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ESSAYS ON TRUE DEMOCRACY AND CAPITALISM

What Every Child Should Know about Marx's Theory of Value

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he law of value works in mysterious ways. For some Marxists, it underlies everything we need to know about capitalism.¹ But, just as Karl Marx claimed he was not a Marxist, so too might he have said, "that's not my law of value."

It Is All about the Allocation of Labour

Every child knows that any nation that stopped working, not for a year, but let us say, just for a few weeks, would perish. And every child knows, too, that the amounts of products corresponding to the differing amounts of needs demand differing and quantitatively determined amounts of society's aggregate labour.

—Karl Marx²



Every child in Marx's day might have heard about Robinson Crusoe. That child might have heard that on his island

Robinson had to work if he was not to perish, that he had "needs to satisfy." To this end, Robinson had to "perform useful labours of various kinds": he made means of production (tools), and he hunted and fished for immediate consumption. These were diverse functions, but all were "only different modes of human labour," his labour. From experience, he developed Robinson's Rule: "Necessity itself compels him to divide his time with precision between his different

¹ C In his fine introduction and interpretation of *Capital*, Michael Heinrich criticizes traditional and worldview Marxism in An Introduction to the *Three Volumes of Karl Marx's* Capital (New York: Monthly Review Press, 2012). Heinrich further expounds the early sections of the first volume of *Capital* intensely in Michael Heinrich, How to Read Marx's Capital (New York: Monthly Review Press, 2021).

² ↔ Karl Marx and Frederick Engels, *Collected Works* (New York: International Publishers, 1975), vol. 43, 68.

functions." Thus, he learned that the amount of time spent on each activity depended upon its difficulty—that is, how much labour was necessary to achieve the desired effect. Given his needs, he learned how to allocate his labour in order to survive.³

As it was for Crusoe, so it is for society. Every society must allocate its aggregate labour in such a way as to obtain the amounts of products corresponding to the differing amounts of its needs. As Marx commented, "In so far as society wants to satisfy its needs, and have an article produced for this purpose, it has to pay for it.... It buys them with a certain quantity of the labour-time that it has at its disposal."⁴ It must allocate "differing and quantitatively determined" amounts of labour to the production of goods and services for direct consumption (Department II) and a similarly determined quantity of labour for the production and reproduction of means of production (Department I).

To ensure the reproduction of a particular society, there must be enough labour available for the reproduction of the producers—both directly and indirectly (for example, in Departments II and I, respectively)—based upon their existing level of needs and the productivity of labour. This includes not only labour in organised workplaces, which produce particular material products and services, but also necessary labour allocated to the home and community and to sites where the education and health of workers are maintained. Every society, too, must allocate labour to what we may call Department III, a sector that produces means of regulation, and may contain institutions such as the police, the legal authority, the ideological and cultural apparatus, and so on.

In addition to the labour required to maintain the producers, in every class society a quantity of society's labour is necessary if those who rule are to be reproduced. Thus, the process of reproduction requires the allocation of labour not only to the production of articles of consumption, means of production, and the particular means of regulation, but, ultimately, to the production and reproduction of the relations of production themselves.

Reproduction of a Socialist Society

Consider a socialist society—"an association of free [individuals], working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force."⁵ Having identified the differing amounts of needs it wishes to satisfy, this society of associated producers allocates its differing and quantitatively determined labour through a conscious process of planning. In this respect, it follows Robinson's Rule: it apportions its aggregate labour "in accordance with a definite social plan [that] maintains the correct proportion between the different functions of labour and the various needs of the associations."⁶

The premise of this process of planning is a particular set of relations in which the associated producers recognise their interdependence and engage in productive activity upon this basis. "A communal production, communality, is presupposed as the basis of production." Transparency and solidarity among the producers, in short, underlie the "organisation of labour" in the socialist society with the result that productive activity is consciously "determined by

³ • Karl Marx, *Capital*, vol. 1 (London: Penguin, 1977), 169–70.

⁴ • Karl Marx, *Capital*, vol. 3 (London: Penguin, 1981), 288.

