no social labour time contained in them at all (e.g. uncultivated land). Furthermore, in most cases there appear to be other factors independently determining the magnitude of exchange value even if necessary labour time is one factor: examples are the rate of profit (apparently reflecting, amongst other things, the level of competitive pressure), the rate of interest and of tax. However, these various apparent differences between the relative magnitudes of social labour time and of exchange value pale into insignificance relative to the total abstraction of all other determinate material properties from the commodity, in exchange. Specifically, this means that it is obviously impossible to establish a systematic relationship between exchange value magnitude and size, weight, age, etc. whereas such a relationship may obtain between exchange value magnitude and socially necessary labour time, though it is clearly not a proportional relationship. It was noted above that materialism requires only that there is *some* systematic relationship between exchange value and the underlying material property; this does not have to be a *proportional* relationship. Given that socially necessary labour time is the only possible candidate for such a relationship, it must be concluded, with Marx, that the property of being an embodiment of socially necessary labour of definite duration is the material property that underlies exchange value. The deviations from proportionality between social labour time and exchange value must be systematically accounted for through further theoretical development – this is a *quantitative* implication of Marx's argument thus far presented.

Just as materialism was intrinsic to classical political economy (as noted above), so was the labour theory of value, as most strongly proclaimed by Ricardo (Reuten, 1993). Hence, Marx devotes just the first few paragraphs of *Capital*, Vol. 1, Ch. 1, to the argument for the labour theory of value interpreted above. Of course, classical political economy has since been confined to obscurity and the initial paragraphs of *Capital* have become a source of puzzlement to even the most sympathetic of readers. Systematic dialectics ultimately serves to reinforce such puzzlement, and to obscure the true nature of capitalism. Systematic dialectics downplays, or rejects, the notion of the embodiment or objectification of human labour in the product. Arthur (2002a, p.229) argues that the 'proper place' for 'metaphysical considerations' regarding the objectification of labour should be confined to capitalism alone. Reuten (1993) argues that the trans-historical notion of labour embodiment is incorrect or 'outmoded'. For materialist dialectics, by contrast, labour embodiment as such occurs in all societies. Classical political economy failed to recognise the *specificity* of the labour that constitutes the third thing but this does not invalidate the trans-historical notion of labour embodiment. Rather, the trans-historical notion must be developed, i.e. made specific, in order

to grasp capitalism. It is in principle impossible for systematic dialectics to elucidate the specificities of labour embodiment within capitalism because systematic dialectics does not first grasp the general notion of labour embodiment adequately. Without such a grasp, and without the materialist principle that powers are underlain by material properties, systematic dialectics is unable to offer any reason to search for a determinate material property underpinning exchange value, nor to offer any hope of finding such a property, at this stage of the presentation.

Value as the ‘Congelation’ of ‘Abstract’ Labour

No sooner has Marx stated that ‘[i]f then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour’, than he immediately, in the very next words, adds the qualification, ‘[b]ut even the product of labour itself has undergone a change in our hands’ (Marx, 1998a, pp.56–58). To comprehend this change, recall the argument thus far presented. It was argued above that, firstly, there *must* be a third thing, a property of the commodity, which enables the ‘exchangeability’ or purchasing power of the commodity. Secondly, it was argued that the common property is being the product of labour, where labour has been, in exchange, stripped of all natural material qualities, such that the only determinate aspect left is its’ duration. Materialist dialectics is thereby forced to face up to the unpalatable conclusion that the ‘third thing’ is constituted by labour in the abstract, stripped entirely of all but that which is common to labour as such, and having the single determinate property of duration. It cannot be stressed too highly just how peculiar and contradictory this notion is. Value at first seems to be *embodied* labour, as Ricardo supposed, yet the material *body* of the commodity has been abstracted from in exchange. In other words there is *embodiment* without a *body*! In order to characterise this absurd situation Marx (1998a, p.58) characterises value as ‘congealed’ abstract labour, rather than as ‘embodied’ labour. Value is a ‘congelation’ of abstract labour pure and simple. This notion is both important and difficult and will be discussed further below.

The historical specificity of Marx’s value theory is well known and usually expressed by the point that the labour which is associated with value is privately undertaken for the purpose of exchange. For Marx, however, it is the argument that value is congealed abstract labour which initially marks the transition from a trans-historical labour theory of value (as held by Ricardo and classical political economy) to a historically specific labour theory of value, applicable only to capitalism. The independent action of value, i.e. the generation of ‘exchangeability’ or purchasing power, establishes value as a real entity but this entity is very peculiar. The abstraction from all natural material properties in exchange establishes that value is a purely *social* entity constituted by a purely social substance, and pertaining to a *specific* society. By elimination, ‘labour’ must constitute this entity but the natural material body has been abstracted from, so the notion of ‘embodied labour’ must be reworked. Firstly, the ‘labour’ is abstract and purely social. Secondly, reference to ‘embodiment’ cannot be correct, because the natural material body has been abstracted from. Instead, ‘abstract labour’, as a peculiar social substance within a society of generalised commodity production, has gained the perverse ability to ‘congeal’ as value. Value is a socially specific perversity where a pure abstraction has gained independent efficaciousness, hence existence, when ‘congealed’ as one side of the

