

THE VALUE CONTROVERSY AND SOCIAL THEORY:
AN INQUIRY INTO MARX'S 'LABOR THEORY OF VALUE'

By

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B.A. The University of Manitoba, 1981

M.A. The University of Manitoba, 1984

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY

in

THE FACULTY OF GRADUATE STUDIES

Department of Anthropology and Sociology

We accept this thesis as conforming
to the required standard

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THE UNIVERSITY OF BRITISH COLUMBIA

February 1989

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ABSTRACT

The main purpose of this study is to demonstrate the importance of the preservation and development of Marx's 'labor theory of value' to the project of reconstructing social theory on an 'historical-materialist' basis. The seminal significance of particular conceptualizations of 'economic value' to wider bodies of social theory is revealed by the enormous impact of the 'marginalist' theory of value/price on twentieth-century social science -- not only economic theory, but such sociological paradigms as structural-functionalism and social exchange theory as well. In contrast to the marginalist doctrine, which analyzes the relation between 'things' (i.e. objects of utility) and 'persons' (in their role as consumers within the market economy), Marx's theory of value focuses on the relation of people to people within the total process of societal production/reproduction: the social relations of production. Accordingly, Marx's theory is not essentially a theory of individual price formation (as has been commonly assumed), but rather of the articulation, division and distribution of social labor within commodity producing economies. In all this Marx was guided by his interest in disclosing the 'laws of motion' of capital -- and in particular, the fashion in which the material 'forces of production' (technology, labor-power, etc.) enter into conflict with the social 'relations of production' (the social form of the product of labor, the social form of the division of labor, the mode of extracting surplus labor from the direct producers, etc.) in the course of capitalist development.

The study establishes that Marx's integrated theoretical-political project, of which his theory of value is a component, is predicated on the historical-materialist thesis that the most significant theoretical distinction of use in the scientific interrogation of the human world is the distinction between the material (or 'natural') and the social, not the distinction between a material 'object' world and an ideal 'subject' world which is basic to theories influencing and influenced by neo-classical marginalism. By taking the material-social distinction as his point of departure, Marx transcended all dualisms which drive a wedge between a material domain governed by 'natural law' and an ideal domain in which an allegedly 'free' subjectivity is permitted to voluntaristically 'construct' social -- but not economic -- reality. Indeed, Marx's focus on the social relations of production as these provide the structural intermediation between 'natural law' (e.g. the human imperative to establish a division of labor to more effectively meet social needs) and particular manifestations of human subjectivity (including decisions pertaining to the 'pricing' of commodities) closes the gap between the poles of the dualistic problematic while directing us, methodologically, to regard the 'holistic' entities governing the relations between particulars as the appropriate starting point rather than the 'individual' thing, person or circumstance.

Abstract, continued....

To bring the methodological and substantive-theoretical implications of Marx's theory of value into full view, a critical review of the controversies surrounding this theory is undertaken. These implications are then explored in relation to such wide-ranging problems as economic crisis, imperialism/underdevelopment, class structuration, the social determination of knowledge/ideology, bureaucracy, and the current 'crisis' of social theory (as expressed in the division between a positivistic scientism and a 'life-philosophical' humanism).

A novel feature of the study is the way in which it establishes 'value' as a key category not only for the explication of capitalist social reality but for the understanding of the 'forces-relations' dialectic which is at the heart of Marx's theory of historical development. It is suggested that a pre-capitalist 'law of value' may have played an important role in the cognitive revolution underlying the development of mathematics and modern science. Far more than an 'economic' category, 'value' emerges as a sociological and 'gnoseological' category as well, as a stimulant to ideas and forms of cognition conducive to technological progress and, more indirectly, to the subversion of precapitalist social forms. The central substantive-theoretical aim of the dissertation remains, however, to define the 'limits' of value as a mode of socio-economic reproduction and as a stimulus to human progress.

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ACKNOWLEDGEMENTS

I would like to extend my sincere thanks to the members of my supervisory committee for their participation in this undertaking and for their many useful criticisms concerning earlier drafts of this dissertation: David Schweitzer (Advisor), Blanca Muratorio and Bob Ratner. Special thanks are also due to Professor Robert Chernomas of the University of Manitoba Economics Department who very generously took the time to read and critically evaluate the first eight chapters, particularly the material pertaining to the 'value controversy' proper. Finally, I should also like to gratefully acknowledge the financial support of the Social Sciences and Humanities Research Council of Canada from 1985 to 1988. Needless to say, final responsibility for the shortcomings of this study rests with me alone.