⁶ → Marx, Capital, vol. 1, 172.

communal needs and communal purposes."⁷ The reproduction of society here "becomes production by freely associated [producers] and stands under their conscious and planned control."⁸

To identify their needs and their capacity to satisfy those needs, the producers begin with institutions closest to them-in

The socialist society directly allocates its labour in accordance with its needs both for immediate and future satisfaction. communal councils, which identify changes in the expressed needs of individuals and communities, and in workers' councils, where workers explore the potential for satisfying local needs themselves. Those needs and capacities are transmitted upward to

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larger bodies and ultimately consolidated at the level of society as a whole, where society-wide choices need to be made. On the basis of these decisions (which are discussed by the associated producers at all levels of society), the socialist society directly allocates its labour in accordance with its needs both for immediate and future satisfaction.

Driving this process is "the worker's own need for development," "the absolute working-out of his creative

The socialist society is "based on the universal development of individuals and on the subordination of their communal, social productivity as their social wealth." potentialities," "the all-around development of the individual" the development of what Marx called "rich" human beings.⁹ This goal is understood as indivisible: it is not consistent with significant disparities among members of society. In the words of the Communist Manifesto, "the free development of each is the

condition for the free development of all."¹⁰ Accordingly, given the premise of communality and solidarity, this socialist society allocates its labour to remove deficits inherited from previous social formations. The socialist society, in short, is "based on the universal development of individuals and on the subordination of their communal, social productivity as their social wealth."¹¹

Conscious planning—a visible hand, a communal hand—is the condition for building a socialist society. This process does more, however, than produce the so-called correct plan. Importantly, it also produces and reproduces the producers themselves and the relations among them. What Marx called "revolutionary practice" ("the simultaneous changing of circumstances and human activity or self-change") is central. Every human activity produces two products: the change in circumstances and the change in the actors themselves. In the particular case of socialist institutions, the labour-time spent in meetings to develop collective decisions not only produces solutions that draw upon the knowledge of all those affected, but it is also an investment that develops the capacities of all those making those decisions. It builds solidarity locally, nationally, and internationally. Those institutions and practices, in short, are at the core of the regulation of the producers themselves (Department III activity). They are essential for the reproduction of socialist society.¹²

⁷ ← Karl Marx, Grundrisse (London: Penguin, 1973), 171–72.

⁸ ↔ Marx, Capital, vol. 1, 172.

⁹ ightarrow Marx, Capital, vol. 1, 772; Marx, Grundrisse, 488, 541, 708; Karl Marx, Critique of the Gotha Programme in Marx and Engels, Selected Works, vol. 2 (Moscow: Foreign Languages Press, 1962), 24.

¹⁰ ← Marx and Engels, Collected Works, vol. 6, 506.

¹¹ ← Marx, Grundrisse, 158–59.

¹² On this view of socialist society, see Michael A. Lebowitz, *The Socialist Alternative: Real Human Development* (New York: Monthly Review Press, 2010) and Michael A. Lebowitz, *Between Capitalism and Community* (New York: Monthly Review Press, 2020).



Reproduction of a Society Characterised by Commodity Production

But what about a society that is not characterised by communality, a society marked instead by separate, autonomous actors? Such a society's essential premise is the separation of independent producers.¹³ Rather than a community of

"Only when production is subjected to the genuine, prior control of society," Marx pointed out, "will society establish the connection between the amount of social labour-time applied to the production of particular articles, and the scale of the social need to be satisfied by these."

producers, there is a collection of autonomous property owners who depend for satisfaction of their needs upon the productive activity of other owners. "All-around dependence of the producers upon one another" exists, but theirs is a "connection of mutually indifferent persons." Indeed, "their mutual interconnection—here appears as something alien to them, autonomous, as a thing." Yet, if these "individuals who

are indifferent to one another" do not understand their connection, how does this society go about allocating its "differing and quantitatively determined amounts of society's aggregate labour" to satisfy its "differing amounts of needs"?¹⁴

Obviously, such a society does not utilize Robinson's Rule: it cannot directly allocate its aggregate labour in accordance with the distribution of its needs. "Only when production is subjected to the genuine, prior control of society," Marx pointed out, "will society establish the connection between the amount of social labour-time applied to the production of particular articles, and the scale of the social need to be satisfied by these."¹⁵ Although the application of Robinson's Rule is not possible, its function remains. As Marx commented, those simple and transparent relations set out for Robinson Crusoe "contain all the essential determinants of value."¹⁶ In particular, the "necessity of the distribution of social labour in specific proportions" remains.

