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# Critique of Marx's Value Theory

## Introduction I

It is argued here that Marx's value theory is in whole, incorrect. What's also proposed here is that none of the defenses or attacks on Marx's value theory have given an adequate treatment of Marx's economics.

I hope here to finally put my *Critique* in its most complete, and now patched, form. The scale and scope of Marx's value theory requires a sizeable space to capture it in its accuracy. Attempts to isolate elements, no matter how crucial these elements may be, makes the communication of Marx's economics more difficult, instead of easier. To explain what the internet is to someone who doesn't first grasp computer technology would be giving them information which cannot relate to any other bits of knowledge they have. To explain something which presupposes something else is understood requires a certain background knowledge.

Here Marx's economics is faced with this complexity, as hardly anyone should be denying. Yet at the same time Marx's value theory is an economic theory, and unlike explaining internet to a caveman, we live in the world of economics, and then should already be familiar with explanations of our daily life in production, distribution, and consumption. The caveman understanding the internet requires understanding technology and computers, but a member of bourgeois society understanding its motions only requires they live in it and be willing to think through it. The background knowledge required is then already present in explanations for and from the school of economics.

Yet to isolate Marx's economic theory only creates what is wholly unfamiliar; this should be seen as a weakness of Marx's writing. The numerous disorganized and jargonish categories Marx uses in the core of his economics should violate principles of scientific-socialism. Only the most basic of Marx's categories tend to fall to the masses. To take Marx's value theory out of its original terms and instead offer the explanation of economic activity in reproduction using modern and generally understood categories presents something wholly alien to the advocate of Marx's value theory. The rank-and-file of Marxism is always doing its best to juggle as many of Marx's categories as they can, their conversations do everything but get to the point of real and practical knowledge. Something as important as the definition of 'value' for a 'value' 'theory' is something never spoken of, but rather simply picked up and ran with, left to intuition. Marxian economics to defenders of Marx's value theory is working their way through layers and layers of categories, sometimes even they will admit, with no end in sight. If my goal in an introduction is to expose the completed form of the *Critique*, assumptions will be made of it and the methods leading up to it based in inaccuracy.

To put Marx's economics in their place then, the whole system must be seen so that these layers of categories may line-up to reveal their real proposals. And moreover, it will be necessary to understand the development of Marx's system, as speaking on what is actually meant by Marx can depend on what year it is written in. Here then, I find that my *Critique* must also include biographical overview of Marx's economics, and so this adds to the length out of necessity.

Citations are from the Marxist Internet Archive (MIA) (Marxists.org), and previous versions of the site, unless identified otherwise. If are identified otherwise, citations come from Penguin Classics editions of the three volumes of *Capital* (1990, Ben Fowkes translation) (1992, David Fernbach) (1991 David Fernbach) marked as CVI CVII & CVIII (I refer to the fourth volume as TSV from the MIA). ) the International Publishers 2009 edition of *A Contribution to the Critique of Political Economy* (CPE) translated by S.W. Ryazanskaya and the Penguin Classics *Grundrisse* translated by Martin Nicolaus 1993; and International Publishers, 1990, *Wage-Labour and Capital; Value, Price and Profit*.

## Introduction II

I intend this Introduction as a critique of specifically, Evald Ilyenkov's formulation of Marx's value theory in his 1960 *Dialectics of the Abstract and Concrete in Marx's Capital*.<sup>1</sup> I do not intend this Introduction as a critique of the aims and methodology of Ilyenkov, which has made a significant positive impact on my theoretical capabilities and rigor. I make this contributive criticism of Ilyenkov in the tradition and aims carried by out Ilyenkov himself, among others.

Ilyenkov's misreading is no more unique in structure and definition than the same old misreading held by many others, what Ilyenkov adds is substance through interpretation of the misreading. My targeting of Ilyenkov's Marx's value theory in this Introduction is to first target what Marx's value theory is not.

The common misreading is, in its simplest form, a sociological description of labor under bourgeois society supporting and determining the economic categories *as such*. The economic theory then places its relation to economic categories, the description of labor under bourgeois society is the "substance" of bourgeois society's economic categories. This version of Marx's value theory, while officially carrying the label of economic theory, can also forever withstand any economic critique as its non-economic character renders the economic criticisms irrelevant. To then provide a critique of this supposed value theory, we would have to critique its actual character. If it provides no statement on the workings of economic categories, a critique of this theory, which would hit its target, would be to critique the categories it does speak on, or what they take themselves to be.

This misread value theory places its own categorization within the relation of economic distinctions of commodity, exchange, price, determination, measure, etc.<sup>2</sup> yet at the same time places itself as formally incompatible with these relations, a sort of 'beyond yet within' the economic categories. It is believed that Marx's theory of the determination of social characteristics of things by particular historical forms of social arrangement is itself responsible for a scientific relation to the economic categories for the study of economics. That value theory is only a description of labor under bourgeois society. Labor, which sustains life, and moreover a particular form of life, also then sustains the economic categories present in this historical form; it is a presupposition to the economic categories. The particular social arrangement of labor,

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<sup>1</sup> A short biographical sketch of Evald Ilyenkov can be found in Alexei Tsvetkov's article "The Last Soviet Marxist"

<sup>2</sup> The term 'economics' is, here, referring specifically to market and capitalist functions.

categorized by the individual's relation to means of production, sustains the specific features of the economic categories in the epoch of its determining relations. Thus a sociological application of dialectics, produced by Marx, posits its relation to economic theory.

However, this is a weak economic theory, or really, no economic theory. Here labor qualified as the "substance" or "creator" of the economic categories tells us nothing, and adding the qualification "socially necessary labor" would only continue on this faulted presupposition. Just as labor is in turn supported by matter, so we may also then say something like, in all actuality matter is the "substance" to labor and then value, and also we say nothing about the workings of economic categories.

This misread value theory is then far from an economic theory, yet also far from Marx's value theory, which actually does categorize social determinations, but, this is done alongside the economic categories of *Capital*. What makes the two categories of labor under bourgeois society and economics hard to distinguish from one another is because Marx is often juggling the two categories in the same sentences and paragraphs in a somewhat chaotic fashion; he will begin to discuss an economic category, then, leave the reader at a cliffhanger while he writes on social determination and the particularity of bourgeois society. Although, Marx already did write a concentrated work on economics in 1859, yet this is overlooked, most likely because he wrote it too concentrated and too terse. This is the most easily found misreading, yet we will also speak of another one soon on, which does have an economic character to it.

## Marx Before 1861

### (a) Marx's 1840s

Marx describes his move into economic study during his preface to his 1859 *Contribution to the Critique of Political Economy*: "Although I studied jurisprudence, I pursued it as a subject subordinated to philosophy and history. In the year 1842-43, as editor of the *Rheinische Zeitung*, I first found myself in the embarrassing position of having to discuss what is known as material interests" he then claims: "I eagerly grasped the opportunity to withdraw from the public stage to my study."

Marx received helpful direction during his withdraw from the public stage from reading Engels' *Outlines of a Critique of Political Economy* published in *Deutsch-Französische Jahrbücher* on February 1844. Marx describes Engels' "brilliant essay on the critique of economic categories" and even cites Engels' document numerous times in his first volume of *Capital*. This early work by Engels contains the undeveloped founding work which points his and Marx's early aims of discovering and teaching the determination of the categories of a society founded on private free-enterprise. Divisions of labor in social reproduction present classifiable positions as "bearers [Träger] of class-relations and interests" and reduced to their most extreme forms are "personifications of class-relations and interests" and nothing more.

It follows that to be placed in a freezing temperature, would lead to the desire of warmth; to be placed in darkness is to desire light, we know that when a subject is

placed in these circumstances it follows that particular interests are expressible ideas intrinsic to these relations. Here we simply have a general understanding of a subject, or as Marx called it in 1845, “an internal, dumb generality which naturally unites the many individuals”, and we push this general subject in motion as determined by its numerous relations to comprehend the outcome. As Marx said again in this same 1845 work, “All mysteries which lead theory to mysticism find their rational solution in human practice and in the comprehension of this practice.” If we know a rational subject does not want to be cold, then the intrinsic ideas expressing the interests of the subject in the freezing temperature is to seek warmth. The public are already experts in their own practice, what they lack is the systematic understanding of their practice, the scientific understanding.

Marx’s main aim was to study and teach the relations an individual stands to others and the corresponding ideas and interests particular to this social position. Here Marx’s particular aim is on bourgeois society, its present, its history, its future. The historical understanding of bourgeois society is contrasted to the false understanding that bourgeois society is the natural and eternal state of production. The relations of private free-enterprise establish the exchange between employer and employee, where the ability to work is exchanged away for pay. Then this relation in exchange is one of conflict, with a very specific ending.

This intention of study and teaching by Marx and Engels receives criticism in its absolute, without relative autonomy. The implication of the interests of particular social relations in the division of labor are very real, as are their corresponding expressions in thought and social activity. But not every thought always corresponds to these relations, and this Marx and Engels would never deny. Yet the sloganism of Marx and Engels’ writing is partly their own fault, even Engels agrees with us here:

Marx and I always failed to stress enough in our writings and in regard to which we are all equally guilty. That is to say, we all laid, and were bound to lay, the main emphasis, in the first place, on the derivation of political, juridical and other ideological notions, and of actions arising through the medium of these notions, from basic economic facts. But in so doing we neglected the formal side — the ways and means by which these notions, etc., come about — for the sake of the content. This has given our adversaries a welcome opportunity for misunderstandings, of which Paul Barth is a striking example.

Engels introduces the need for dynamic interpretation into any one-sided statements of his or Marx’s regarding an individual’s expression of the interests of particular social relations they find themselves in. This comes from a letter Engels writes to Franz Mehring, which he means to congratulate Mehring on his 1893 work *On Historical Materialism*; Engels’ letter was signed July 14<sup>th</sup> of the same year.

In this same letter Engels goes further, we are given a category for this dynamic nature of the individual, “ideology”:

Ideology is a process accomplished by the so-called thinker consciously, indeed, but with a false consciousness. The real motives impelling him remain unknown to him, otherwise it would not be an ideological process at all.

If we organize what Engels has said here, ideology is defined as false knowledge, “false consciousness”, which does not understand the “real motives”. Here communists ask themselves the question, why the proletariat, private-employees, hasn’t come to understand its inevitable antagonism with their employers and abolish this to move to a higher-social form, communism? The answer, “false consciousness”. But being that Engels is himself a member of the class he must abolish, is Engels displaying a “false consciousness”? There are many reasons why a proletarian may not be expressing the solution to their social relation in communism, even as communism is a solution to the social relation, the final one. The bourgeois subject, unlike the dedicated communist, is not already set on finding a final solution, or even knows of one. Here the communists’ own aims have contaminated its object of study. The contamination results in the aims of the communist to be the aims of the subject, qualified as the “true” aims and divergence from these aims are declared “false” and “ideological”. The lack of the knowledge of communism as the final solution, relies on no falsity but the simple lack, as even Engels in his bourgeois social class could get it. Engels’ qualification of “true” as the solution of communism, has its sloganism about it, but may have some reason to it. The education in the communist way can be tall as opposed to those who arrive at it intuitively. However, this does not make it impossible, the inaccuracies in this category proposed by Engels, as a result of this sloganism, is the defense of choice for the failed socialist, who fails to teach the masses of communism, and then declares the weakness to be of the public rather than of themselves.

#### (b) Economics of Marx’s 1840s

Marx’s economic thinking first textually appears, briefly, for the purpose of self-clarification, in nine notebooks dating from 1843 to 1845 from Marx’s new home in Paris in his late twenties, around the same time when he publishes his introduction to his unpublished *Critique of Hegel’s Philosophy of Right* in *Deutsch-Französische Jahrbücher* in February of 1844.

Marx’s manuscript writings during this early period of his economic thinking mark a sharp break to what will come as soon as 1847. The Paris notebooks mean to clarify Marx’s own thinking on economics, yet the bulk of the text continues what he and Engels discovered in the motions of ideas corresponding to social relations. The rational subject is to value the ability to shape their own destiny, to give it thought and predictability. Yet the uncoordinated markets deprive this ability to be had by the public, especially the proletariat. Under Paris romance, this value of the subject is declared “true”, “essence”. In February 1845 Marx was deported from France and starts a joint work with Engels, never finished, to be titled *The German Ideology*, first worked on in Brussels. Here Marx writes an outline for the first chapter as eleven theses on Ludwig Feuerbach, and also states with fres-air “human essence is no abstraction inherent in each single individual.... Essence, therefore, can be comprehended only as “genus”, as an internal, dumb generality which naturally unites the many individuals.”