The Value Controversy and Social Theory:
An Inquiry into Marx's 'Labor Theory of Value'

Volume One:
Chapters One-Seven

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PART ONE: INTRODUCTION

Chapter One: Economy, Society and Social Science

The fundamental theme of this study is the relationship between social theory (in both its 'economic' and 'sociological' dimensions) and the Marxist 'labor theory of value', a theory which Marx considered the centerpiece of his historical-materialist analysis of capitalist society. It should go without saying that such a project bears intimately on the more general theoretical task of specifying the continuities and discontinuities existing between Marxist and non-Marxist social science. However it also possesses a specific interest in relation to the on-again-off-again quest of contemporary social theorists to elaborate the conditions as well as the possible content and consequences of a social science unified (or, as some would have it, 'reunified') at the intersection of 'the economic' and 'the social'. The reason is straight-forward. Marx's theory of value was conceived outside of the compartmentalized discourses of 'economics' and 'sociology', its original purpose having been to illuminate the social relations that mediate two distinguishable yet irrevocably related aspects of reality: the interaction of humanity and nature, and the interaction of human beings through social practices and shared ideas.

The conceptual distinction between 'economy' and 'society' which is integral to most non-Marxist social science is, among other things, the basis for the well-known social-scientific

'division of labor' between economics and sociology. But it is rare for either sociologists or economists to reflect on the actual meaning and implications of this distinction, or to question the historical origin of a habit of thought which divides social reality into two spheres whose relations with one another are at best problematic.¹ Marx's historical materialism seems to provide a promising basis for getting on top of these questions; but the 'price' it exacts would appear to be too high for mainstream social scientists. Marx removes the 'indeterminacy' in the relationship between 'economy' and 'society' by redefining the terms of this opposition and suggesting that the phenomena associated with 'economy' and 'society' are phenomena endowed with historically-specific 'social forms' -- forms which are by no means immutable or inevitable. In other words, Marx suggests that any attempt to articulate the mediating links between 'economy' and 'society' (as these are conventionally understood) must acknowledge the historical impermanence of the social reality under examination, the manifold ways in which 'the economic' and 'the social' may interpenetrate and condition one another -- and the ways in which they must also come to conflict and even negate each other.

Mainstream (or 'bourgeois') economics and sociology are largely defined by their refusal to entertain Marx's approach. Since the end of the last century the dominant schools within both disciplines have been united in opposing any attempt to 'close

the gap' between 'the economic' and 'the social'. To some degree this judgment would appear to be belied by the respectability of both 'economic sociology' and 'institutional economics' within their respective fields. But a closer examination of these two subdisciplinary paradigms will reveal that their 'critical' edge is decisively blunted by their refusal to challenge the dominant concept of 'economic value' as this exists within both economics and sociology, the marginalist concept which is the foundation of the neo-classical school in modern economics and which was also a decisive formative influence on both Weber's sociology and structural-functionalism.² In a very real sense it is the marginalist concept of 'value' which guarantees that the relationship between 'the economic' and 'the social' will remain a mystery to those who embrace it. Not surprisingly therefore, the common marginalist roots of modern economics and modern sociology actually sanction a social-scientific division of labor which persistently enjoins us to view 'society' as 'ideological community' and 'economy' as a 'natural' and 'law-bound' domain -- a domain 'in society but not of it'.

Yet marginalism has never entirely defined the terms of the division of labor between economics and sociology. For its part, sociology has vacillated between the conception of society as ideological community and a more 'conventional' notion of society as inclusive of economic institutions and practices. In part this is attributable to a felt-need by 'bourgeois' sociologists to counter the repeated challenges of Marxist theory

-- for, whatever else might be said of them, the 'grand theories' of Parsonian functionalism and social exchange are nothing if not valiant attempts to reproduce in macrosociological scope the 'totalizing' grandeur of Marx's achievement. Yet it has not only been the Marxist challenge to sociology that has compelled a Talcott Parsons to analyze the economy as simply one among several 'social systems', or a George Homans to treat market exchange as simply one among many instances of generalized 'social exchange'; it has been the very logic of macrosociological theorizing itself, which cannot fail to discern 'the social' within 'the economic' and 'the economic' within 'the social' -- particularly when economic theory appears altogether blind to this reality.³