The necessary law of the proportionate allocation of aggregate labour, Marx insisted, "is certainly not abolished by the

"The form in which this proportional distribution of labour asserts itself in a state of society in which the interconnection of social labour expresses itself as the private exchange of the individual products of labour, is precisely the exchange value of these products." specific form of social production." Only the form of that law changes. As Marx wrote to Ludwig Kugelmann, "the only thing that can change, under historically differing conditions, is the form in which those laws assert themselves." In the commodity-producing society, the form taken by this necessary law is the law of value.

"The form in which this proportional distribution of labour asserts itself in a state of society in which the interconnection of social labour expresses itself as the private exchange of the individual products of labour, is precisely the exchange value of these products."¹⁷

Since the allocation of society's labour embedded in commodities is "mediated through the purchase and sale of the products of different branches of industry" (rather than through "genuine, prior control" by society), however, the immediate effect of the market is a "motley pattern of distribution of the producers and their means of production."¹⁸ Yet,

^{13 -} Discussion of the individual commodity producer applies as well to collective or group commodity producers (as in the case of cooperatives).

¹⁴ ← Marx, Grundrisse, 156–58.

¹⁵ ↔ Marx, *Capital*, vol. 3, 288–89.

¹⁶ ← Marx, *Capital*, vol. 1, 170.

¹⁷ ↔ Marx and Engels, *Collected Works*, vol. 43, 68.

¹⁸ \leftrightarrow Marx, *Capital*, vol. 1, 476. It is important to keep in mind the distinction between the aggregate labour in commodities and the aggregate labour in society as a whole.

this apparent chaos sets in motion a process by which the necessary allocation of labour will tend to emerge. In simple commodity production, some producers will receive revenue well above the cost of production; others will receive revenue well below it. Assuming it is possible, producers will shift their activity—that is, they will show a tendency for entry and exit. An equilibrium, accordingly, would tend to emerge in which there is no longer a reason for individual commodity producers to move. Through such movements, the various kinds of labour "are continually being reduced to the quantitative proportions in which society requires them."

In short, although "the play of caprice and chance" means that the allocation of labour does not correspond immediately to the distribution of needs as expressed in commodity purchases, "the different spheres of production constantly tend towards equilibrium."¹⁹ Through the law of value, labour is allocated in the necessary proportions in the commodity-producing society. In the same way as "the law of gravity asserts itself," we see that "in the midst of the accidental and ever-fluctuating exchange relations between the products, the labour-time socially necessary to produce them asserts itself as a regulative law of nature."²⁰ There is a "constant tendency on the part of the various spheres of production towards equilibrium" precisely because "the law of the value of commodities ultimately determines how much of its disposable labour-time society can expend on each kind of commodity."²¹

Can that equilibrium, in which labour is allocated to satisfy the needs of society, be reached in reality? If we think of a society characterised by simple commodity production, equilibrium occurs when all commodity producers receive the equivalent of the labour contained in their commodities. In fact, however, there are significant barriers to exit and entry: the particular skills and capabilities that individual producers possess will not be easily shifted to the production of differing commodities. Indeed, this process might take a generation to occur, in which case producers in some spheres will appear privileged for extended periods.

In the case of capitalist commodity production—the subject of Capital—the individual capitalist "obeys the immanent law, and hence the moral imperative, of capital to produce as much surplus-value as possible."²² Accordingly, there is a "continuously changing proportionate distribution of the total social capital between the various spheres of production... continuous immigration and emigration of capitals."²³ Equilibrium here occurs when all producers obtain an equal rate of profit on their advanced capital for means of production and labour power. This tendency "has the effect of distributing the total mass of social labour time among the various spheres of production according to the social need."²⁴ However, here again there is an obstacle to the realisation of equilibrium—the existence of fixed capital embedded in particular spheres does not permit easy exit and entry.