What is noticeable in Marx's '43-'45 period, when it comes to the economic categories, Marx will mostly rely and comment on economists such as Smith, Ricardo, and James Mill; having economic categories secondary supporting points to categories defining humanity and corresponding ethics of the "essence" of humankind. The economic categories Marx grapples with, and the depth that he gives them however, changes come 1847.

Marx will eventually attempt to transform these early Paris manuscripts into something more, signing a contract in February of 1845 for book titled *A Critique of Politics and of Political Economy*. In the same February of 1845 that Marx signs his contract, both he and Engels publish their first joint work *The Holy Family*, a critical contribution to the theoretics of the young Hegelians and early communist thinking. Marx will get his first chance to publish material on economics for public eyes in *The Holy Family*. Although limited, he writes a section in the fourth chapter criticizing Proudhon on categories that he will do so more consistently later such as, value, determination, and measure, but in way of course, more in line with Marx in the early and mid-1840s:

Accepting the relationships of private property as human and rational, political economy operates in permanent contradiction to its basic premise, private property, a contradiction analogous to that of the theologian who continually gives a human interpretation to religious conceptions, and by that very fact comes into constant conflict with his basic premise, the superhuman character of religion. Thus in political economy wages appear at the beginning as the proportional share of the product due to labour. Wages and profit on capital stand in the most friendly, mutually stimulating, apparently most human relationship to each other. Afterwards it turns out that they stand in the most hostile relationship, in *inverse* proportion to each other. Value is determined at the beginning in an apparently rational way, by the cost of production of an object and by its social usefulness. Later it turns out that value is determined quite fortuitously and that it does not need to bear any relation to either the cost of production or social usefulness. The size of wages is determined at the beginning by *free* agreement between the free worker and the free capitalist. Later it turns out that the worker is compelled to allow the capitalist to determine it, just as the capitalist is compelled to fix it as low as possible. *Freedom* of the contracting parties has been supplanted by *compulsion*. The same holds good of trade and-all other economic relationships [original emphasis B.E.].

The emphasis of this time is not working out the economic categories as a point, but still Marx recognizes them and implements them into what he is trying to say. His goal is not to work out the movements of economic categories but critique the bourgeois form of the categories. Although in September of 1846, around five months

after Marx and Engels mainly ended work on *The German Ideology*, Marx is told that his book contract from last year has been canceled due to his politics.

Come early 1847, in a flash, Marx produces what will become his first book, also containing his first statements more explicitly on economic categories. Marx's first book is however, a long polemic of Proudhon's 1846 *The System of Economic Contradictions: The Philosophy of Poverty*; which Marx would counter-title: *The Poverty of Philosophy*. Marx begins writing in January 1847, he was finished come April; the book was published in Paris and Brussels in June of the same year.

Marx's *Poverty* is not limited to economics, but it makes one of the main topics. Marx's economics in this early work, surprisingly, almost read at times as if it was written in Marx's post-1861 period; although his economics are still somewhat implicit, jumpy, and terse in the numerous critiques he makes of Proudhon.

Within the same year of writing and publishing *Poverty of Philosophy*, Marx produces an even more concentrated and independent, yet short, economic work appearing in text as lecture notes for what will be later titled: *Wage-Labour and Capital*, set to be delivered December of 1847. This will be the first time Marx will concretely and consistently make an economic work. The lecture was given the same month Marx and Engels were commissioned by the *League of Communists* to write the *Manifesto of the Communist Party*, which would appear February of 1848.

Marx's *Wage-Labour and Capital* lecture manuscripts were later worked up to become a set of articles in *Neue Rheinische Zeitung* starting in April 1849. The series although, was never completed for various reasons, mainly the censorship of the paper. *Wage-Labour and Capital* would not be published until one year after Marx's death in 1883, published as they were written in 1849. Later however, an edited version was republished by Engels and given an introduction dated April 30, 1891.

*Wage-Labour and Capital* contains systematic relations between economic categories and their social consequence in antagonism. The category 'value' is hardly present in this work, as opposed to *Poverty*, published only six months prior. It's possible that Marx substituted 'layman terms' with scholarly terms as much as possible for an audience of the German Workingmen's Club and the readers of Marx and Engels' paper. As opposed to Marx's early Paris manuscripts, what is explicit for the political program of the proletariat is that the employee is in a relation of servitude. In 1847 Marx's economics is not mostly quotes and deciphering them. In contrast to Marx's *Poverty* earlier in the same 1847, economic categories are not picked up and dropped in a somewhat chaotic fashion. *Wage-Labour* most certainly implies, and makes explicit, labor's exploitation under bourgeois society and its widespread conflicts of unplanned production.

It is right, then, to see 1847 with *Poverty of Philosophy* and *Wage-Labour* to 1849 with the revising of *Wage-Labour* for publication as the time of Marx's early serious economic thinking in text. Engels also says "Marx, in the '40s, had not yet completed his criticism of political economy. This was not done until toward the end of the fifties."



(c) Economics in 1847

What Marx established in his economics starting in 1847 opens the category of determination in Marx's growing system of understanding the workings of economic relations categorized in thought. Magnitude determination inquiry should find solutions to why a commodity is exchanged, or is exchangeable, with a specific quantity of another commodity. We can find a statement by Engels in his 1891 introduction to Marx's *Wage-Labour and Capital* saying:

Political economy finds it an established fact that the prices of all commodities, among them the price of the commodity which it calls "labour," continually change; that they rise and fall in consequence of the most diverse circumstances, which often have no connection whatsoever with the production of the commodities themselves, so that prices appear to be determined, as a rule, by pure chance. As soon, therefore, as political economy stepped forth as a science, it was one of its first tasks to search for the law that hid itself behind this chance, which apparently determined the prices of commodities, and which in reality controlled this very chance. Among the prices of commodities, fluctuating and oscillating, now upward, now downward, the fixed central point was searched for around which these fluctuations and oscillations were taking place. In short, starting from the price of commodities, political economy sought for the value of commodities as the regulating law, by means of which all price fluctuations could be explained, and to which they could all be reduced in the last resort (marxists.org (MIA)).

Marx's 1847/1849 *Wage-Labour and Capital* first describes exchange-magnitudes determined by the parties in exchange competing with one another. This is no secret to *Wage-Labour and Capital*, the third chapter of this short work is titled: "By what is the price of a commodity determined?" The chapter starts out with:

By the competition between buyers and sellers, by the relation of the demand to the supply, of the call to the offer.... The same commodity is offered for sale by various sellers. Whoever sells commodities of the same quality most cheaply, is sure to drive the other sellers from the field and to secure the greatest market for himself. The sellers therefore fight among themselves for the sales, for the market. Each one of them wishes to sell, and to sell as much as possible, and if possible to sell alone, to the exclusion of all other sellers. Each one sells cheaper than the other. Thus there takes place a competition among the sellers which forces down the price of the commodities offered by them.

Yet in addition to the determination of price by supply and demand, Marx also speaks heavily on costs of production. The role given to costs of production is an necessity standing above supply and demand determination. The reasoning is not surprising, it is necessary for the seller to cover costs of production or they will not reproduce unprofitable conditions for themselves: "...if the price of a commodity falls below its cost of production, then capital will be withdrawn from the production of this commodity". And:

We have just seen how the fluctuation of supply and demand always bring the price of a commodity back to its cost of production. The actual price of a commodity, indeed, stands always above or below the cost of production; but the rise and fall reciprocally balance each other, so that, within a certain period of time, if the ebbs and flows of the industry are reckoned up together, the commodities will be exchanged for one another in accordance with their cost of production. Their price is thus determined by their cost of production.

We are told in this work, even as this section started with supply and demand, "...not only supply, but also demand, is determined by the cost of production." And thus we are told cost of production plays a crucial role within, and perhaps we may even say above, supply and demand. The cost of production of one commodity is in another, where the second commodity was necessary to produce the first commodity, and so a finished commodity is traceable back through the transactions in each step in its supply-chain. If the final commodity is the end then it must have a start, something which a significant sum of commodities can be traced back to, which is the initial purchases of labor to set the supply-chain in motion to its final outcome:

The determination of price by cost of production is tantamount to the determination of price by the labor-time requisite to the production of a commodity, for the cost of production consists, first of raw materials and wear and tear of tools, etc., i.e., of industrial products whose production has cost a certain number of work-days, which therefore represent a certain amount of labor-time, and, secondly, of direct labor, which is also measured by its duration.

The next chapter of *Wage Labour* is called: "By what are wages determined?" The same logic is present. Wages are the price of labor-power and are determined by competition, but again, we find that costs of production are going to be generally necessary to cover, then the price paid to labor must also face its cost of production. Unlike the unprofitable condition, the failure to cover the cost of producing labor would mean the end of labor. For labor to be produced requires the worker be able to buy needed means of subsistence; these add up to the cost required to produce labor. And so the price of labor must succumb to the general laws of the exchange of money in reproduction:

Now, the same general laws which regulate the price of commodities in general, naturally regulate wages, or the price of labour-power. Wages will now rise, now fall, according to the relation of supply and demand, according as competition shapes itself between the buyers of labour-power, the capitalists, and the sellers of labour-power, the workers. The fluctuations of wages correspond to the fluctuation in the price of commodities in general. But within the limits of these fluctuations the price of labour-power will be determined by the cost of production, by the labour-time necessary for production of this commodity: labour-power. ...What, then, is the cost of production of labour-power? It is the cost required for the maintenance of the labourer as a labourer, and for his education and training as a labourer.

We are assured many times in this early work of Marx's that the prices of commodities are "...thus determined by their cost of production", in that, it seems he means to place an emphasis on the necessary role of generally covering costs of production.

The costs of production are then seemingly reducible to a long chain of purchases of labor, and then so it would seem that the purchase of labor as costs of production is the adding factor in the determination of the crucial factor which supply and demand will fight over. Even in Marx's manuscripts for his 1847 lecture he writes "Wages = price of the commodity" as a note for himself. But as we will come to see, this understanding is far from complete.<sup>3</sup>

There is, although, a terminological question to be asked here. Marx can use the term 'cost of production' specifically, in that he can mean a price magnitude higher than the one the owner of capital paid to produce the commodity -as opposed to how the term is normally used- this can be seen in Marx's *Grundrisse*:

When one says that the cost of production or the necessary price of a commodity is = to 110, then one is calculating in the following way: Original capital = 100 (e.g. raw material = 50; labour = 40; instrument = 10) + 5% interest + 5% profit. Thus the production cost = 110, not = 100; the production cost is thus greater than the cost of production.

Marx's reasoning is that the cost to produce anything in bourgeois society involves the gain on capital and therefore must contain profit, as a cost of it being

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<sup>3</sup> Marx does also incongruently claim that supply and demand is chief in determining when he says: "Wages are determined above all by their relations to the gain, the profit, of the capitalist. In other words, wages are a proportionate, relative quantity." Yet here he is likely speaking only on the relative and absolute dimensions of the share of labor and surplus revenue. This is only mentioned once.

produced. This is likely why come volume three of *Capital*, Marx will use the term 'cost-prices' as a substitute for the term 'costs of production'.

If Marx uses the term then in this peculiar way, we must ask if this term usage is present in *Wage-Labour and Capital*. We can know that Marx's peculiar definition of 'costs of production' is present as early as Marx's section on Proudhon in his 1845 joint work with Engels, *The Holy Family*, in passing he says:

Even Critical Criticism must be capable of grasping that the *labour time expended* on the production of an object is included in the *cost of production* of that object, that the *cost of production* of an object is what it costs, and therefore what it can be sold for, abstraction being made of the influence of *competition*. Besides the labour time and the material of labour, economists include in the cost of production the rent paid to the owner of the land, interest and the profit of the capitalist. The latter are excluded by Proudhon because he excludes private property. Hence there remain only the labour time and the expenses. By making labour time, the immediate existence of human activity as activity, the measure of wages and the determinant of the value of the product, Proudhon makes the human side the decisive factor. In old political economy, on the other hand, the decisive factor was the material power of capital and of landed property. In other words, Proudhon reinstates man in his rights, but still in an economic and therefore contradictory way [original emphasis B.E.].