The fact remains though that even when sociology is at its most critical of neoclassical economics -- as with 'the paradigm of economic sociology' -- its criticism never extends to the marginalist foundations of modern social science. This observation is strikingly confirmed by a reading of a recent piece which delineates seven 'points of divergence' between 'micro-economic theory' and 'economic sociology' (Swedberg, Himmelstrand and Brulin 1987).⁴ The authors' discussion reveals that economic sociology constitutes an astonishingly eclectic melange of ideas drawn in different proportions from Marx, Weber, Durkheim and Parsons. Revealingly, however, despite the purported influence of Marx's ideas, the critical thrust of economic sociology towards 'microeconomics' stops well short of a challenge to the marginalist concept of economic value. Indeed, in this quite comprehensive comparison of the 'paradigms' of

neo-classical economics and economic sociology, marginalism is scarcely even mentioned -- and when it does crop up, it is discussed in a most uncritical spirit. Thus, even though it is quite true to say that economic sociology and economics have grown away from each other to a significant degree during the twentieth century, rendering a specification of the reciprocal influences defining and limiting their interaction increasingly problematic, a solid core of agreement exists surrounding the necessity of the marginalist concept of economic value -- and the unacceptability of any alternative labor theory of value, whether associated with Marx or not. ⁵

At the same time, the resurgence of interest in Marxist theory (and, more generally, socialist politics) among social scientists since the 1960's has given some promise of unleashing a challenge to the customary 'division of labor' between economics and sociology. This division of labor -- its theoretical roots, 'hidden' functions, and practical results -- has been a recurrent subject of critical scrutiny among radical social scientists as the approach of 'political economy' has re-established a certain profile within both economics and sociology. Indeed, it has been under the banner of 'radical political economy' (Marxist or neo-Marxist in the main) that radical social theorists have addressed themselves to the task of repairing the breach between economics and sociology, or, more ambitiously, of transcending both in the interests of restructuring social science along historical-materialist lines.

1.1 Origins of the Social-Scientific Division of Labor

Modern sociological theory emerged at least partially in response to two related developments: the transformation of 'classical political economy' into 'economics' during a period in which, as Hutchison has observed, 'the interconnections and interdependencies of economics and politics were at an all-time low [and] the political and social framework of the economy ... seemed comparatively stable',⁶ and the emergence of Marxism, which carried forward classical political economy's concern for the class relations underlying economic phenomena and which made its critique of bourgeois political economy the exemplar of its own peculiar 'sociology' -- the science of historical materialism. These developments have been summarized by Martin Shaw as follows:

The political economists, with the labour theory of value, had come within a hair's breadth of grasping that economic relations between commodities were based on social relations between classes in the process of production. Marx developed their arguments, and turned them against them, showing the full revolutionary implications of the labour theory of value. Economists after Marx gradually turned away altogether from the theory, and from all recognition of the social character of economics, although they have more recently developed the 'social' aspect as a residual or additional category to 'pure' market economic relations. The other side of this decline and fragmentation of boueregois social thought ... is precisely the rise of sociology to deal with what economics cannot deal with -- social relations between classes, in their political, trade union, ideological and cultural aspects -- without dealing with their real basis in the capitalist mode of production. [emphasis added] (1972:38)

There is no question but that Shaw overstates his argument when he implies that classical political economy as a whole embraced a labour theory of value, and that political economists only began to turn away from this theory following Marx's

adoption and development of it. Nevertheless he is right with his main point that neo-classical economics cannot deal with 'social relations between classes, in their political, trade union, ideological and cultural aspects' not because of a 'natural' division of labor between economics and sociology but because it has been theoretically constituted in such a way as to dismiss what were the traditional concerns of the classical school. For many of the classical political economists these concerns necessitated a 'labor theory of value' as a tool of analysis; but in principle they could be specified independently of such a theory (as they were, for example, by John Stuart Mill). As Simon Clarke puts it:

The main concerns of classical political economy from Petty to J.S. Mill were to identify the social classes that comprised society, to define the economic relations between these classes and to discover the laws that governed the development of these relationships. In a very literal sense classical political economy saw its task as being the construction of a science of society. The economy was not seen as a realm independent of society. For classical political economy the economy was the heart and soul of society. (1982:19)