Nevertheless, for Marx, the law of value (the process by which labour is allocated in the necessary proportions in capitalism) operates more smoothly as capitalism develops. Capital's "free movement between these various spheres of production as so many available fields of investment" has as its condition the development of the credit and banking system. Only as money-capital does capital really "possess the form in which it is distributed as a common element among these various spheres, among the capitalist class, quite irrespective of its particular application, according to the

¹⁹ *⊷* Marx, *Capital*, vol. 1, 476.

²⁰ ↔ Marx, *Capital*, vol. 1, 168.

²¹ → Marx, *Capital*, vol. 1, 476.

²² ↔ Marx, *Capital*, vol. 1, 1051.

²³ → Marx, *Capital*, vol. 1, 1051.

²⁴ Harl Marx, *Theories of Surplus Value, Part II* (Moscow: Progress Publishers, 1968), 209.

production requirements of each particular sphere."²⁵ In its money-form, capital is abstracted from particular employments. Only in money-capital, in the money-market, do all distinctions as to the quality of capital disappear: "All particular forms of capital, arising from its investment in particular spheres of production or circulation, are obliterated here. It exists here in the undifferentiated, self-identical form of independent value, of money."²⁶

Equalisation of profit rates "presupposes the development of the credit system, which concentrates together the inorganic mass of available social capital vis-á-vis the individual capitalist."²⁷ That is, it presupposes the domination of finance capital: bankers "become the general managers of money capital," which now appears as "a concentrated and organised mass, placed under the control of the bankers as representatives of the social capital in a quite different manner to real production."²⁸

Marx's Auto-Critique

There is no better way to understand Marx's theory of value than to see how he responded to critics of Capital. With respect to a particular review, Marx commented to Kugelmann in July 1868 that the need to prove the law of value reveals "complete ignorance both of the subject under discussion and of the method of science." Every child, Marx here continued, knows that "the amounts of products corresponding to the differing amounts of needs demand differing and quantitatively determined amounts of society's aggregate labour." How could the critic not see that "It is SELF-EVIDENT that this necessity of the distribution of social labour in specific proportions is certainly not abolished by the specific form of social production!"²⁹ Similarly, answering Eugen Dühring's objection to his discussion of value, Marx wrote to Frederick Engels in January 1868 that "actually, no form of society can prevent the labour time at the disposal of society from regulating production in ONE WAY OR ANOTHER."³⁰ That was the point: in a commodity-producing society, how else could labour be allocated—except by the market!

Although Marx was clearer in these letters on this point than in Capital, he was transparent there in his critique of classical political economy on value and money. In contrast to vulgar economists who did not go beneath the surface, the classical economists (to their credit) had attempted "to grasp the inner connection in contrast to the multiplicity of outward forms." But they took those inner forms "as given premises" and were "not interested in elaborating how those various forms come into being."³¹ The classical economists began by explaining relative value by the quantity of labour -time, but they "never once asked the question why this content has assumed that particular form, that is to say, why labour is expressed in value, and why the measurement of labour by its duration is expressed in the value of the product."³² Their analysis, in short, started in the middle.

This classical approach characterised Marx's own early thought. It is important to recognise that Marx's critique was an auto-critique, a critique of views he himself had earlier accepted. In 1847, Marx declared that "[David] Ricardo's theory

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²⁵ → Marx, *Capital*, vol. 3, 491.

²⁶ Harx, Capital, vol. 3, 490. We are describing here so-call

²⁷ ↔ Marx, *Capital*, vol. 3, 298.

²⁸ ↔ Marx, *Capital*, vol. 3, 528, 491.

²⁹ \leftrightarrow Marx and Engels, Collected Works, vol. 42, 515.

³⁰ \leftarrow Marx and Engels, Collected Works, vol. 42, 515.