As we can see this peculiar definition of costs of production is found in Marx's writings as soon as 1845. This specific definition of 'costs of production' includes profit, a surplus revenue. Therefore if Marx were to use the term 'cost of production', without explicitly defining it, we would have to turn to the context to figure out what he means, either the costs required in production, or the costs required in production plus profit for ownership; this is not so easy to do with Marx in 1847/1849 as it is in his short section in 1845 or in the '50s.

From *Wage-Labour and Capital*, we can look at context to see the definition, here, at some points, it seems clear that Marx is using costs as costs required in production, that is, not including profit, when he says:

And if the price is determined by the relation of supply and demand, by what is the relation of supply and demand determined?... Let us turn to the first worthy citizen we meet. He will not hesitate one moment, but, like Alexander the Great, will cut this metaphysical knot with his multiplication table. He will say to us: "If the production of the commodities which I sell has cost me one hundred pounds, and out of the sale of these goods I make one hundred ten pounds – within the year, you understand –

that's an honest, sound, reasonable profit. But if in the exchange I receive one hundred and twenty or one hundred and thirty pounds, that's a higher profit; and if I should get as much as two hundred pounds, that would be an extraordinary, and enormous profit." What is it, then, that serves this citizen as the standard of his profit? The *cost of the production* of his commodities. If in exchange for these goods he receives a quantity of other goods whose production has cost less, he has lost. If he receives in exchange for his goods a quantity of other goods whose production has cost more, he has gained. And he reckons the falling or rising of the profit according to the degree at which the exchange value of his goods stands, whether above or below his zero – the *cost of production* [original].

Then it seems clear from this passage that 'cost of production', in regards to this definition being used here, is not including profit. Even more, the term 'costs of production' used are in their original emphasis, yet not in the MIA translation. This passage although does become less clear when Marx writes "receives a quantity of other goods whose production has cost less" then, all of a sudden, the income is not in money but goods which are measured in the money that was used to produce them, as the measure of profit. But the congruency returns, after this sentence we again are comparing profits to costs, which directly assumes a single unit of accounting and then money. As we will see the confusion regarding determination in 1847 does not end here.

(d) Marx in the 1850s

After Marx's 1847 establishment of his economic thought, according to him: "The publication of the *Neue Rheinische Zeitung* in 1848 and 1849 and subsequent events cut short my economic studies, which I could only resume in London in 1850". Marx again starts to produce manuscripts, starting in 1851, although the majority of his work, seven notebooks, are written between '57 and '58, this is also when Marx started to basically live in the British Museum Library, as Martin Nicolaus puts it in his 1972 Foreword to Penguin's 1993 printing of Marx's *Grundrisse*:

Emerging from a rat hole of an apartment in a London slum, a bearded foreigner in worn clothing makes his way to the British Museum; writes articles all day for a newspaper in far-off New York; reads obscure treatises no one else has read; pores over a ton of government Blue Books ignored by all; returns to the slum, works deep into the night, piling up notebooks in an illegible script.

These 1850s manuscripts are to be edited by Marx into his first powerful and complex economic work: *A Contribution to the Critique of Political Economy*; published early 1859. The set of notebooks are later published titled: *Grundrisse*, appearing long after Marx and Engels' death.

Marx's 1859 *Critique* will unfortunately receive less attention as it is highly terse. Isaak Illich Rubin's 1928 *Essays on Marx's Theory of Value* says that "Marx did not yet sharply distinguish between exchange value and value" in this 1859 work. The category 'value' is used yet not as identified as in Marx's *Capital* first published in 1867. This claim of Rubin's has been used to claim Marx in 1859 was underdeveloped in his thinking on value. Although it is actually very easy to see that Marx had been using the term value heavily for quite some time before his *Critique*, as far back as 1845 in the *Holy family* he shows that he has been studying the terms he will use heavily again in his 1847 *Poverty of Philosophy* albeit with a dominating Ricardian usage. Those who have claimed Marx in 1859 is underdeveloped also like to treat Marx's *Grundrisse* as notes to *Capital* and then as more developed than Marx in 1859. Yet what this treatment forgets is that Marx's *Grundrisse* was written before 1859, and actually was the manuscripts for Marx's *Critique* in 1859. Marx himself does not view 1859 as an underdeveloped period in his life, as he writes in the preface to his first edition of *Capital* in 1867: "This work, whose first volume I now Submit to the public, forms the continuation of my book *Zur Kritik der Politischen Ökonomie*, published in 1859" (CVI, pg 89). I have previously falsely attributed the claim of 1859 as 'underdeveloped' to Rubin, when rather it is those trying to follow Rubin who make this claim on behalf of Rubin, where he does not necessarily go.

Marx's '59 *Critique* contains key writings on Marx's categories in the mode of production in the preface. In the preface Marx exposes his early plan for his multi-volume series on bourgeois society along with brief autobiographical statements already quoted above. Marx makes brief comments on Hegel similar to what will be found in the also-famous post-face to the second edition of *Capital*. Although aside from this preface, Marx's 1859 text is strictly an economic text. Page after page, word after word, is meant to describe economic categories with little exception, mostly contained to the beginning. The text is really more like an early version of the first three chapters of *Capital* volume one and an edited form of the economics in Marx's 1850s notebooks preparing himself for this work.

Marx also uses 1859 to make some statements on measure. He has already made statements on this category before, yet in the same fashion as in his early days in economics, where he will write on the category measure, but the category is secondary to other goals. In his 1847 polemic of Proudhon he writes:

Thus relative value, measured by labor time, is inevitably the formula of the present enslavement of the worker, instead of being, as M. Proudhon would have it, the "revolutionary theory" of the emancipation of the proletariat...Let us now see to what extent the application of labor time as a measure of value is incompatible with the existing class antagonism and the unequal distribution of the product between the immediate worker and the owner of accumulated labor.

Theory of measure should look for an element common to commodities to serve as a standard of comparison. My reader should look at two different objects in their surroundings, if I ask, 'which is more?' the proper response from my reader should be: 'more of what?' When we search for "what" we are looking for an element to be our

standard of comparison; the same approach is true with commodities in exchange. What is found to be the standard of measure can be called “the third thing”. This name is given because to compare one thing with another second thing would require a standard of comparison, which would be a third thing. Of course, then what if we want to measure three things? The name “the third thing” is really a type of misnomer. The category can be used in other fields outside of economics, as abstract universality, that is, a characteristic that is common to many expressions of this characteristic, like where many plants are the expression of the abstract universality of green. Marx describes abstract universality, or here the “general”, in the Value-Form appendix to the first edition of *Capital* in 1867:

This *inversion* (*Verkehrung*) by which the sensibly-concrete counts only as the form of appearance of the abstractly general and not, on the contrary, the abstractly general as property of the concrete, characterises the expression of value. At the same time, it makes understanding it difficult. If I say: Roman Law and German Law are both laws, that is obvious. But if I say: Law (*Das Recht*), this abstraction (*Abstraktum*) *realises itself* in Roman Law and in German Law, in these concrete laws, the interconnection becoming mystical [original].

To find measure of commodities we must then also find something that is common to commodities and then therefore can be the quality of commodities that is compared as a standard to measure the commodities. This is then also a practice of using abstract universal categories. If a commodity does not have this selected quality to it, its measure would be zero. Then for all commodities to be measured by a standard which is not a quality of them or in their creation would mean that all commodities would add to be zero, and the exchange of any two commodities would be an equal exchange between zero and zero. From this we see that a common element for comparison is needed for comparisons that are going to have any meaning. Labor in Marx’s system is not recognized to be common to every commodity, but, to Marx, enough to measure all commodities. Here Marx says in chapter three of volume one “Hence a thing can, formally speaking, have a price without having a value.”

In Marx’s early writings, it seems following Ricardo, it is the abstract universality of labor that is the measure. We can point out that here we can run into essentialist statements, absolutist statements, categories and proposals fit more to generate enthusiasm in political masses rather than fit for scientific accuracy. To find a standard to compare commodities, means to make a selection of a quality that is common to commodities. Here then saying that labor -is- the measure is quite essentialist, when rather we know that the selection of what quality is to be the standard of comparison is a subjective act, that one points to a common quality, and decides to use that quality as a measure. If we say labor is selected as the standard of comparison, we acknowledge this mental act, the origin of the standard was in the process of its selection. If, on the other hand, we claim that labor -is- measure, then we do not acknowledge the process of its selection, as if it is completely unknown, the measurer is eluded by their own ideas, labor as the standard of comparison is not the standard because it was selected, but because it just is, without reason. Here the solution does not correlate to its problem, measure involves the selection of a

standard, it involves this mental act, and comprehended scientifically, it means comprehending this mental act, that a selection is selected for reasons, not the supposed existence of a “true” standard.

Reasoning for the selection of labor as measure is present in Marx’s 1859 *Critique* through the opening pages. Early on in the *Critique* we are introduced to properties of the commodity, familiar to all students of Marx, use-value and exchange-value. The categories of utility are said to be the physical and useful characteristics. These physical features of a commodity could be subjected to measure: “Different use-values have different measures appropriate to their physical characteristics; for example, a bushel of wheat, a quire of paper, a yard of linen.” Here various measurement of these qualities are exchanged with one another, and still:

Exchange-value seems at first to be a quantitative relation, the proportion in which use-values are exchanged for one another. In this relation they constitute equal exchangeable magnitudes. Thus one volume of Propertius and eight ounces of snuff may have the same exchange-value, despite the dissimilar use-values of snuff and elegies. Considered as exchange-value, one use-value is worth just as much as another, provided the two are available in the appropriate proportion. The exchange-value of a palace can be expressed in a definite number of tins of boot polish. London manufacturers of boot polish, on the other hand, have expressed the exchange-value of their numerous tins of polish in terms of palaces. Quite irrespective, therefore, of their natural form of existence, and without regard to the specific character of the needs they satisfy as use-values, commodities in definite quantities are congruent, they take one another’s place in the exchange process, are regarded as equivalents, and despite their motley appearance have a common denominator.

The claim here is that the qualities which commodities measured in physical qualities are exchanged in a “motley” way, they vary. Because they vary they are being excluded, in favor of something else. It is interesting to note then that every other measurable quality besides being the product of labor-time is reduced into the use-value category. The commodity is then categorized by its exchange-value, the remaining qualities of the commodity are separated into use-value, and then being a product of labor-time. The commodity is then (1) exchange-value; (2) use-value; (3) a product of labor. And unlike the “motley” appearance of different physical features measured varying in exchange, we are told “Equal amounts of labour-time, or equal amounts of exchange-value, are contained in unequal volumes of different use-values.” And this “is” the common denominator.

We have mentioned that a measure selection will function well to the degree that it is a quality common to what it measures, even the measure of labor-time is not perfect. A quality of yards of linen is not present in any commodities that are themselves not consisting in linen, or rather if they can be measured in yards at all. Plenty of commodities however, can be compared in common measures of space,



weight etc. as can they be by labor-time. Yet labor-time would be more common to commodities such as services which cannot be weighed, or linen which cannot be timed. And still, labor-time is the common denominator in all the history of exchanges in of varying physical quantities, in an absolute sense. If you look at one particular exchange within a sum total of exchanges by individuals, the exchange of physical quantities can also be an exchange of unequal labor-times. All exchanges of physical quantities, in a given timeframe, can vary immensely. Also does the amount of labor-time vary, according to factors such as population, employment, average shift time etc.

Considering absolute measure, divergence of unequal labor-times being exchanged within totality, all exchanges considered, the absolute sum of labor-time is equal to itself averaged across all exchanges. Yet this absolute total would remain for all other measures as well, where the totality of different physical measures are equal to themselves in totality. This does not seem to be considered, actually reasoning for selecting labor is not present in Marx's writings to a large degree. Socially necessary, useful, labor-time is stated as something that is a constant equal denominator, when that is only always true in totality, and this forms the 'total price = total value' statement made by Marx and Marxian economists. Eugen von Böhm-Bawerk's 1896 criticism of Marx attacks this absolute equality by saying:

We might just as well try in this way to prove the proposition that animals of all kinds, elephants and May-flies included, have the same length of life; for while it is true that elephants live on an average one hundred years and May-flies only a single day, yet between these two quantities we can strike an average of fifty years. By as much time as the elephants live longer than the flies, the flies live shorter than the elephants. The deviations from this average "mutually cancel each other," and consequently on the whole and on the average the law that all kinds of animals have the same length of life is established!