commodity, the ‘value’ side of the commodity as opposed to the ‘use value’ side.¹⁹ Again, it must be stressed that Marx’s terminology is philosophically precise. Marx is not suffering from an inability to shake off the mindset of classical political economy, nor is he wilfully contradicting himself. He is, instead, accurately characterising an ‘absurd’ reality.²⁰

Individual producers do not recognise that value is constituted by purely abstract and hence social labour. Instead, value appears to private individual producers as an external objectivity, as the externally given purchasing power of the commodity, to be realised through exchange. Hence, the general existence of value is reproduced as an unintended consequence of individual human activity, within capitalism. Value therefore has a similar relationship to human agency as do ‘social structures’, according to the critical realist conception of social structures: the peculiar social entity termed ‘value’ constrains and enables human activity, even as it is unintentionally reproduced by it.²¹ In short, value really exists within capitalism, it is congealed abstract labour, hence purely social labour, peculiar to capitalism, and its’ removal entails the removal of capitalism.

The Necessary Development of Value Form

Despite the aforementioned similarity, there is a significant difference between the standard critical realist notion of a ‘structure’ and the notion of value articulated above. Unlike critical realism, where the ‘structure’ generating a power may exist without the power being actually exercised, this is not true for value as congealed abstract labour. For any *individual* commodity, to be sure, the power of exchangeability (purchasing power) need not actually be exercised. But if commodities in *general* did not exchange, then value would cease to have any effect and hence social labour would cease to appear and take effect. The distribution of social labour in definite proportions that must occur, if the necessities of life are to be maintained, would not occur and the society would collapse. Thus the power generated by value, viz. purchasing power (exchangeability) must be continually and generally exercised for society to continue to exist.

One way of expressing the above point is in terms of two different models of essence and appearance. The typical critical realist model is Lockean. In this model, ‘essence’ – a structure or mechanism – can exist unexercised and hence undetected. Value does not fit this model. Rather, value is much closer to the Hegelian ‘essence’ model, as argued by Murray (1993). A Hegelian essence is, for Murray, non-sensuous in nature. Because essence is inherently and immediately non-sensuous it must, through mediation, achieve sensuous form, if essence is to achieve existence. Value, or congealed abstract labour, is totally abstract and devoid of sensuousness. It can therefore be viewed as a Hegelian essence. It must, through mediation, find a form of appearance. It does so through the exchange relation. The value of a given commodity gains a form of appearance in the commodity for which it exchanges. Thus exchange value is the form of appearance of value. Value, as an inherently non-sensuous congealment of abstract labour, finds a form of appearance in its’ own opposite, in the sensuous *use value* that takes on the role of being an exchange value of the commodity in question. On

¹⁹ This independence is not absolute, since value cannot exist without the opposite side of the commodity, viz. use value.

²⁰ This ‘absurdity’ is revealed starkly in the money-form of value and so it is this form that Marx (1998a, pp.109–10) refers to as ‘absurd’.

²¹ Later developments within *Capital* reveal the existence of classes, not merely isolated individuals, and the potential for the intentional abolition of capitalism.

this interpretation, there is a distinction between value, which is congealed abstract labour, and exchange value, which is the *appearance* form of value. At the same time, the appearance form is essential to the essence, on this Hegelian model, in contradistinction to the Lockean model.²²

The theoretical implication of the need for value to gain an appearance form in exchange, or, in other words, of the need for the power generated by value (purchasing power) to be continually and generally actualised, is that the exchange relation must be re-examined. Previously exchange value was examined and value was unearthed as its' essence. Now, it must be grasped how, exactly, exchange value serves to give a form of appearance to value. The process whereby a commodity is given an exchange value must be revealed as a process whereby congealed abstract labour gains an appearance form, ensuring the continued existence of a society of generalised commodity exchange. The simplest way in which the value of a commodity can be expressed is for another commodity to take on the role of exchange value. However, this is 'inadequate' because it does not express value as a general entity common to all commodities. Through developing a series of more complex expressions it can be shown that money adequately expresses value as such a general and abstract entity (*Capital*, Ch. 1, section 3). The *necessity* of embarking on such a theoretical development, once the nature of value as congealed abstract labour is unearthed, once more illustrates the mode of inference of necessary development, or dialectical derivation, employed by materialist dialectics (and by systematic dialectics). There is no speculative 'hypothesis' that value somehow appears in the exchange relation, as in the standard mode of inference of 'hypothesis' and test found in critical realism, rather value necessarily must appear in the exchange relation, and the mediations by which this is achieved must be traced out theoretically.