As I have already indicated, Marxism had sought to continue to address these traditional concerns by examining the intersections and mediating links between 'the economic' and 'the social', and it had been able to do this because it had developed rather than repudiated the classical labor theory of value (particularly the labor-value theory of David Ricardo). For Shaw, writing from a relatively 'orthodox' Marxist standpoint in the early 1970's, the link between the labor theory of value and the analysis of 'social relations between classes'

within capitalism was not only obvious and unproblematic, but a necessary one. The corollary to this was equally plain. It had been the excision of the 'labor theory of value' from economic thought which had paved the way for a social-scientific division of labor in bourgeois thought between a new economics discipline blithely indifferent to the division of society into social classes and a post-Spencerian sociology which had chosen to deal with social and class relations primarily in terms of moral, normative and ideational elements.

Early modern sociology, whether in its Weberian, Durkheimian or Paretian variants, was united in eschewing Marx's historical materialism as 'economic determinism' and Marx's economic analysis as outmoded. As Therborn (1980) has documented so well, Weber, Durkheim and Pareto were decisively influenced by economic ideas drawn from German historical and ethical economics and Austrian marginalism.⁷ None was disposed to consider a theoretical articulation of 'the economic' and 'the social' wed to a labor theory of value, and none was prepared to question the emerging economic orthodoxy of their own day -- the theories of marginal utility and marginal productivity.⁸ Thus, as Shaw has put it:

sociology arises and assumes the economic problems are solved, when economic problems have become transparently social problems which cannot be solved within the framework of bourgeois economics. That is to say, when the social character of capitalist production, veiled by bourgeois economics, has become apparent in the revolt of the chief force of production, the working class, sociology arises as a theory of how to respond to this revolt without abolishing the capitalist mode of production. Sociology recognizes the social character of production -- but by denying that it is to do with production, which is a matter for 'economics'.(1972:37)

All of these considerations point to the conclusion that sociology had its origins not in indifference to economic theory (Weber, Pareto and even Parsons, after all, were all economists after a fashion), but in a keen sensitivity to the social-scientific vacuum created by the decline of classical political economy -- its failure, as the first social science, to create the framework for a truly unified social science, and its abandonment of this terrain to Marxism. At the same time it would appear that early modern sociology shared the central ideological feature of neo-classical economics: the acceptance of the capitalist social and economic order as a 'given', rather than as an object worthy of critical analysis. This being the case, it is not at all surprising that the individualist, subjectivist and idealist aspects of what Marx termed 'vulgar economy' found full expression and even ideological magnification in the thought of Weber, Durkheim and Pareto. The 'voluntarist' elements that Parsons pointed to in all three of their sociological contributions can easily be viewed as the 'sociological flip-side' of the neo-classical economic search for nomothetic laws governing and reflecting the determinate behavior of objective market forces.⁹ Both theoretically and methodologically, neo-classical 'marginalist' economics must be recognized as a decisively important influence on Western sociology, informing and limiting its analysis of 'properly' social (that is to say, 'non-economic') phenomena.

1.2 The Impact of Marginalism

The impact of the theories of marginal utility and marginal productivity (the so-called marginalist revolution) on both economics and sociology is replete with paradoxes. Two of the principal pioneers of marginalist theory, Jevons and Menger, explicitly associated marginalism with utilitarianism and a psychologistic approach to economic phenomena, holding economics to be the study of 'mechanical self-interest'.¹⁰ As Ronald Meek has observed:

The new starting-point became, not the socio-economic relations between men as producers, but the psychological relation between men and finished goods. Jevons proclaimed that his theory 'presumes to investigate the condition of a mind, and bases upon this investigation the whole of Economics'. Menger emphasized again and again 'the importance of understanding the causal relation between goods and the satisfaction of human needs'. (1973:235)