Here then Bawerk can see how to mock the absolute equality in divergences. Yet Bawerk also goes on pointing out that Marx's exemplative assumption, used in the first volume of *Capital*, that, all exchanges in price are equalized to labor-time, as opposed to Marx's exemplative assumption in the third volume, that, only *in total* would exchanges in price be equated to a labor-time standard. Then Bawerk asserts that Marx's assumption in the first volume was a statement of truth, and that therefore Marx rejected this supposed proposal by the third volume. But what is contradictory is that Bawerk knows that Marx only assumed, for the sake of examples that prices were equal to socially necessary, useful, labor-time, for all exchanges in the first volume. Therefore, Marx didn't disband "this theory" when Marx used different examples, which Bawerk will show to know, as he still has to go off attempting to refute Marx's claim that labor-time still determines 'in total' or 'in the last instance'.

Then that labor-time added up for a population which exchanges with itself is then always equal to the amount of time put in, the truth that is solely confined to labor at the expense of other measures, is where labor is supposed to not suffer all the same "motley" variations and inequalities in exchanges as other measures would. We

should say, however, that the labor measure is more correlated to be able to distinguish what is a “fair” exchange. If I put no work into something you put a great deal of time into, then it seems for us to exchange would have one of us getting more than the other, irrespective of physical features. Enthusiastic sloganism as the carriage before the horse, the founding of a liberated society, is only occupied with celebrating morals and principles without even being aware of it, it makes its selections, but *why* it makes the choices it does eludes it.

It must be said although, that when we have compared commodities before in our daily life, we have never discovered the “third thing”. We have measured commodities, and thus participated in abstract universality as a standard of comparison, yet here we used exchange-value itself, and then exchange-value measuring exchange-value measures itself. To compare a used car with a new car, we know that they are unequal in the amount of money someone is willing to pay for them. Then, the exchangeability of the two cars is compared with their exchangeability with money, so that these two cars as a commodity are represented and measured in a third commodity. But here we have three commodities, the new car, the used car, the money, but we only have two of them measured. The money measures the new car, it measures the old car, but the money itself is measured in the new car, and then again in the old car. So as the cars could be expressed in the common denominator money, the money can only be either expressed in the new car and the old car, it has no single commodity which expresses its measure. Then money is used as measure has no uniform measure as it is itself taken as universal measure, as well a commodity in exchange, and then can vary in physical measure with what it is exchanged against. Here then, when we include the money commodity, we still need a common denominator. Marx in 1859 puts it:

Thus as a result of the same process through which the values of commodities are expressed in gold prices, gold is transformed into the measure of value and thence into money. If the values of all commodities were measured in silver or wheat or copper, and accordingly expressed in terms of silver, wheat or copper prices, then silver, wheat or copper would become the measure of value and consequently universal equivalents. Commodities as exchange-values must be antecedent to circulation in order to appear as prices in circulation. Gold becomes the measure of value only because the exchange-value of all commodities is estimated in terms of gold. The universality of this dynamic relation, from which alone springs the capacity of gold to act as a measure, presupposes however that every single commodity is measured in terms of gold in accordance with the labour-time contained in both, so that the real measure of commodity and gold is labour itself, that is commodity and gold are as exchange-values equated by direct exchange.

Then as money is reduced to the measure of labor Marx consistently uses labor to measure commodities but also remains able to use money, where still the ‘real measure of gold is labor’. Then instead of just stating labor as the measure, like he

seems to have done before, here Marx qualifies its role in measuring, as measuring the measure used in social practice, money. Perhaps this comes from what he said in the *Grundrisse*: "...labour time as the measure of value exists only as an ideal, and cannot serve as the matter of price-comparisons".

### Marx After 1861

Shortly after Marx's 1859 *Critique*, moving into the 1860s, Marx begins to work on manuscripts starting in 1861, which will become drafts and notes for his intended four volume long series titled *Capital*, subtitled *A Critique of Political Economy*. The first volume will be published in 1867.

Around two years before the publication of the first volume of *Capital*, Marx gives a lecture on the topic of economics to the General Council of the First International on June 20 and 27, 1865. These lectures are to be published in 1898 by Marx's daughter, Eleanor Avelingafter, to be titled: *Value, Price and Profit* (the German translation was *Wages, Price and Profit*). This 1865 lecture is similar to Marx's 1847 lecture on a general topic of economics. What is unique about these 1865 lectures is how they take up an argument with John Weston that need not be covered here. Continuing on the category of measure, in the 1865 lecture Marx has:

...if I say a quarter of wheat exchanges with iron in a certain proportion, or the value of a quarter of wheat is expressed in a certain amount of iron, I say that the value of wheat and its equivalent in iron are equal to *some third thing*, which is neither wheat nor iron, because I suppose them to express the same magnitude in two different shapes. Either of them, the wheat or the iron, must, therefore, independently of the other, be reducible to this third thing which is their common measure.... The same mode of procedure must obtain with the values of commodities. We must be able to reduce all of them to an expression common to all, and distinguishing them only by the proportions in which they contain that identical measure.... As the *exchangeable values* of commodities are only *social functions* of those things, and have nothing at all to do with the *natural* qualities, we must first ask: What is the common *social substance* of all commodities? It is *labour* [original].

The post-1861 period of Marx's economic work culminates in 1867 during the publication of the first edition of the first volume of *Capital*; another edition of the first volume arrives in 1873 which mainly edits the first chapter by combining it with the appendix to the first edition alongside minor adjustments. Marx will not live to see his series ever reach the public. Engels gives the speech at Marx's grave in 1883: "On the 14th of March, at a quarter to three in the afternoon, the greatest living thinker ceased to think. He had been left alone for scarcely two minutes, and when we came back we found him in his armchair, peacefully gone to sleep -- but for ever."

Marx's first volume opens similarly to his 1859 *Critique* "The wealth of societies in which the capitalist mode of production prevails appears as an 'immense collection of commodities'." A large aim of this work is economics, but supported by Marx's materialism, the opposite categorical emphasis of primary and secondary categories that are found in Marx in the 1840s. Historical particularity is a theme in all of Marx's writings, and in the first volume of *Capital* it is at its highest stage. We have discussed the ideas corresponding to social relations, but we have not spoken on characteristics corresponding to social relations. In part of a draft version for *Capital* titled *Results of the Immediate Process of Production* Marx writes:

Since work creates value only in a definite useful form, and since every particular useful form of work requires materials and instruments with specific use-values, spindles and cotton, etc. for spinning, hammer, anvil and iron for forging metal, etc., labour can only be drained off if capital assumes the shape of the means of production required for the particular labour process in question, and only in this shape can it annex living labour. This is the reason, then, why the capitalist, the worker and the political economist, who is only capable of conceiving the labour process as a process owned by capital, all think of the *physical* elements of the labour process as *capital* just because of the physical characteristics. This is why they are incapable of detaching their physical existence as mere elements in the labour process from the *social* characteristics amalgamated with it, which is what really makes them *capital* [original].

All historical epochs have the abstract universality of humankind's productive practice. Means of production are common to all forms of developed civilization. Yet it originates in the bourgeois mode of production that the means of production become capital.

A book of matches when used to light a candle is an instrument in creating flame; if on the other hand, the book of matches is to be put under the leg of a wobbly table, this would mean the use of the matches has changed from our original example. At both points the physical composition of the book of matches is the same, when it lights a candle and when it corrects uneven table legs. Yet the book of matches correlates to different needs when it is placed in different settings. When the book of matches is placed in the dark, it becomes an instrument for light, when it is placed near a shabby table, it becomes an instrument of craftsmanship. Like Marx said in the first chapter of the first volume "The magnet's property of attracting iron only became useful once it had led to the discovery of magnetic polarity" (CVI, pg 125). The utility correlates to the relations of the subject in its particular setting. The book of matches remains the same, yet its characteristic in its use changes in these two different relations. So too does the utilital characteristic of means of production change in its particular historical modes of production.

At every mode of production, means of production are used to produce goods and services, for personal consumption, for distribution in the family, among the tribe,

etc. and at another point in history goods and services are offered in exchange and then become commodities, and from there to exchange of money as revenue and surplus revenue as profit. It is at this moment when the historically-universal means of production become capital.

This is more than a semantic game of words. When we have our verbal distinctions we also have distinctions in their actuality. The book of matches is at one point used in one way, distinguished in reality from being used another way. In the first case, the matches will be used up when being used to make flame, in another case, the matches will be preserved, provided the table is not that heavy. With capital and means of production the reality of this distinction is the same. The means of production themselves vary differently in their physical features and their uses. What they all have in common, and through their historical universality, is their ability to be put in use in production. However, when the means of production acquire the character of capital, this ability to be put in use is challenged by the society based on reproduction of exchange in money. The means of production determined by these relations produces for revenue, and without revenue it does not produce. The activity of the means of production is mediated by the exchange, which goes without unplanned central commands, and then has some nasty habits to it. Socialism then is to grasp the means of production in its universality and then to grasp means of production as means of production when it grabs ahold of enterprise and brings it under coordination. This is something largely argued by Engels over Marx, in his *Anti-Dühring*, published in bits and pieces and revisions over time, in good company. In part three section two Engels has:

For in capitalistic society the means of production can only function when they have undergone a preliminary transformation into capital, into the means of exploiting human labour-power. The necessity of this transformation into capital of the means of production and subsistence stands like a ghost between these and the workers. It alone prevents the coming together of the material and personal levers of production; it alone forbids the means of production to function, the workers to work and live. On the one hand, therefore, the capitalistic mode of production stands convicted of its own incapacity to further direct these productive forces. On the other, these productive forces themselves, with increasing energy, press forward to the removal of the existing contradiction, to the abolition of their quality as capital, *to the practical recognition of their character as social productive forces* [original].

Then we can see not only ideas correlate to their specific social relations, but characteristics as well, which distinguish real consequences. The established mode of production is a stage,<sup>4</sup> a context, the raw material which relations are formed in which individuals occupy. Here then we can see how Marx is to reduce a social analysis to “personifications of class-relations and interests”, these real distinctions live as a real basis for relative autonomy to vary around.

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<sup>4</sup> “All the world's a stage”

(a) “Marx’s Value Theory”

Marx referred to ‘his value theory’ or the ‘nature of value’ only a few times. For one, in the post-face to the second edition of *Capital* volume one, Marx speaks of “the chapter on the theory of value”, which he makes obvious is the first chapter. Also important, we can look to Marx’s very revealing 1881 notes on Wagner, where he explicitly and implicitly mentions ‘his theory of value’ as well as his contrast to Ricardo’s theory of value; also referring to the similar contents of chapter 20 section 3(d) of Marx’s fourth volume of capital, *Theories of Surplus Value*. If Marx was an economist his value theory is an economic theory amounting to more than describing labor under bourgeois society as is so quickly substituted for it.

(b) Marx’s Development in Determination

We can recall what Marx had in his 1847 work *Wage-Labour and Capital* about the determination of price. In this early work, the costs of production are crucial for determining the outcome of price, which supply and demand fight over. Moreover the costs of production are accumulations of pay to labor, as the originating purchase beginning a supply-chain.

Yet in stark contrast to this, in Marx’s 1865 lectures we find: “the prices of commodities are not ruled by the prices of labour”, the position that “prices of commodities are determined or regulated by wages” is said to be “dogma” “...all the superannuated writers on political economy who propounded the dogma that wages regulate prices, have tried to prove it by treating profit and rent *as mere additional percentages upon wages*” [original]. Then we have quite the break from Marx in 1847 here, and then from what Engels edits and publishes in 1891, not knowing Marx’s determination theory grew to reject this earlier position of his.