Though there is no space to detail the value form development in this paper, it is possible, given the preceding arguments, to make the following relevant criticisms of systematic dialectics and value form theory. As noted above, systematic dialecticians deny that abstract labour is the substance of value (Reuten, 1993; Reuten and Williams, 1989; Taylor, 2000) or suggest that the relationship between labour and value is incidental for the value form development (Arthur, 2004), or omit Marx's key argument establishing abstract labour as the substance of value (Smith, 1990). Without such a grasp of value as congealed socially necessary abstract labour, the tracing of the process whereby 'value' gains a form of appearance is in principle meaningless. For the meaning of 'value' would not yet have been discovered. The *raison d'être* of the value form development, the 'deciphering' of exchange so as to reveal how congealed socially necessary labour is being expressed, would be absent. Hence systematic dialectics cannot (and does not) grasp correctly the value form development.

A recurrent criticism of systematic dialectics and value form theory within the literature, related to the criticism raised above, concerns the magnitude of value.²³ Systematic dialectics does not grasp 'value' as existing prior to a commodity being exchanged. According to many systematic dialecticians and value form theorists, it follows that the magnitude of value cannot cause the magnitude of exchange value (Murray, 1993, stresses this argument strongly).

²² Whereas Murray (1993, p.59) is unable to find any 'closing arguments' for this necessity, the argument above shows that it arises due to the need for a social determination (allocation) of labour. Fleetwood (2001) argues that the critical realist ontology is 'fetishised' by value relations. One possible way in which Fleetwood's argument might be interpreted is as hinting at the move from a Lockean to a Hegelian model of essence.

²³ See Likitkijksomboon (1995), Moseley (1997) and Saad-Filho (2002, Ch. 2).

However, the critics of systematic dialectics stress that, if exchange value magnitude is not caused by value magnitude, then exchange value magnitude must either be caused by something else altogether, or it must be totally inexplicable. Accordingly, any exploration of the quantitative concept of ‘socially necessary abstract labour time’ must be effectively redundant and exchange value magnitude must remain in principle inexplicable unless a non-Marxian theory is adopted. It is possible to develop and clarify this recurrent criticism, by way of clarification of the argument of the paper as a whole, as follows.

It has been argued above that value conforms to a Hegelian model of essence. An important feature of this model is that value, as essence, cannot exist without gaining a form of appearance, as exchange value. This argument therefore seems to fall prey to the criticism outlined above because it seems to imply that individual values do not exist prior to exchange. However, on the materialist interpretation advocated above, the necessity for value to appear, as exchange value, applies to commodities in *general*. The argument that value must appear means that, without commodity exchange *in general* then commodity production would cease to exist. Given normal circumstances, where generalised commodity exchange *does* continually occur, then any *individual* commodity *is* a value prior to being exchanged. An individual commodity is a value because it has been produced by socially necessary labour, *regardless* of whether this value is ultimately ‘realised’ on the market (Saad-Filho, 2002, Ch. 2). In just the same way, an *individual* commodity has the power of exchangeability (purchasing power) regardless of whether or not the power is exercised, on the market. Accordingly, value as congealed socially necessary abstract labour, and its’ immanent measure of labour time, retains priority over exchange value. This priority is very important, and is lost by systematic dialectics. At the same time, exchange value remains necessary to value *in general*, hence the priority of value essence does *not* belittle the importance of value form. Both value form and value essence are very important (they are necessarily related) but it remains true that essence has priority over form, *contra* systematic dialectics and value form theory.

A recent response to criticisms of value form theory is offered by Arthur (2002). As noted above, Arthur criticises Marx for introducing ‘labour’ too early in the presentation. According to Arthur, labour should be incorporated into the presentation once capitalistic exploitation is uncovered (Chapter 7 of *Capital*) and not before. In response to criticisms of the quantitative side of value form theory, he argues that, once introduced, labour time provides an immanent measure of value, hence scope for a quantitative value theory. However, in the spirit of the ‘reconstruction’ of Marx, Arthur argues that this is ‘socially necessary exploitation time’, rather than ‘socially necessary labour time’. The argument of this paper shows that the supposed mistakes that Marx makes in the early chapters do not in fact exist, hence there is no general need for ‘reconstruction’ of key concepts. In order to adequately articulate his proposed ‘exploitation time’ measure of value, Arthur would have to retrace both the qualitative and quantitative conceptual apparatus developed above, starting from the very beginning of *Capital*. In short, Arthur would end up with the interpretation of Marx offered within this paper, as soon as labour time is admitted into the analysis, and there is therefore no reason to switch to the concept of ‘socially necessary exploitation time’.