Despite the high regard that Weber had for Menger as a methodologist, the mechanical behaviorism which characterized marginal utility theory's attempt to provide economic phenomena, market prices in particular, with an individualist/subjective underpinning could only have dissatisfied this devotee of the verstehen method.¹¹ Given the enormous influence that Weber's 'economic sociology' has had on the development of modern sociology, it is important to be clear about Weber's appreciation of the methodological positions of the marginalist school. Clarke (1982) has undoubtedly provided the fullest discussion of this issue. He notes that Weber's own position was influenced by both the German historical school of economics and by Menger's marginalism; indeed, it can be read as a kind of 'synthesis'

of the interests of both schools, even though 'its basis is definitely on the Austrian side of the divide'.¹² From the German historical school Weber borrowed a number of themes and orientations whose expression in his work is most obvious in his early study of 'The conditions of rural labour in Germany beyond the Elbe' (1892), but which continued to inform his later work as well: 'the subordination of academic research to pressing political concerns; the insistence on the primacy of ethical and political criteria in the evaluation of economic policy; the emphasis on the priority of national over sectional interests; the focus on the State as the embodiment of the nation; the nostalgic evocation of patriarchal relations; the insistence on the positive ethical virtues of petit-bourgeois morality and the political necessity of sustaining a strong and independent petit-bourgeoisie as the basis of a powerful national state' (Clarke 1982:195-196). Yet on the two decisive points of differentiation between the German historical school and the Austrian marginalist school, Weber was to side with the latter, maintaining that economics is not an 'ethical science' but an objective one incapable of proffering ethical prescriptions, and also insisting that 'historical interpretation presupposes that the social sciences have an analytical core in the form of a pure theory of typical relationships' (ibid:196).

Even so, Weber was far from uncritical of the methodology of Menger and the marginalist school. While for Weber, as well as for Menger, theory was necessarily concerned with 'typical relationships' and the formulation and elaboration of

'ideal types' to which reality could never correspond exactly, Weber departed from Menger's 'characterization of the typical foundations of social theory' (ibid:200). Thus,

For Menger economics is concerned with the universal economic problem of the rational provision of human needs. The types on which economic theory is based are therefore elaborations of the principles of rational choice, and for the Austrian School economics is a branch of praxiology, the general theory of rational choice...

For Weber...economic rationality is not such a self-evident universal truth. On the one hand, the single-minded pursuit of economic goals could be at the expense of ethical and political goals which were valued more highly....On the other hand, the rational adaptation of means to ends is only one possible value-orientation that is characteristic of a particular society, but that does not have universal validity. Thus economic theory is not based on an ideal-type that expresses the certain intuitive knowledge of a naturalistic psychological orientation; it is based on an ideal type that expresses a particular value-orientation that has its own historical origin. The institutions of capitalist society cannot be seen as the products of a universal rationality, for the historical origins of this form of rationality have themselves to be explained. (ibid:200)

Weber's perception of the historical specificity of capitalist economic rationality would seem to be broadly consistent with Marx's historical-materialist dictum that 'social being determines consciousness'. In fact, however, Weber did not seek to explain the 'historical origins' of this form of rationality in the same way that Marx did. On the contrary, Weber's focus on 'value-orientations' led him to ascribe an extraordinary importance to the development of religious theodicies and 'breakthroughs' favoring cognitive systematization. (Thus, in his celebrated 'protestant ethic' thesis, Weber traced the origin of the 'capitalist spirit' to the value-orientation

promoted by Protestant asceticism. The historical origins of the latter, however, are not satisfactorily explained.)¹³ Weber's 'ideal-types' and Marx's 'real abstractions' have an historical determinateness in common; but the latter are still materialist categories, while the former are constituted through an essentially idealist method of accentuating certain elements selectively drawn from reality. As Clarke aptly states:

Weber's ideal-type was a hypothetical construct that was based not on the introspective understanding of the universal principles of experience, but on the historical understanding of the typical complexes of values that motivate actors in different societies at different times.... Weber retained the essential features of Menger's methodology, while reversing the relation of priority between historical and theoretical understanding, with the ideal-types of theory depending for their elaboration and for their validity on historical research. (ibid:201)

As we shall soon see, Marx's historical materialism is predicated on the existence of 'universal principles' or 'transhistorical laws' that it is the task of the theorist to explain in relation to variant social forms. What is missing from both Weber's and Menger's conceptualizations is an understanding of the role of 'social form' in mediating the relation between naturally-existing universals and concrete historical particulars. Far from constituting an actual challenge to Menger's positivism, Weber's 'historicism' can be seen as a 'complement' to it; the two men have simply staked out different points on a common methodological continuum -- one appropriate to a theorist of the market economy, the other appropriate to an analyst of social phenomena evincing various degrees of autonomy from that economy.