The reason Marx rejects cost of production determination is where Engels treats as a development in 1891. In his introduction Engels states “...Marx himself would unquestionably have brought the old work, dating from 1849, into harmony with his new point of view, and I feel sure that I am acting in his spirit when I insert in this edition the few changes and additions which are necessary in order to attain this object in all essential point.” Throughout the 1891 introduction Engels states:

But as soon as the economists applied this determination of value by labour to the commodity “labour,” they fell from one contradiction into another. How is the value of “labour” determined? By the necessary labour embodied in it. But how much labour is embodied in the labour of a labourer of a day a week, a month, a year? The labour of a day, a week, a month, a year. If labour is the measure of all values, we can express the “value of labour” only in labour. But we know absolutely nothing about the value of an hour’s labour, if all that we know about it is that it is equal to one hour’s labour. So, thereby, we have not advanced one hair’s breadth nearer our goal; we are constantly turning about in a circle....Classical economics, therefore, essayed another turn. It said: the value of a commodity is equal to its cost of

production. But, what is the cost of production of “labour”? In order to answer this question, the economists are forced to strain logic just a little. Instead of investigating the cost of production of labour itself, which, unfortunately, cannot be ascertained, they now investigate the cost of production of *the labourer*. And this latter can be ascertained.... On the basis of this mode of production, the labourer’s cost of production consists of the sum of the means of subsistence (or their price in money) which on the average are requisite to enable him to work, to maintain in him this capacity for work, and to replace him at his departure, by reason of age, sickness, or death, with another labourer – that is to say, to propagate the working class in required numbers.

What the economists had considered as the cost of production of “labour” was really the cost of production, not of “labour,” but of the living labourer himself. And what this labourer sold to the capitalist was not his labour... Its cost of production, therefore, coincides with his own cost of production; what the economist called the cost of production of labour is really the cost of production of the labourer, and therewith of his labour-power. And, thus, we can also go back from the cost of production of labour-power to the value of labour-power, and determine the quantity of social labour that is required for the production of a labour-power of a given quantity, as Marx has done in the chapter on “The Buying and Selling of labour Power.”

In 1891 Engels then states what Marx critiques bluntly in 1865, and it is attributed to Marx’s mature value theory. For Engels, the circular nature means that the bourgeois economists were not seeing that the cost of production of labor was in the means of subsistence, and for Marx the bourgeois economists were claiming the cost of production of labor is in the means of subsistence. This inability to sort this out by Engels also goes to the schools of Marxian economics, where two opposing ideas of Marx’s from 1847/1849 to after 1861 are unified through hazy and not-well-thought-out understandings of Marx’s value theory. In the 1891 introduction Engels states the end of the tracking of cost of production is in the cost of production of labor, here the mature Marx continues the investigation to necessarily lead to a critique. Again in 1865 Marx has:

What do we mean by saying that the prices of the commodities are determined by wages? Wages being but a name for the price of labour, we mean that the prices of commodities are regulated by the price of labour. As “price” is exchangeable value — and in speaking of value I speak always of exchangeable value — is exchangeable *value expressed in money*, the proposition comes to this, that “the *value of commodities* is determined by the value of labour,” or that “the *value of labour is the general measure*

*of value.*"...But how, then, is the "*value of labour*" itself determined? [original]

At this point Engels would come in and claim 'the value of commodities as substance' as the cost of producing the laborer. Yet if the value of the subsistence commodities is said to determine the laborer's cost, and the labor's cost, itself a price, is determined by value of the subsistence:

...we begin by saying that the value of labour determines the value of commodities, and we wind up by saying that the value of commodities determines the value of labour. Thus we move to and fro in the most vicious circle, and arrive at no conclusion at all.

Then the circularity is not how Engels has it in his 1891 introduction, but that Marx finds circularity in the answer given by Engels, which was proposed as a description of Marx. If the cost of production of the means of subsistence is formed by the cost of production of labor, we need to find the cost of production of labor to obtain what the cost of production of the means of subsistence will work out to be; but when we look to find what the cost of production of labor is, we must have first already figured out what the cost of production the means of subsistence amounted to, in order to determine the cost of labor which would then determine the cost of the means of subsistence. Quite a puzzle. The reason for the confusion is that it means to solve a problem by assuming it was already solved. The value of the means of subsistence are needed to figure out the value of labor, and the value of labor is needed to figure the price of the means of subsistence. In 1865 Marx again:

On the whole, it is evident that by making the value of one commodity, say labour, corn, or any other commodity, the general measure and regulator of value, we only shift the difficulty, since we determine one value by another, which on its side wants to be determined....The dogma that "wages determine the price of commodities," expressed in its most abstract terms, comes to this, that "value is determined by value," and this tautology means that, in fact, we know nothing at all about value. Accepting this premise, all reasoning about the general laws of political economy turns into mere twaddle. It was, therefore, the great merit of Ricardo that in his work on *the principles of political economy*, published in 1817, he fundamentally destroyed the old popular, and worn-out fallacy that "wages determine prices," a fallacy which Adam Smith and his French predecessors had spurned in the really scientific parts of their researches, but which they reproduced in their more exoterical and vulgarizing chapters.

This is not contained to Marx's 1865 lectures but also in his manuscripts for the third volume of *Capital*:



Nothing remains, then, but to determine the necessary price of labour by reference to the worker's necessary means of subsistence. But these means of subsistence are commodities, with a price. The price of labour is thus determined by the price of the necessary means of subsistence, and the price of the means of subsistence, like that of all other commodities, is determined in the first place by the price of labour. So the price of labour is determined by itself. In other words, we do not know how the price of labour is determined (pg 1004).

Yet we can also note something, incongruent with Marx in 1847 as we have stated thus far. In Marx's *Poverty of Philosophy* published in 1847, a few months prior to the *Wage-Labour and Capital* lectures of December of that same year, we have Marx writing:

Thus it is going against economic facts to determine the relative value of commodities by the value of labor. It is moving in a vicious circle, it is to determine relative value by a relative value which itself needs to be determined.

Here it would seem Marx is making the same critique of wage-determination as he does after 1861, yet then where would that leave the December lectures and 1849 set of articles *Wage-Labour and Capital*?

This issue poses serious questions on to how to see Marx in 1847. It is quite unlikely that one would read this early work of Marx's and walk away thinking anything critical towards costs of production. Which again is interesting as, many know, and Marx will point out in 1847, in regards to Adam Smith:

Adam Smith takes as the measure of value, now the time of labor needed for the production of a commodity, now the value of labor. Ricardo exposes this error by showing clearly the disparity of these two ways of measuring. M. Proudhon goes one better than Adam Smith in error by identifying the two things which the latter had merely put in juxtaposition.

It seems strange then, that we must take this same question to Marx's work, and even written after this above statement was made. When it comes to *Capital*, this question becomes clearer, but still takes some work. The ratios which commodities exchange with one another is an opening of *Capital*:

Exchange-value appears first of all as the quantitative relation, the proportion, in which use-values of one kind exchange for use-values of another kind. [Here Marx cites Guillaume-François Le Trosne: 'Value consists in the exchange relation of one product and a given amount of another' -B.E.] This relation changes constantly with time and place. Hence exchange-value appears to be something accidental and purely relative, and consequently an

intrinsic value, i.e. an exchange-value that is inseparably connected with the commodity, inherent in it, seems a contradiction in terms [Here Marx cites Nicholas Barbon: 'Nothing can have an intrinsic value', [sic B.E] and then Samuel Butler: 'The value of a thing Is just as much as it will bring.' -B.E] (CVI, pg 126).

Here we are being introduced to the ratios which commodities exchange with one another, and we are told our first impression seems as if the determination of ratios is random and lawless.

Interestingly Marx takes space to describing labor as the “‘value forming substance” (pg 129) in the first chapter of volume one. This is similar to Marx’s 1859 statement:

The labour-time materialised in the use-values of commodities is both the substance that turns them into exchange-values and therefore into commodities, and the standard by which the precise magnitude of their value is measured (pg 30). <sup>5</sup>

In the first chapter of volume one, labor is the “value forming substance”, in 1859 we see labor is the substances that ‘turns them into commodities’, thus in 1859 Marx is also to describe this creation as: “Labour which creates exchange-value” (pg 29 (twice), pg 30, pg 31). This power of creation is no secret or unimportant mention in 1859, it appears more than once, paragraphs are dedicated to elaborating on it, and of course its historical particularity:

From the analysis of exchange-value it follows that the conditions of labour which creates exchange-value are *social categories* of labour or categories of *social labour*, social however not in the general sense but in the particular sense, denoting a specific type of society. Uniform simple labour implies first of all that the labour of different individuals is equal and that their labour is treated as *equal* by being in fact reduced to homogeneous labour. The labour of every individual in so far as it manifests itself in exchange-values possesses this social character of equality, and it manifests itself in exchange-value only in so far as it is equated with the labour of all other individuals [original].

Then Marx in the first chapter of volume one and the 1859 *Critique* have the similarity that they describe labor as having a ‘forming’ or ‘creating’ sense described to them, and the historical particularity, it is the bourgeois mode of production which the proletariat is granted the power to produce value.

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<sup>5</sup> *A Contribution to the Critique of Political Economy*, International Publishers, 2009

This description of labor producing can even be found in *Wage-Labour and Capital*. In 1847, we can find “Does a worker in a cotton factory produce only cotton? No. He produces capital. He produces values which serve anew to command his work and to create by means of it new values.” And more from *Wage-Labour and Capital*:

The selling price of the commodities produced by the worker is divided, from the point of view of the capitalist, into three parts: *First*, the replacement of the price of the raw materials advanced by him, in addition to the replacement of the wear and tear of the tools, machines, and other instruments of labor likewise advanced by him; *Second*, the replacement of the wages advanced; and *Third*, the surplus leftover – i.e., the profit of the capitalist....While the first part merely replaces previously existing values, it is evident that the replacement of the wages and the surplus (the profit of capital) are as a whole taken out of the new value, which is produced by the labor of the worker and added to the raw materials. And *in this sense* we can view wages as well as profit, for the purpose of comparing them with each other, as shares in the product of the worker (original).

What is highly interesting in this, is how Marx has, in a “sense”, wages and profit are shares in the *product of the worker*. This again, however, calls into question Marx’s definition of ‘costs of production’ in 1847/1849’s *Wage-Labour and Capital*.

Recalling from *wage-Labour*, we had:

The determination of price by cost of production is tantamount to the determination of price by the labor-time requisite to the production of a commodity, for the cost of production consists, first of raw materials and wear and tear of tools, etc., i.e., of industrial products whose production has cost a certain number of work-days, which therefore represent a certain amount of labor-time, and, secondly, of direct labor, which is also measured by its duration.

When Marx says, “The determination of price by cost of production is tantamount to the determination of price by the labor-time requisite to the production of a commodity...”, he doesn’t say which labor-determination he is using. Here are we to read determination by wages, or determination in the “sense” that wages and profit are added by labor? When Marx has already said, in *Poverty of Philosophy*, published only a few months prior, “Thus it is going against economic facts to determine the relative value of commodities by the value of labor. It is moving in a vicious circle, it is to determine relative value by a relative value which itself needs to be determined” he then contains all what is needed to make the same critique of costs of production as he did in writing after 1861. Moreover, we also know that Marx has a definition of ‘costs of production’ which includes the surplus revenue, which he uses before the statements made in 1847. If we take this into consideration, Marx, in *Wage-Labour*

and *Capital* did not propose the cost of production theory that is widely taken from it, even Engels shows he misses it. Yet we then still have some interesting questions to answer. We have shown on page 11 and 12 of this work, a passage from *Wage-Labour* which entails the definition of 'costs of production' is not including profit, and thus Marx is using an incongruent definition of the term from what he can use before and after 1847. I believe there are more passages that would confirm this reading. Yet also there are definitions which would contradict this reading, for example, in the "sense" described above quoted from *Wage-Labour*.

It is hard to read *Wage-Labour and Capital* and not walk away thinking costs of production in wages. The closeness of the reading which discovers the "sense" which call into question many of the statements, although which cannot overcome all obstacles, is more of a fine-combed-reading. Yet we know we must do this from Marx's statements in *Poverty of Philosophy*. In *Poverty*, the critique of costs of production, is far from explicit or a central point, or even seemingly consistent. As Engels will explain in a footnote in *Poverty*, Marx's terminology usage is heavily Ricardian. As we have seen even on the term 'costs of production', figuring out Marx's definitions of terms can sometimes take a bit of work, we will see there is more to this task. We must also then ask, if Marx is aware of the critique of costs of production before writing *Wage-Labour*, then why does it have no presence in *Wage-Labour*? If Marx is to write on the topic of costs of production, as notes for himself for a set of lectures and later for a set of articles, why does he not mention a logical trap commonly made in this field? Why does he write, in his notes for himself, "Wages = price of the commodity...Hence, generally speaking, wages are determined in the same way as prices."<sup>6</sup> This note, the definitions of 'cost of production' which do not include surplus revenue, and the lack of any mention of a critique of costs of production, makes Marx's *Wage-Labour and Capital* seem inconsistent with everything else he has written. One thing we should remember about *Wage-Labour*, is that the edition we see today was edited by Engels, who makes it clear he is not completely following Marx on costs of production and determination, and then perhaps could have made some editing errors. But that would explain only a few instances where the definition of 'costs of production' did not seem to include surplus; Engels could not have edited away a section where Marx would have critiqued costs of production nor edit Marx's notes.