Further Development

Marx’s opening arguments establish, at the most abstract and simple level possible, what exchange value *is* (the appearance form of value), what the commodity as such *is* (the unity of

use value and value), what value *is* (congealed socially necessary abstract labour) and what labour within capitalism *is* (concrete labour producing use value; abstract labour creating value).²⁴ From this starting point, the apparent ‘things’ that constitute the ‘economy’, such as money, capital, wages, profit, interest and rent can, eventually, all be grasped as they truly are, i.e. as forms of social labour in a complex and peculiar system of social production. In this process of comprehension, the starting point is slowly developed, in thought, so that the economic categories (referred to above) are, one by one, comprehended *differently* to their immediate appearance. They are newly comprehended as aspects of the specific social whole, as particular forms taken by social labour. In Marx’s words:

That ... [the] ... *necessity* of the *distribution* of social labour in definite proportions cannot possibly be done away with by a *particular form* of social production but can only change the *mode* of its *appearance*, is self-evident. No natural laws can be done away with. What can change in historically different circumstances is only the *form* in which these laws assert themselves. And the form in which this proportional distribution of labour asserts itself, in the state of society where the interconnection of social labour is manifested in the *private exchange* of the individual products of labour, is precisely the *exchange value* of these products.

Science consists precisely in demonstrating *how* the law of value asserts itself. So that if one wanted at the very beginning to ‘explain’ all the phenomena which seemingly contradict that law, one would have to present science before science. It is precisely Ricardo’s [1951] mistake that in his first chapter on value he takes *as given* all possible and still to be developed categories in order to prove their conformity with the law of value. (Marx, 1988)

As theory proceeds from abstract to concrete, the meaning of initially introduced concepts shifts and develops. For example the concept of ‘socially necessary abstract labour’ is itself developed. The processes whereby labour becomes ‘normalised’, ‘synchronised’ and ‘homogenised’, and thereby made abstract and socially necessary, are unfolded (Saad-Filho, 2002). These processes are not established once and for all at the level of abstraction of Part 1 of *Capital*, rather they are developed further at lower levels of abstraction. Qualitatively, for example, once ‘capital’ is introduced to the presentation (in *Capital*, Chapter 7) it becomes apparent that capital transforms the labour process such that work activity is normalised, and alienated. Living labour itself is thereby, in certain respects, made (more) abstract and the notion of ‘real abstraction’ is given greater scope than just the sphere of exchange. Quantitatively, this means that the theoretical journey from abstract to concrete must not only account for deviations from proportionality between price and labour time but it must also account for transformations in the nature and hence magnitude of socially necessary abstract labour itself (this interpretation contrasts sharply with Moseley, 1997, who also critiques value form theory).

Conclusion

Even though Marx’s initial arguments for the labour theory of value are based upon the most basic fact of contemporary society, the prevalence of the commodity, and even though the exposition of this paper has remained at a very abstract level (abstracting even from capital itself), the implications of this abstract argument for the contemporary social sciences are momentous. ‘Economics’ as the science of commodity, money, capital, wages, etc. cannot be a merely quantitative science, for its objects are nothing less than peculiar alien forms of social

²⁴ As noted above, abstract labour is the substance of value. Value as such is *congealed* abstract labour.

labour, of value, which is the specific defining feature of the contemporary social formation, of capitalism. Conversely ‘sociology’ and the other social sciences cannot be purely qualitative because the object, the contemporary social formation, is organised through this peculiar one-dimensional substance of value, pure abstract labour, congealed as one side of the ‘commodity’, varying only quantitatively. In short, social theory, the science of society, is ineluctably qualitative and quantitative, it must be based upon the labour theory of value, a unitary science, neither ‘economics’ nor ‘sociology’. The contemporary disciplinary boundaries, through burying the labour theory of value, serve simply to distort the real relations of production upon which contemporary society is founded. Contemporary and Hegel-inspired systematic dialectics, whilst making vital methodological points regarding the development of theory from abstract to concrete, ultimately cannot grasp contemporary capitalism because it cannot penetrate beneath the *appearances* of value to its essence, congealed abstract labour. The idealism of systematic dialectics renders it unable to fathom the *meaning* of ‘congealed abstract labour’ let alone recommend basing social science upon this notion.

The general approach outlined by Fine and Saad-Filho (2004), Fine, Lapavitsas and Saad-Filho (2004) and Saad-Filho (2002), and the wealth of concrete studies on diverse topics of social theory developed by Fine, in particular, offer ample examples of concrete developments consonant with the approach advocated in this paper.²⁵ This more concrete work can potentially be refined significantly and made more accessible, given the very abstract arguments of this paper (see Brown 2002a). Thus, the paper is offered as a philosophical, methodological and abstract theoretical deepening of a wide ranging and distinctive set of studies of contemporary capitalism.

²⁵ Fine (1998) provides an overview of these studies, stressing that they develop from Marx’s labour theory of value.

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