The real beauty of marginalism from the point of view of the still-nascent discipline of sociology was that it could lend itself to either a deterministic or a voluntaristic account of human action.¹⁴ Insofar as human beings could be counted upon to behave rationally within the sphere of market exchange, marginalist theory rendered economic phenomena relatively predictable. As Pareto avered: 'The individual may disappear; we do not need him any longer to determine economic equilibrium'.¹⁵ The implication for economics was a more general mathematization of the discipline, approximating that of the physical sciences. But as Pareto and Weber both recognized, individual human beings could not be counted upon to submit 'voluntarily' to the whip of economic rationality at all times -- not even to the rational calculation of economic self-interest. For Weber, this dictated the need to distinguish clearly between economic action, economically-relevant action, and non-economic action.¹⁶ For Pareto, similarly, it meant recognizing the shortcomings as well as the advantages of marginalism and exploring the multi-faceted character of 'synthetic' human beings whose behavior arises out of political and ethical as well as economic motives.

The relevance of marginalism for early modern sociology then must be comprehended at two levels: the constitution of 'economics' as a discipline subject to sociological 'critique' (by dint of its narrow focus on 'the economic' at the expense of those 'institutional externalities' that reside in the specifically 'social' sphere), and the bifurcation that marginalism introduced into the human world between a sphere of rational decision-making

subject to the discipline of 'natural laws' (the market economy) and a sphere ruled by social factors that make for much uncertainty in human affairs -- customs, traditions, ideologies, ethical and spiritual values, class distinctions, etc.).¹⁷ Early modern sociology accepted this bifurcation just as resolutely as did neo-classical (marginalist) economics.¹⁸ Indeed, it is from this source that economics and sociology derive their common premises, just as it is also from this source that conflicts have periodically erupted (and indeed must erupt) between the two disciplines. By conducting its analysis at a level of abstraction distinct from that of most sociology, neo-classical economics has tended to ignore both the interdependence of the two spheres and the degree to which they 'conflict'. This can only dissatisfy the sociological perception (extending back to Weber, Pareto and Durkheim) that while these two spheres are autonomous, they also have a habit of encroaching upon one another.¹⁹ This is nowhere more clear than in Weber's account of the process of (progressive) rationalization/disenchantment in which the 'formal rationality' of the capitalist market gradually overwhelms all other principles of social intercourse and finally issues in the 'iron cage' of the modern world (a metaphor which can easily be read as a triumph of the economy over society, of market calculation over non-pecuniary values).²⁰ Ironically, in Weber's own account of progressive rationalization, we see revealed the basis for the 'arrogance' of neo-classical economics in relation to the other social sciences: its own self-confident perception that the logic

of capitalist economy is to root out everything that is inconsistent with the laws of market exchange and, indeed, to transform 'social action' in its own image.²¹

Even though neo-classical economics and sociology jointly perpetuate the notion of the bifurcation of the human world into 'economic' and 'social' spheres, they tend to accord different weights to these two spheres. The over-all picture has been nicely summarized by Maurice Dobb:

Economic theory, at least since Jevons and the Austrians, has increasingly been cast in terms of properties that are common to any type of exchange society; and the central economic laws have been formulated at this level of abstraction. [Dobb's footnote: So far as economics is concerned, this view seems to depend on the selection of the market as the sole province of economics, and of the problem of 'adapting scarce means to given ends' as the aspect of the market upon which economic study is focused ('ends' being defined subjectively in terms of human desires).] Institutional, or historico-relative, material, while it has not been excluded entirely, has only been introduced into the second storey of the building, being treated in the main as a change in 'data' which may influence the value of the relevant variables, but do not alter the main equations themselves by which the governing relationships are defined. Hence a line of demarcation is drawn between an autonomous sphere of exchange-relations, possessed of properties and ruled by necessities that are, in the main, independent of any change of 'system' -- a sphere which is the province of economists -- and the sphere of property institutions and class relations which is the territory where sociologists and historians of institutions, with their talk of 'systems', can riot to their hearts' content. (1973:27-28)