The other possibility is that Marx's *Poverty* did not actually critique costs of production, but only came close. To say: "Thus it is going against economic facts to determine the relative value of commodities by the value of labor. It is moving in a vicious circle, it is to determine relative value by a relative value which itself needs to be determined." Seems like the same critique of costs of production as Marx post-1861. Yet we have learned from Engels, the 'circle' can be seen as a circle without fully going around it. For wages to determine prices, then wages need to be determined, and wages cannot determine wages, as wages would imply it has already been solved. Thus, we find a circle. Engels believes he has found himself out of the circle by going into another circle. The wages which determine prices are not determined by wages but by the means of subsistence, and so it seems the circle is closed. Yet the second circle becomes apparent only when you ask what the means of subsistence is determined by, which must compel the answer, wages, although wages are still

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<sup>6</sup> MECW Volume 6, p. 415. From the MIA, Marx and Engels works by date, 1847, work titled *Wages*.

waiting to be determined by the means of subsistence, and will wait forever at this rate. This new circle of ours is only the old circle mediated by the price of the means of subsistence. Thus Marx in 1847 could have critiqued the circle in costs of production, while still remaining in a circle, and we could mistake this for his mature critique. True, also, in the passages which we have taken from, Marx leaps in and out of talking about 'determination' from 'measure'. We will quote at length:

All the "equalitarian" consequences which M. Proudhon deduces from Ricardo's doctrine are based on a fundamental error. He confounds the value of commodities measured by the quantity of labor embodied in them with the value of commodities measured by "the value of labor." If these two ways of measuring the value of commodities were equivalent, it could be said indifferently that the relative value of any commodity is measured by the quantity of labor embodied in it; or that it is measured by the quantity of labor it can buy; or again that it is measured by the quantity of labor which can acquire it. But this is far from being so. The value of labor can no more serve as a measure of value than the value of any other commodity. A few examples will suffice to explain still better what we have just stated.... If a quarter of corn cost two days' labor instead of one, it would have twice its original value; but it would not set in operation double the quantity of labor, because it would contain no more nutritive matter than before. Thus the value of the corn, measured by the quantity of labor used to produce it, would have doubled; but measured either by the quantity of labor it can buy or the quantity of labor with which it can be bought, it would be far from having doubled. On the other hand, if the same labor produced twice as many clothes as before, their relative value would fall by half; but, nevertheless, this double quantity of clothing would not thereby be reduced to disposing over only half the quantity of labor, nor could the same labor command the double quantity of clothing; for half the clothes would still go on rendering the worker the same service as before. Thus it is going against economic facts to determine the relative value of commodities by the value of labor. It is moving in a vicious circle, it is to determine relative value by a relative value which itself needs to be determined.... It is beyond doubt that M. Proudhon confuses the two measures, measure by the labor time needed for the production of a commodity and measure by the value of the labor. "Any man's labor," he says, "can buy the value it represents." Thus, according to him, a certain quantity of labor embodied in a product is equivalent to the worker's payment, that is, to the value of labor. It is the same reasoning that makes him confuse cost of production with wages.... "What are wages? They are the cost price of corn, etc., the integral price of all things." Let

us go still further. "Wages are the proportionality of the elements which compose wealth." What are wages? They are the value of labor... Adam Smith takes as the measure of value, now the time of labor needed for the production of a commodity, now the value of labor. Ricardo exposes this error by showing clearly the disparity of these two ways of measuring. M. Proudhon goes one better than Adam Smith in error by identifying the two things which the latter had merely put in juxtaposition.

Here he speaks of determination, then here he speaks of measure. If these are synonymous or not is not clear, given the circumstances we have found ourselves in thus far. Moreover, something seems amiss in one of Marx's examples quoted above. Here we will quote a section from this paragraph again, just as a point of reference:

If a quarter of corn cost two days' labor instead of one, it would have twice its original value; but it would not set in operation double the quantity of labor, because it would contain no more nutritive matter than before. Thus the value of the corn, measured by the quantity of labor used to produce it, would have doubled; but measured either by the quantity of labor it can buy or the quantity of labor with which it can be bought, it would be far from having doubled.

Yet it almost seems, as if we need to sit Marx, here, down, and explain to him the difference between use-value and exchange-value. Let's compare this example given by Marx with a similar example in 1859, this time instead of corn, Marx includes bushels of grains:

If one ounce of gold, one ton of iron, one quarter of wheat and twenty yards of silk are exchange-values of equal magnitude or equivalents, then one ounce of gold, half a ton of iron, three bushels of wheat and five yards of silk are exchange-values which have very different magnitudes, and this quantitative difference is the only difference of which as exchange-values they are at all capable. As exchange-values of different magnitudes they represent larger or smaller portions, larger or smaller amounts of simple, homogeneous, abstract general labour, which is the substance of exchange-value.

Now this, this is the Marx we have come to know and love. Not above where he seems to confuse how much corn will feed workers with production based on exchange, mixing up utility and exchangeability.

Figuring this 1847 pickle out is quite the order. It may be readable that Marx was consistent on costs of production, but the evidence is not completely proven. I have sided that 1847 is underdeveloped in cost of production. It seems too strange

that the articles of 1847 would not make any mention of the critique; that Marx would write “Wages = price of the commodity” in addition to the other questions we can raise.

Still the categories which Marx is using are present in many of his works, even if they can't always be easily found out. The need to solve this new problem becomes more apparent when, to my knowledge so far, the first volume of *Capital* does not make any mention of the problem in determination by costs of production, even as we know Marx explicitly opened the problem in public during his 1865 lectures, and that it is present in his post-'61 manuscripts. The first volume of *Capital* was published in 1867, then we know Marx had the opportunity to address it at this time. Instead of approaching the problem his writing on the determination of labor-power is seemingly quite standard with what he has said on the topic this far:

This peculiar commodity, labour-power, must now be examined more closely. Like all other commodities it has a value. How is that value determined?... The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production and consequently also the reproduction, of this specific article.... Therefore the labour-time necessary for the production of labour-power is the same as that necessary for the production of these means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of its owner (CVI, pg 274).

This seems quite interesting, because now we know that we don't always know what Marx meant by this. This can explain why even Engels cites this chapter of volume one in support of the description in his 1891 introduction and the publishing of the economic works of Marx's late 1840s. This is how Marx on determination goes misunderstood, from Engels to the schools of Marxian economics and even their critics.

Yet as we have already come to know, determination by labor-time may mean two different things, cost of production, or, something else. When it comes to finding clarity on the terms, in *Capital* Marx did state in a footnote in the first chapter of *Capital* “At this stage of our presentation, the category of wages does not exist at all” (CVI, pg 135), and yet still the magnitude of value is determined by labor-time in this first chapter. Here we may have a clue that Marx in *Capital* is being more specific, if wages are not taken into consideration, and determination is still taking place, then we can say that it is not determination by wages as costs of production.

Determination by labor as we have seen is present in 1847/1849, 1859, and in the first volume of *Capital* as well. In the 1859 *Critique* we are told of the determination abilities of labor, “the determination of exchange-value by labour-time” (pg 30, pg 31). Numerous paragraphs elaborate on it and mention it in other forms e.g. “We have seen that the exchange-value of a commodity varies with the quantity of labour-time directly contained in it.” Interestingly we find discussion on determination in the first chapter of volume one.

In the first chapter of volume one we see Marx write on “...the value of a commodity is determined by the quantity of labour expended to produce it...” (pg 129) “What exclusively determines the magnitude of the value of any article is the amount of labour socially necessary...” (pg 129) “the value of a commodity would therefore remain constant if the labour-time required for its production also remained constant” (pg 130) and many more times. After the introduction to the first chapter, after the *Value-Form* section, when Marx is discussing the fetishism of commodities, he writes:

The determination of the magnitude of value by labor-time is therefore a secret hidden under the apparent movements in the relative values of commodities. Its discovery destroys the semblance of merely accidental determination of the magnitude of the value of the products of labor, but by no means abolishes that determinations material form (CVI, pg 168).

Yet here we see the term ‘value’ being used. In 1859 labor determined exchange-value, now, after 1861, we are told labor-time determines ‘value’. Something interesting is going on here, but in order to figure it out, we must understand the definition of the category ‘value’.

(c) Marx’s Development in Measure

Marx has mentioned measure as early as his 1840s, although we know it is not always easy to interpret what he is doing in this time. As we have already seen, in the last section on measure, in 1859 Marx stated the measure of value is money, but then ‘truly labor’, in that labor measures the measure, money. We can find that this category gets its full development in Marx’s *Capital*.

Labor-time as used by Marx is the commensurable standard in comparing and therefore measuring commodities. Yet come after 1861 we see something else in his writings on the matter. In the post-‘61 manuscripts for *Theories of Surplus Value* in chapter 20 section 3(d) Marx critiques Ricardo for proposing the solution of labor, and with that, critiques the same theory formerly advocated by himself:

Ricardo often gives the impression, and sometimes indeed writes, as if the quantity of labour is the solution to the false, or falsely conceived problem of an “invariable measure of value” in the same way as corn, money, wages, etc., were previously considered and advanced as panaceas of this kind, In Ricardo’s work this false impression arises because for him the decisive task is the definition of the magnitude of value. Because of this he does not understand the specific form in which labour is an element of value, and fails in particular to grasp that the labour of the individual must present itself as abstract general labour and, in this form, as *social* labour. Therefore he has not understood that the development of money is connected with the nature of value and with the determination of this value by labour-time [original].



As opposed to labor as measure, chapter 20 section 3(d) of volume four states measure is “money in a particular, determinate form”.

Marx's 1881 Marginal Notes on Adolph Wagner's *Lehrbuch der politischen Ökonomie*, also contain crucial remarks on measure, often referring to what Marx already wrote in his manuscripts, in 1881 Marx then writes:

Nowhere do I speak of “*the common social substance of exchange-value*”; I rather say that exchange-values (*exchange-value*, without at least two of them, does not exist) represent something *common to them*, which “is quite independent of their use-values” //i.e. here their natural form//, namely “*value*.” This is what I write: “Therefore, the common substance that manifests itself in the exchange-relation of exchange-value of commodities, is *their value*. The progress of our investigation will lead us back to exchange-value as the necessary mode of expression or form of appearance of value. For the present, however, we have to consider the nature of value *independently of this, its form*” ... Mr. Wagner could have familiarised himself with the difference between me and Ricardo both from *Capital* and from *Sieber's work* (if he knew Russian). Ricardo did indeed concern himself with labour solely as a *measure of the magnitude of value*, and was therefore unable to find any link between his theory of value and the nature of money [original].

Marx starts the next paragraph with: “Thus I do not say “the common social substance of exchange-value” is “labour”...”. It is interesting although, that just two years before the publication of the first edition of *Capital*, during Marx's 1865 lectures later to be published as *Value, Price and Profit*, Marx actually refers to the solution as, as we already have quoted, a ‘social substance’. Engels, in his '68 *Synopsis of Capital* even says “Hence, the substance of exchange-value is abstract labour...”

Then what Marx is saying here, is that labor is not the measure. Rather measure, Marx claims, is in money, money determined by labor-time.

Marx's writings on measure in *Capital* are hidden and terse in the first chapter of volume one, as we have seen Marx emphasize two sentences on Wagner. Although we get longer discussion on measure come the third chapter, without being so apparent, among the other complex topics in this chapter. Early in chapter three, Marx writes:

Because all commodities, as values, are objectified human labour, and therefore in themselves commensurable, their values can be communally measured in one and the same specific commodity, and this commodity be converted into the common measure of their values, that is into money. Money as a measure of value, is the necessary form of

appearance of the measure of value which is immanent in commodities, namely labour-time (pg188).