^{31 🕹} Karl Marx, Theories of Surplus Value, Part III (Moscow: Progress Pub

³² • Marx, Capital, vol. 1, 173–74.

of values is the scientific interpretation of actual economic life."³³ In The Principles of Political Economy, Ricardo had argued that "the value of a commodity...depends on the relative quantity of labour which is necessary for its production." By this, he meant "not only the labour applied immediately to commodities," but also the labour "bestowed on the implements, tools, and buildings, with which such labour is assisted." Accordingly, relative values of differing commodities were determined by "the total quantity of labour necessary to manufacture them and bring them to market." This was "the rule which determines the respective quantities of goods which shall be given in exchange for each other."³⁴

Marx followed Ricardo in his early work. "The fluctuations of supply and demand," Marx wrote in Wage Labour and Capital, "continually bring the price of a commodity back to the cost of production" (that is to say, to its "natural price"). This was Ricardo's theory of value: the "determination of price by the cost of production is equivalent to the determination of price by the labour time necessary for the manufacture of a commodity." Further, this rule applied to the determination of wages as well, which were "determined by the cost of production, by the labour time necessary to produce this commodity—labour."³⁵ The same point was made in the Communist Manifesto in 1848: "the price of a commodity, and therefore also of labour, is equal to its cost of production."³⁶

In the 1850s, however, Marx began to develop a new understanding. In the notebooks written in 1857-58, which

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constitute the Grundrisse, he began his critique of classical political economy. Marx concluded the Grundrisse by announcing that the starting point for analysis had to be not value (as Ricardo began), but the commodity, which "appears as unity of two aspects"—use value and exchange value.³⁷ The commodity and, in particular, its two-sidedness is the starting

point for his critique and how he begins both his Contribution to the Critique of Political Economy (1859) and Capital.³⁸

The Best Points in Capital

The law of value as a "regulative law of nature" was not one of the best points in Capital, nor one of the "fundamentally

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new elements in the book." After all, if the law of value is the tendency of market prices to approach an equilibrium in the same way as "the law of gravity asserts itself," then this "regulative law of nature" was already present

in Ricardo.

³³ → Marx and Engels, *Collected Works*, vol. 6, 121, 123–24.

^{34 🕶} David Ricardo, The Principles of Political Economy and Taxation (Homewood: Richard D. Irwin, Inc., 1963), 5–6, 12–13, 42.

³⁵ ↔ Karl Marx, Wage Labour and Capital in Marx and Engels, Collected Works, vol. 9, 208–9.

³⁶ \leftrightarrow \leftrightarrow Marx and Engels, *Collected Works*, vol. 6, 491. Here, Marx accepted Ricardo's symmetry in the production of hats and men, and he continued to hold that position in *Capital*. For a criticism, see Lebowitz, "The Burden of Classical Political Economy" in Lebowitz, *Between Capitalism and Community*, chapter 6.

³⁷ ↔ Marx, Grundrisse, 881.

³⁸ • By the time of the writing of *Capital*, however, Marx had moved to identify that two-fold nature of the commodity as use value and *value* and explained that exchange value is merely the necessary *form* that value takes.

Rather, what Marx argued in Capital is that classical political economy did not understand value. "As regards value in general, classical political economy in fact nowhere distinguishes explicitly and with a clear awareness between labour as it appears in the value of a product, and the same labour as it appears in the product's use value."³⁹ But that distinction, Marx declared to Engels in August 1867, is "fundamental to all understanding of the FACTS"! That "two-fold character of labour," he indicated, is one of the "best points in my book" (and indeed, the best point in the first volume of Capital).⁴⁰

Marx made the same point in the first edition of the first volume of Capital about the two-fold character of labour in commodities: "this aspect, which I am first to have developed in a critical way, is the starting point upon which comprehension of political economy depends."⁴¹ Writing again to Engels in January 1868, Marx described his analysis of the double character of the labour represented in commodities as one of the "three fundamentally new elements of the book." All previous economists having missed this, they were "bound to come up against the inexplicable everywhere. This is, in fact, the whole secret of the critical conception."⁴²

The secret of the critical conception, the starting point for comprehension of political economy, the basis for all understanding of the facts—what made the revelation of the two-fold character of labour in commodities so important? Very simply, it is the recognition that actual, specific, concrete labour, all those hours of real labour that have gone into producing a particular commodity, in themselves have nothing to do with its value. You cannot add the hours of the carpenter's labour to the labour contained in consumed means of production and come up with the value of the carpenter's commodity. That specific labour, rather, has gone into the production of a thing for use, also known as a use value. Further, you cannot explain relative values by counting the quantity of specific labour contained in separate use values. If you do not distinguish clearly between the two-fold aspects of labour in the commodity, you have not understood Marx's critique of classical political economy.