As Marx has already done in his '59 *Critique*, he designates two functions to money, one as price, the other as measure. By price, Marx means the exchange relation between two commodities, one is the money-commodity, the other is not; by measure, Marx means the standard of commensurability. Marx's comments in the third chapter of the first volume go on:

As against this money has no price. In order to form a part of this uniform relative form of value of the other commodities, it would have to be brought into relation with itself as its own equivalent...The price or money-form of commodities is, like their form of value generally, quite distinct from their palpable and real bodily form; it is therefore a purely ideal or notional form. Although invisible, the value of iron, linen and corn exist in these very articles: it is signified through their equality with gold, even though this relation with gold exists only in their heads, so to speak.... Since the expression of the value commodities in gold is purely and ideal act, we may use purely imaginary or ideal gold to perform this operation....In its function as measure of value, money therefore serves only in an imaginary or ideal capacity.... But although the money that performs the functions of measure of value is only imaginary, the price depends entirely on the actual substance that is money (CVI, pg 189-190).

Yet if money is the selection for measure, as Marx has indicated, we put it in relation with itself. If the exchange between the commodity and money would take the money existing within the exchange as the standard of comparison, it would take what needs to be measured as measure. We make money, which exists on the one side of the exchange, represent both sides of the exchange as the common denominator, and therefore we put money in relation to itself in whatever quantity it may be in, as the representative of both sides of the exchange is merely the one side of the exchange. Then what is noticeable with money as measure is that the quantity of money is inconsequential, as it merely equates the exchange in whatever quantity it arrives in. We thought we had it easy when we equated two commodities in a third commodity, money. But the inversion of this relation is the money equated in either the first or the second commodity, in heterogeneous measure. Money too, must succumb to the laws of exchange as it is offered as a quantity in exchange for another quantity of some other commodity. When money both enters exchange and measures exchange, it measures itself in exchange, and therefore accounts for its own quantity.

Marx confronts this contradiction and overcomes it by the 'ideal'. Marx does not write on elaborations of this to a great degree, or really at all, so we do not know what the 'ideal' measure exactly looks like. However, the measure is in money (determined by labor time) and it is no secret measures in statistics use money and that they have their nominal quantities adjusted, so that the monetary measure does not reflect the real quantity of money in exchange, but rather that the real quantity of money is

adjusted to an ‘ideal’ quantity of money, necessary for adjusting for inflation, and even without noticing, overcoming the inconsequential nature of the quantity of money which measures itself.

(d) The Term ‘Value’

The term ‘value’ is used two ways by Marx, firstly, to designate measurement to the commodity, and again to designate what the commodity is exchanged against. We will refer to the first ‘value’ as intrinsic, and the second ‘value’ as extrinsic.

1) Value “Substance” (Intrinsic Value)

The title of the very first section in the first chapter of *Capital* is: *The Two Factors of a Commodity: Use-Value and Value (The Substance of Value and the Magnitude of Value)*. The first time the term value is used, authoritatively (the second time), in *Capital* volume one is when Marx says, at the end of the 12<sup>th</sup> paragraph, speaking of commodities:

All these things now tell us is that human labour-power has been expended to produce them, human labour is accumulated in them. As crystals of this social substance, which is common to them all, they are values –commodity values.

Here Marx is first saying that, because commodities have the common element of being a product of a “social substance”, they -are- values. That is, Marx is stating a requirement *to-be-a-value*. Marx goes on in the next (13<sup>th</sup>) paragraph, right after:

The common factor in the exchange relation, or in the exchange-value of the commodity, is therefore its value.

And here we have our first definition of value. This common factor, is therefore its value. So, if the ‘value’ of a commodity is the common factor, then the definition of ‘value’ then is “the common factor” of a commodity. We have also found importance, from Marx’s comments in 1881, in a little sentence, in this same 13<sup>th</sup> paragraph:

The progress of the investigation will lead us back to exchange-value as the necessary mode of expression, or form of appearance, of value.

So here we are told labor (socially necessary and useful) is ‘value’, as the common element, which is the commodities value, yet we are told, this will have a form of appearance in exchange, and Marx again emphasizes this in relation to Wagner regarding measure.

It is easy to see then, most notably in volume three of *Capital*, that Marx thought that with the ‘equality of supply and demand’ meant commodities would be exchanged at their values, thus in accordance with their measures, and that it’s a result of the ‘fluctuations of supply and demand’ which prevent commodities being

exchanged in price in accordance with their commensurability measure. We can even see this in Marx, as early as *Poverty of Philosophy*:

Everyone knows that when supply and demand are evenly balanced, the relative value of any product is accurately determined by the quantity of labor embodied in it, that is to say, that this relative value expresses the proportional relation precisely in the sense we have just attached to it (chapter one, MIA).

Marx claimed that these fluctuations, which have commodities diverge from Marx's standard of commensurability, are what makes his value theory counterintuitive, requiring absolute and relative categories to understand.

## 2) Value Magnitude (Extrinsic)

There is also a second usage of the term 'value' in Marx, as a magnitude regardless of the magnitude's measure. If there are two uses of the term value, it is maybe, then, no wonder that in the title of the first section of *Capital* we have "*The Substance of Value and the Magnitude of Value*". This much was meant to be explicit, we have Marx stating this attempt: "I have popularized the passages concerning the substance of value and the magnitude of value as much as possible" (CVI, pg 89). Later Marx refers to his multi-usage of the term, as well as the specific magnitude form of the term in his 20<sup>th</sup> footnote in the first chapter of volume one: "Here, as occasionally also on previous pages, we use the expression 'value' for quantitatively determined values, i.e. for the magnitude of value" (CVI, pg 145).

If the first use of the term 'value' is in measure, the second usage of 'value', is used in regard to magnitude "Therefore the form of value must not only express value in general, but also quantitatively determined value, i.e. the magnitude of value" (CVI, pg 144). The magnitude of value, is value, despite its measure. One will know Marx's terms, 'use-value', 'exchange-value', and 'value'. All these are categories belonging to a single commodity. It is a utility as 'use-value', it is exchangeable as an 'exchange-value', and then we have 'value'. We have this far seen that there are two uses of 'value', and that Marx acknowledges this. The first, the "substance", refers to measure, the second, to the magnitude. We can quote Marx again in 1881 in his notes on Wagner:

He grasps "value" (the economic value, in contrast to the use-value of the commodity) only in its form of appearance, in *exchange-value* [...] Now if Rodbertus—and I will point out later why he did not see it—had gone on to analyse the exchange-value of commodities—for it only exists where *commodity* occurs in the plural, different sorts of commodities, then he would have found "value" behind this form of appearance [original emphasis].

Rodbertus would have 'found' 'value' if he looked at the universality of exchange-value. Here again we have an exercise in abstract universality. A commodity may be exchangeable with a certain quantity of another commodity, but it is also

exchangeable in the world of commodities following the chain of -M-C-M-etc. The commodity being exchanged with another commodity, has its exchange-value in the other commodity, but it also has exchange-value in general. If this is the case, then exchange with money, is a form of appearance of value, as a particular expression of value in money, like a flower is the form of appearance of a plant, in that it is a particular expression of plants. We can see how even coats and linen are referred to as magnitudes of value: "...whether a given quantity of linen is worth few or many coats, it is always implied, whatever the proportion, that the linen and the coat, as magnitudes of value..." (CVI, pg 141).

Here we have Marx on money as a particular form of value "...in other words *price* is nothing but value as expressed in money..." (CVI, pg 955, original). Marx will call the exchange with money as "the value-form". Making remarks on monetary-form of value as the "pure form" of value: "...as the pure form of materialized social labour-time, i.e. its *price*. For the price is the expression of exchange-value as exchange – value, i.e. as *money*, and more precisely as *money of account*" (CVI, pg 955, original). The reason for this is because Marx treats the monetary-form of value as a "fully developed shape" (CVI, pg 149) of any society being socialized through exchange and the pure accumulation of wealth, a social wealth particular to bourgeois society.

Here then the magnitude of value, in price, can be incongruent or congruent with its value. Which is quite unhelpful terminology. The magnitude of value can be in-accordance with the measure of value, or the magnitude of value can diverge from its measure; commodities at prices in accordance with measure, would be: "...at their value prices..." (CVIII, pg 275). Again, similarly:

Every price must be reducible to *value*, since the price is in itself nothing but the monetary expression of value and the fact that actual prices may stand above or below the price corresponding to their value does not alter the fact that they are a quantitatively incongruent expression of the value of the commodity... (CVI, pg 1072, original).

Here Marx uses an occasional usage of "relative value":

The relative value of a commodity may vary, although its value remains constant (CVI, pg 146).

There is a great confusion for "the beginner" of Marx's economics in distinguishing the terms price and value. The distinction between the terms 'price' and 'value' is the gateway to conflated essentialism of labor under bourgeois society. It seems, to the beginner, that the definition of 'value' is 'labor' and the distinction of value (labor, to them) from price is a distinction from economic categories. The dedicated beginner places emphasis on labor, calls it an economic theory, and has no idea why. The 'transformation'<sup>7</sup> from value to price is then nothing extraordinary, nor does it then involve a connection of irrelevant categories to economic categories, where one transforms into the other; but only does price at its measure, "transform" into a price not in accordance with its measure. And again, in total, this measure is equal to

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<sup>7</sup> "...make production prices into mere transformed forms of value..." (CVIII, pg 274).

itself, where the labor time going into all commodities in exchange, is the equal total of all commodities in exchange.

### 3) Misreading the Term

The term value is widely directly identified with labor, or the qualification of socially necessary labor-time. Which is strange as in the first chapter of *Capital* we find Marx saying: "... human labour, creates value, but is not itself value" (CVI pg 142). Although it is also strange that we find, in the third volume: "Value is labour" (CVIII, pg 954).

The terms labor, value, and exchange-value, are very closely used, if not actually explicitly identified as one. The consequence of the lack of clarity of the term 'value' is that current Marxian economic schools use the term like a theological school uses the term spirit, always present, but its meaning always necessarily hidden.

However, as we have done here, we can find evidence and sense suggesting that the term value is used both as either the universality of exchange-value (extrinsic) or the 'at value' usage indicating commensurable measure (intrinsic).

Then for Marx to be determining 'value' by labor-time, he means to be determining an economic category, making a contribution to the studies of economists, and what he is determining by labor time is the magnitude of value; and this determined form of value is then proposed for measure. Again, we can recall Marx's criticisms of Ricardo in *Theories of Surplus Value* chapter 20 section 3(d):

All commodities can be reduced to labour as their common element. What Ricardo does not investigate is the *specific* form in which labour manifests itself as the common element of commodities. That is why he does not understand money. That is why in his work the transformation of commodities into money appears to be something merely formal, which does not penetrate deeply into the very essence of capitalist production. He says however: only because labour is the common factor of commodities, only because they are all mere manifestations of the same common element, of labour, is labour their measure. It is their measure only because it forms their *substance* as values. Ricardo does not sufficiently differentiate between labour insofar as it is represented in use-values or in exchange-value. Labour as the foundation of value is not any particular labour, with particular qualities. Ricardo continuously confuses the labour which is represented in use-value and that which is represented in exchange-value. It is true that the latter species of labour is only the former species expressed in an abstract form [original].

Labor as such, and then we may say abstract labor, is not the measure, according to Marx. Rather the particular, specific, form of labor proposed as measure is this abstract labor producing, forming, value: "It is their measure only because it

forms their *substance* as values". Chapter 20 section 3(d) of *Theories of Surplus Value*, and Marx's 1881 notes on Wagner are key for revealing what can be found in the little sentences in the first chapter of the first volume.

## Critique

### (a) Marx's Metaphor

Marx claimed that the magnitude of value is determined by labor-time. This has been quoted many times. The complexities of this statement has been worked out, yet there is also an easy way to do this. The magnitude of value is determined by labor-time. All of that seems straightforward, with its necessary qualifications, except for the term 'value'. Yet we have most of the picture without the term 'value', where, left misunderstood, the magnitude of 'X' is determined by labor-time. Here we simply plug the definition of 'value' into 'X' and we can make out what Marx said. If the definition of 'value' would be 'temperature', then we would have Marx say: "the magnitude of temperature is determined by labor-time." If the definition of 'value' is 'a social relation' then we have Marx saying: "the magnitude of a social relation is determined by labor-time"; if the definition is 'a historical fact' then: "the magnitude of a historical fact is determined by labor-time." Of course, these are nonsensical proposals, even as I have seen the last two examples proposed as a solution to this dilemma. The definition of 'value' which would make the statement that the magnitude of 'value' is determined by labor-time make any sense, is where what is being determined by labor-time is an economic category. And it makes even more sense when we recall that Marx is attempting economic theory here.