Marx's Labour Theory of Money

"We have to perform a task," Marx announced, "never even attempted by bourgeois economics."⁴³ That task was to develop his theory of money—in particular, to reveal that money is the social representative of the aggregate labour in commodities. For this, Marx demonstrated that (1) the concept of money is latent in the concept of the commodity and (2) that money represents the abstract labour in a commodity and that the manifestation of the latter, its only manifestation, is the price of the commodity.

If adding up the hours of concrete labour to produce a commodity does not reveal its value, what does? Nothing, if we are considering a single commodity. "We may twist and turn a single commodity as we wish; it remains impossible to grasp as a thing possessing value."⁴⁴ We can approach grasping the value of a commodity only by considering it in a relation. The simplest (but undeveloped) form of this relation is as an exchange value—the value of commodity A is equal to x units of commodity B, where B is a use value. We always knew A as a use value but now we know the value of A from its equivalent in B. (If we reverse this, we would say the value of B is equal to 1/x units of A, and here A is the

³⁹ • Marx, *Capital*, vol. 1, 173n.

⁴⁰ → Marx and Engels, *Collected Works*, vol. 42, 407.

⁴¹ - Albert Dragstedt, Value: Studies by Karl Marx (London: New Park Publications, 1976), 11.

⁴² \leftarrow Marx and Engels, *Collected Works*, vol. 42, 514.

⁴³ ← Marx, *Capital*, vol. 1, 139.

⁴⁴ *↔* Marx, *Capital*, vol. 1, 138.

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equivalent.) The second commodity, the equivalent, is a mirror for the value in the first commodity. It is through this social relation that we may grasp the commodity as something possessing value.

Having established that the value of a commodity is revealed through its equivalent, Marx logically proceeds step-bystep to establish the existence of a commodity that serves as the equivalent for all commodities—that is, is the general form of value. It is a mini-step from there to reveal the monetary form of value: money as the universal equivalent, money as the representative of value.⁴⁵ In short, once we begin to analyse a commodity-exchanging society, we are led to the concept of money. This is what Marx identifies as his task: "We have to show the origin of this money form, we have to trace the development of this expression of value relation of commodities from the simplest, almost imperceptible outline to the dazzling money form. When this has been done, the mystery of money will immediately disappear."⁴⁶ But this was a closed book to the classical economists; "Ricardo," Marx commented years later, "in fact only concerned himself with labour as a measure of value-magnitude and therefore found no connection between his value-theory and the essence of money."⁴⁷

But what is money? To understand money, we need to return to the two-fold character of labour in commodities, that point upon which comprehension of political economy depends. We know that concrete, specific labour produces

"the completed or total form of appearance of human labour is constituted by the totality of its particular forms of appearance." specific use values. Insofar as labour is concrete, we cannot compare commodities containing different qualities of labour. But we can compare them if we abstract from their specificities—that is, consider them as containing labour in general, abstract labour, "equal human labour, the expenditure of identical human labour power."⁴⁸ The aggregate labour of

society is a composite of many "different modes of human labour": "the completed or total form of appearance of human labour is constituted by the totality of its particular forms of appearance."⁴⁹ That "one homogeneous mass of human labour power," that universal, uniform, abstract, social labour in general, "human labour pure and simple," enters into each commodity.⁵⁰

Think about the aggregate labour in commodities as so-called jelly labour, as made up of a number of identical, homogeneous units. A certain amount of this jelly labour goes into each commodity. The value of a commodity is determined by how much of this jelly labour—how much homogeneous, universal, abstract labour, that common "social substance"—it contains. Obviously, we cannot add up jelly labour simply, as we might attempt for concrete labour. How, then, can we see the value of a commodity? We have answered that already. The value of a commodity (that is, the homogeneous, general, abstract labour in the commodity) is represented by the quantity of money, which is its equivalent. Indeed, the only form in which the value of commodities can manifest itself is the money-form.

Every society obtains the amounts of products corresponding to the differing amounts of its needs by devoting a portion of the available labour time to its production. As noted above, "in so far as society wants to satisfy its needs, and have an article produced for this purpose, it has to pay for it...[and] it buys them with a certain quantity of the labour-time that it

⁴⁵ \leftrightarrow In classical political economy and in Marx's time, gold was the money-commodity; however, Marx's theory of money only requires social acceptance as the universal equivalent.

⁴⁶ ↔ Marx, *Capital*, vol. 1, 139.

⁴⁷ ↔ Karl Marx, "Marginal Notes on Adolph Wagner's Lehrbuch der Politschen Oekonomie" in Dragstedt, Value, 204.

⁴⁸ ↔ Marx, *Capital*, vol. 1, 129.

⁴⁹ ↔ Marx, *Capital*, vol. 1, 157.

⁵⁰ ↔ Marx, Capital, vol. 1, 129.

has at its disposal."⁵¹ How do we satisfy our needs within capitalism? We buy them with the representative of the total social labour in commodities—money.

Ignorance both of the Subject under Discussion and of the Method of Science

As Michael Heinrich writes, "many Marxists have difficulties understanding Marx's analysis." Like bourgeois economists, "they attempt to develop a theory of value without reference to money."⁵² It is a bit difficult to understand why, however, given Marx's criticisms of classical political economy about this very point. Ricardo, Marx commented, had not

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understood "or even raised as a problem" the "connection between value, its immanent measure—i.e., labour-time and the necessity for an external measure of the values of commodities." Ricardo did not examine abstract labour, the labour that "manifests itself in exchange values—the nature of this labour. Hence he does not grasp the

connection of this labour with money or that it must assume the form of money."53

That is why Marx undertook his task "to show the origin of this money form" and to solve "the mystery of money," a task "never even attempted by bourgeois economics." We need to understand the nature of money, and how we move from value directly to money. As he explained in chapter 10 of the third volume of Capital:

in dealing with money we assumed that commodities are sold at their values; there was no reason at all to consider prices that diverged from values, as we were concerned simply with the changes of form which commodities undergo when they are turned into money and then transformed back from money into commodities again. As soon as a commodity is in any way sold, and a new commodity bought with the proceeds, we have the entire metamorphosis before us, and it is completely immaterial here whether the commodity's price is above or below its value. The commodity's value remains important as the basis, since any rational understanding of money has to start from this foundation, and price, in its general concept, is simply value in the money form.⁵⁴

To understand why Marx felt it was essential to solve the mystery of money, it helps to understand his method of

Marx analysed the commodity and found that it contained latent within it the concept of money, the independent form of value—and that the commodity differentiated into commodities and money. Further, considering that relation of commodities and money from all sides, Marx uncovered the concept of capital. dialectical derivation. Like G. W. F. Hegel, upon examining particular concepts, he found that they contained a second term implicitly within them; he proceeded then to consider the unity of the two concepts, thereby transcending the onesidedness of each and moving forward to richer concepts. In this way, Marx analysed the commodity and found that it contained latent within it the concept of money, the independent form of value—and that the commodity

⁵¹ ↔ Marx, *Capital*, vol. 1, 288.

⁵² ↔ Heinrich, An Introduction to the Three Volumes of Karl Marx's Capital, 57, 63–64.

⁵³ ↔ Marx, Theories of Surplus Value, Part II, 164, 202.

⁵⁴ ↔ Marx, *Capital*, vol. 3, 294–95.

differentiated into commodities and money. Further, considering that relation of commodities and money from all sides, Marx uncovered the concept of capital.⁵⁵

The concept of capital, in short, does not drop from the sky. It is marked by the preceding categories. Since money is the representative of abstract labour, of the homogeneous aggregate labour of society, capital must be understood as an accumulation of homogeneous, abstract labour. By understanding money as latent in commodities, we reject the picture of money juxtaposed externally to commodities as in classical political economy and therefore recognise that abstract labour is always present in the concept of capital.