Moreover, we can rule out that measure was being determined by labor-time as labor-time, but rather a monetary-form, where the money is itself determined by labor-time. Lastly, we can rule out that costs of production, in a traditional definition of the term 'costs of production', were being determined by labor-time. It does not matter what definition of 'value' is plugged into the statement on determination, nothing can defend Marx from truth and nothing can have consistent textual support but one way. The definition of 'value's is in exchange-ratios, and the reason value determined by labor-time is in Marx's metaphor in the labor of the proletariat "producing" value, producing exchange-ratios.

If it is the labor of the proletariat which "produces" the magnitude of value. We can now move to see how what is beyond the first chapter of Marx's capital follows logically from the value theory he originally laid out in the beginning off the book. If labor produces magnitudes, it follows that the longer time labor spends producing magnitudes, the higher magnitude it would produce, even if it doesn't always produce the same consistent amount in the case of divergences. The competition between free-enterprise forces the adoption of faster productivity, so that labor spends less time per commodity, and thus determines less value per commodity, and thus presents a more competitive value to consumers of the commodity. Then it follows that a social average of productivity is established among existing competitors, a socially necessary labor-time. If what is produced is not useful, it will not be sold, no exchange-value, no value, and hence only useful labor producing useful commodities, in socially acceptable levels of productivity can determine magnitudes of value. If labor produces

(determines) this magnitude in time, and the workers do not receive all of what they produce, their working time can be extended resulting in larger surplus magnitudes. If some workers are skilled, they can produce more value in time, and then skilled labor is a multiple of simple labor. If only labor can determine, then the accumulation of constant capital has the tendency to lower the rate of profit. If labor produces ratios, then it is the abstract quality of labor which determines, rather than only one-sided particular expressions of the abstract universal, labor, etc. etc.

We can see now, how Marx writes some premises which open up into all the consequences of the later volumes. All the time, the superficial readers of Marx talk about Marx's value theory unfolding into the later chapters and volumes, but all that exists is this empty statement. Only by grasping the inner truth of Marx's theory can its real actual richness be grasped, and Marx's works can be seen as the work of art it was intended to be. And here is why the alternative readings of Marx can't make sense out of Marx, if Marx was determining anything else by labor-time none of the above conclusions follow any consistent sense.

Yet, truly, labor-time does not produce exchange-magnitudes, labor produces commodities, which are exchanged with other commodities in their proper magnitudes. The exchange-ratio of the produced commodity, is not yet under the ownership of the producer, the exchange-ratio is what the consumer of the producer's commodity hands over in exchange for the produced commodity. What a producer produces is not what their consumer exchanges away to them, otherwise they would not have needed the consumer to form an exchange-ratio to begin with. Therefore what the proletariat's labor produces is not the exchange-ratio, but only the commodity on their side of the exchange-ratio. Yet this is not noticed when, if, labor produces tables to be exchanged for chairs, we could say metaphorically, that the labor of the table-producer, produces chairs. Yet what really happened is that the table-producer made tables which were then exchanged for chairs. It would seem, from the standpoint of the metaphor, that labor-time is the determination for the magnitude, and from the non-metaphorical standpoint, that, in all actuality, the exchange-ratio is mediated by the social practice of exchange.

Let us although, cover another possible interpretation of magnitude determination by labor-time. If we imagine that prices are already set for commodities (plural), then we fail to produce a determination theory, as we are set to explain these prices to begin with. However, let us run with this for a moment to show how this can interpret determination by labor-time to a limited extent. If commodities (plural) have prices, and a worker produces these commodities and we assume will always find a buyer, then the more commodities produced, the higher aggregate revenue from selling these commodities. Hence longer work time determines a larger magnitude of value. Yet here we are only in commodities in the plural, and more, we had to assume they had prices to begin with. Here then it also contradicts Marx in that the function of determination is not labor-time, but only of productivity facilitated by labor-time, which presupposes a machine would also facilitate this kind of determination. Moreover, Marx is to explain the determination of value not for aggregate revenue, but for a single commodity, *The Commodity*, as the first chapter of the first volume is titled. It may be the case that Marx intended to propose a non-metaphorical determination theory here and there, and conflated this with his determination theory in general, just not thinking it through all-together.



(b) The Practice of Exchange

The exchange process is a practice of subjects, it is a social subjectivity. Exchange is a discourse where one sets a price, and the other pays the price. These are actions taken consciously, subjectively, and this is what is supposed by Marx to be determined by labor-time, this interaction between individuals.

Even “the beginner” of Marx’s economics knows to look out for subjective claims in science; although, what if the practice of exchange is a practice of subjectivity? Then it is not a subjective claim but the distinction of subjectivity in sociological discourse. If subjectivity cannot be quantifiable, then exchange determination, like other social discourses, cannot be quantifiable, and cannot be offered as a determination theory as well as a measure theory like Marx’s. Here one thinks that if subjectivity is accepted as the cause of determination, marginalist determination is given a thumbs up, but what marginalism lacks is the understanding of real conditions of exchange in antagonism.

The process of setting an exchange-ratio is a social discourse involving one party as producer, the other as consumer, and vice-versa. The one consumes what the other produces, while at the same time producing what the other consumes, both parties both supply and at the same time demand. Both parties offer away what is of no immediate use for them, in return for what is of immediate use to them. It’s not true, that the commodity the party trades away serves them no use, on the contrary it has the use of exchangeability, yet the commodity is limited to this utility of exchangeability in the hands of its original owner. Utility is only actualized when it is consumed, when its useful qualities are put into practice. The model of the scientific subject immediately acts to realize useful properties to their full extent, and mediates its immediate desires with relative autonomy. Like all utility then, the utility of exchange has a maximum and a minimum, if the party exchanged away their utility for little, in relation to what could be exchanged away for much, they would be minimizing their commodity’s utility in the first case, and maximizing it in the second.

The exchange relation is then a relation of antagonism. If the party in exchange seeks to maximize itself against their other symmetrical party, the two parties are in an objective relation of conflict; they benefit from the other’s loss.

However, it is not always true that the individual in exchange will seek to maximize the exchange, in sympathy for the other party. The one party has the immediate interests to obtain as much as they can from the other party, although they can mediate on their immediate interests capriciously. Here marginalist determination wants to make this *relative autonomous caprice* into an absolute standard of scientific behavior.

Bourgeois economics then not only isolates the individual under bourgeois society as the natural individual, but also isolates the individual from bourgeois society itself. Marginalist determination in the exchange is only understood from a consumer with money, detached from their actual antagonistic relations. The consumer with money is said to act on pure caprice; evaluating the other’s commodity and exchanging for what it’s worth to them. “Beauty is in the eyes of the beholder” and, “everything is worth what its purchaser will pay for it”. The bourgeois idea of the

subject under bourgeois society is then one free from conflict, getting and giving what equal partners in social reproduction see fit. What marginalism fails to do is grasp the individual. Marx was on to something, when he says in the Grundrisse:

Society does not consist of individuals, but expresses the sum of interrelations, the relations within which these individuals stand.<sup>8</sup>

The individual unit in the exchange relation, must relate to the other party, and the other party relate back. Moreover, in a social totality there are not only two camps of consumer and producer. There exists the possibility for multiple parties as consumers, and multiple parties as producers; each party with the same utility as another party faces the same utility-maximizing desires in antagonism to one another; they fight for the ability to exchange with the other party in the first place. Then it is not only the antagonism between supply and demand, but the antagonisms between supply and supply and demand and demand.

(c) Immaterial Causality

Prices are set by producers and paid for by consumers. This is an act by individuals in exchange-relations. To then search for the causes of the ratios set, we are looking at determinants of human behavior in its particular setting. If labor-time were to be a determinant in forming exchange-ratios, it must determine the behavior of the parties in exchange.

Yet it is not true that the behavior of the price setter, or the price payer, is mysteriously taken over by the labor-time of the employee in production, as truly the determination of exchange-ratios is the working out of this social practice of parties in exchange. What determines the behavior of the parties in exchange is their antagonisms and their need to generally cover their costs of reproduction. Even if the consumer wanted to pay according to a labor-time determination, it would be their desire to do so which would be causing this payment method, thus Marx's determination proposal is a complete impossibility, and with that his value theory which contains this premise.

## Marx After 1861

We actually find very little change in Marx's economics over his life. I say this simply because Marx in 1847 does not have reproduction schemes, the contradiction in the general formula, a real or one-sided solution and so on. Marx's early work cannot be judged in relation to later works in terms of problems they do not take up; to see a theoretical difference in early works to later works the same category must be common to both. As far as Marx's categories go over time, they grow, they become more advanced in the amount of distinctions and movements being understood; thus signaling a great development in Marx's scientific theoretical thinking and thereby the products of this thinking in text. Insofar as the same economic categories taken up from 1847 on go, they are surprisingly consistent besides terminological changes,

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<sup>8</sup> Grundrisse, pg 265

although we can find two breaks. Marx will break and revise with what he first established in 1847, his early treatment of costs of production in *Wage Labour*, and his treatment of measure found in his *Poverty*.

Engels will publish volumes two and three from Marx's post-1861 period manuscripts. The two volumes published by Engels are somewhat fragmentary, they are generally called incomplete works, or it's said that Marx's economics is incomplete or unfinished. This causes the later volumes to be less read and to receive light readings, justified by the presupposition that a close reading wouldn't make sense anyway; more reasoning that Marx's economic categories are widely missed.

The manuscripts for the fourth volume of *Capital*, intended to finish Marx's great series by looking over the history of economic thought, were first published by Karl Kautsky in three volumes from 1905-10 and later by other publishers in other editions and combinations. The fourth volume is not printed and even mostly unknown.

Marx's final published economic writings would come in Engels' under-read *Anti-Duhring*. Marx's section would be written in 1877 and be somewhat insignificant as far as proposing theory goes; he mostly goes over what he already proposed in the third chapter of *Capital* volume one and Quesnay's tableau economica. Engels writes most of the economics in this work, reproducing Marx's theory to the best of his abilities. We have seen Engels had made mistakes on Marx's value theory, and I have also in another work, *Law of Surplus Revenue*, pointed out again over underconsumptionism. Yet Engels had his own studies to worry about. In much of Engels' life, he comes in to aid Marx with Marx's projects, this is very much a running theme in their friendship. And to Engels' acceptance, as he supports Marx's work, and sees an ability to use his bourgeois social class against the bourgeois social class itself and then spares time and money for the cause. Really, we should blame Marx for not communicating these categories to Engels clearly enough, or in his writings for that matter. Looking at how much we had to magnify a few sentences in the first chapter of *Capital*, Marx seems to have been going for a bigger finish which would come back to these little clues in the first chapter.

Marx was surprisingly consistent throughout his whole life, overtime we see a great growth of refinement, rigor, and added detail to what Marx first took to be true in his 1840s period of study and writing. Referring to the first volume of *Capital*, Marx wrote in a letter to Engels in 1867:

The best points in my book are: 1. (this is fundamental to all understanding of the facts) the two-fold character of labour according to whether it is expressed in use-value or exchange-value, which is brought out in the very First Chapter; 2. the treatment of surplus-value regardless of its particular forms as profit, interest, ground rent, etc. This will be made clear in the second volume especially. The treatment of the particular forms in classical political economy, where they are forever being jumbled up together with the general form, is an olla potrida.

In uncovering the twofold nature of labor, Marx shows how laboring for the production of social life is a universal act in past, present, and future relations of production; each specific form determining its own specific characteristics which pass with the changing of the social formations that give them origin and the conditions that give the social relations themselves origin. With the universality of labor in production understood, no longer can we see our present state of social formation as absolute and universal in itself; it is only one social arrangement, coming with its own laws of motion and determining roles. Bourgeois society was not invented, it did not fall from the heavens, it arose out of necessity; it arose out of innovation in production, domination, and more innovation in production.

It then follows that Marx was keen to see that the aggregate surplus labor produced by employees across the globe was the same-old surplus labor that has always been, only now in the form of surplus revenue; and thus could represent an aggregate measure of equated labor-time, even as the individual units of the whole are not equated.

Marx's economics are of the finest treatment of economic categories although, are faulted in the immaterial metaphor they take for granted as a systematic component and thus are useless in regards to determination and measure. Yet we still have a large body of text with precise economic categories worth revising and improving on. Let's continue this tradition: "His name will endure through the ages, and so also will his work."<sup>9</sup>

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<sup>9</sup> Engels at the grave of Marx in 1883