However, all accumulations of abstract labour are not capital. For them to correspond to the concept of capital, they must be driven by the impetus to grow and must have self-expanding value (i.e., M-C-M[^]). How is that possible, however, on the assumption of exchange of equivalents? Where does the additional value, the surplus value, come from? The two questions express the same thing: in one case, in the form of objectified labour; in the other, in the form of living, fluid labour.⁵⁶

The answer to both is that, with the availability of labour power as a commodity, capital can now secure additional

By purchasing labour power, capital now is in a relation of "supremacy and subordination" with respect to workers, a relation that brings with it the "compulsion to perform surplus labour." (abstract) labour. This is not because of some occult quality of labour power, but, because by purchasing labour power, capital now is in a relation of "supremacy and subordination" with respect to workers, a relation that brings with it the "compulsion to perform surplus labour."⁵⁷

True Democracy and Capitalism

That compulsion, inherent in capitalist relations of production, is the source of capital's growth.

Let us consider absolute surplus value by focusing upon "living, fluid labour." The value of labour power, or necessary labour, at any given point represents the share of aggregate social labour that goes to workers. The remaining social labour share is captured by capitalists. When capital uses its power to increase the length or intensity of the workday, total social labour rises; assuming necessary labour remains constant, capital is the sole beneficiary. The ratio of surplus labour to necessary labour—the rate of exploitation—rises.

Alternatively, let the productivity of labour be increased. To produce the same quantity of use values, less total labour is required. Accordingly, increased productivity brings with it the possibility of a reduced workday (a possibility not realised in capitalism). If, conversely, aggregate social labour remains constant, who would be the beneficiary of such an increase in productivity? Assuming the working class is atomised and capital is able to divide workers sufficiently, capital obtains relative surplus value because necessary labour falls. Alternatively, to the extent that workers are sufficiently organised as a class, they will benefit from productivity gains with rising real wages as commodity values fall. In Capital, this second option is essentially precluded because, following the classical economists, Marx assumed that the standard of necessity is given and fixed.⁵⁸

⁵⁵ • See the discussion of the derivation of capital in Michael A. Lebowitz, *Beyond* Capital: *Marx's Political Economy of the Working Class* (New York: Palgrave Macmillan, 2003), 55–60.

^{56 • &}quot;The rate of surplus-value is therefore an exact expression for the degree of exploitation of labour power by capital, or of the worker by the capitalist." Marx, Capital, vol. 1, 326.

⁵⁷ ↔ Marx, *Capital*, vol. 1, 1026–27.

⁵⁸ → See Lebowitz, Between Capitalism and Community, chapter 7.

In short, we need to understand money if we are to understand capital, and for that we need to grasp the two-fold character of labour that goes into a commodity. Unfortunately, many Marxists fail to grasp the distinction "between labour as it appears in the value of a product, and the same labour as it appears in the product's use value"—the distinction Marx considered "fundamental to all understanding of the FACTS." As a result, they offer a "theory of value without reference to money," what Heinrich calls "pre-monetary theories of value," which I consider to be pre-Marxian theories of value or Ricardian theories of value.⁵⁹

Ricardian Marxists do not grasp Marx's logic, or how Marx logically moves from the abstract to the concrete. The problem is particularly apparent when it comes to the so-called transformation problem. What those who attempt to calculate the transformation from values to prices of production fail to understand is that, rather than transforming actually existing values, prices of production are simply a further logical development of value.⁶⁰ The real movement is from market prices to equilibrium prices, that is, prices of production. As we have seen, this is how the law of value allocates aggregate labour in commodities, similar to a law of gravity. The failure of these Marxists to distinguish between the logical and the real demonstrates their "complete ignorance both of the subject under discussion and of the method of science."

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⁵⁹ ↔ Heinrich, An Introduction to the Three Volumes of Karl Marx's Capital, 57, 63–64.

⁶⁰ As Heinrich indicates, the transformation of values "represents a conceptual advancement of the form-determination of the commodity." Heinrich, An Introduction to the Three Volumes of Karl Marx's Capital, 148–49.

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- * About the author: Michael A. Lebowitz was a professor of economics at Simon Fraser University in Vancouver until his death on April 19, 2023. For information on his life and work, see the "Notes from the Editors,"



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