In general, sociology does not fault economics for its exclusive preoccupation with the laws of market exchange, but rather with the tendency of economists to pretend that an analytical inquiry into those laws is sufficient to explain the links between the market-economy and the matrix of 'sociological' elements within which it exists.²² Huppes strikes a familiar

chord when he notes that 'Social change, power and conflict figure largely [in the sociological conception of society] and it is precisely these phenomena that neo-classical economics does not deal with' (1976:29). Yet the sociological critique of neo-classical economics stops well short of a break with the latter's fundamental theoretical and methodological assumptions: the sufficiency of the marginalist concept of 'economic value'; the legitimacy of abstracting from 'extra-market' social phenomena in depicting 'economic agents' as individuals whose subjective orientations of action may be assumed to be predetermined or given;²³ the scientific adequacy of treating production as a natural-technical process with no specifically social dimension, and of selecting the market as the exclusive focus of 'legitimate' economic analysis.²⁴ In adopting these assumptions, neo-classical economics, in the words of Tarasco, 'gained a rigor but...suffered a loss in scope' compared with its progenitor, classical political economy.²⁵ But it must be added that these results of the 'marginalist revolution' also created a specific niche for sociology as a new social science, a discipline which recognized economics' limitations (its limited 'scope'), while refusing to question its peculiar competence (or 'rigor') in theoretically apprehending the most salient features of the capitalist market-economy. Sociology's birth-right -- its specific mandate -- was to examine the 'non-economic' aspects of social life while limiting its concern with the capitalist market economy to the ways in which the latter is articulated with those aspects. In this way, as Therborn observes, 'the ideological community and

the market [became] the twin axes of post-classical non-Marxist social science' (1980:428).

So far we have skirted the issue of why marginalism had the enormous impact it obviously had on both economics and sociology and how it came to redefine the physiognomy of bourgeois social science. The answers to these questions lie in the way marginalism displaced the analysis of the social origins of 'economic value' with an entirely different agenda of economic analysis: an inquiry into the subjective basis of the market determination of commodity prices.²⁶ In asserting that 'rareté is the cause of value in exchange' and that 'the theory of exchange based upon the proportionality of prices to intensities of the last wants satisfied...constitute the very foundation of the whole edifice of economics',²⁷ Walras succinctly expressed the key insights of what was essentially a 'demand-side' theory of price formation. Marginal utility undoubtedly generated a number of legitimate scientific insights useful to describing and predicting the behavior of a market economy.²⁸ Of equal importance, however, was its ideological function: the elimination of the analytical agenda of classical political economy, which had been inherited, refined and to some significant degree transformed by Marxism.

Chapter Two: From the Labor Theory of Value to Marginalism

Long before the 'marginalist revolution' -- and prior even to the publication of Marx's Capital -- the 'labor theory of value' had fallen into disrepute among most economists, a disrepute which continues to the present day in the economics profession.²⁹ The prevailing prejudice of mainstream economists is captured in Joseph Schumpeter's assertion that 'For economics as a positive science [as distinct from a 'social philosophy']...it is important to ask how the labor theory of value works as a tool of analysis, and the real trouble is that it does so very badly' (1962:24). Paul Samuelson attributes Marx's 'stubborn' adherence to it to the fact that 'it provided him with a persuasive terminology for declaiming against "exploitation of labor",' even though it 'constituted bad scientific economics' (1968:32). For Joan Robinson, who regards all discussion of economic value as inherently 'metaphysical' and 'ideological', the operational content of Marx's specific value theory was its centrality to his thesis that capitalists do not steal from workers, but rather exploit them. Robinson avers in this connection that such a theory is 'ideologically...much stronger poison than a direct attack on injustice' since it leads to the conclusion that 'reform is impossible'(1968:39). Notwithstanding the deficiencies of Robinson's critique of Marx, she is clearly right to perceive that the significance of his theory of value resides in its power to explain Marx's seemingly paradoxical proposition that 'the true barrier to capitalist production is

capital itself', and, relatedly, to establish the historical transitoriness of the capitalist mode of production (Marx 1981b: 358).

How is it possible that an economic theory once accepted as part of the scientific discourse of classical political economy is now regarded as an essentially 'ideological' construct? Did the final 'victory' of marginalism over the labor theory of value within the economics profession constitute a victory of 'science' over 'ideology' -- or did it perhaps signify something more complex? In answering these questions we are compelled to reflect first about the very meanings of the words 'science' and 'ideology', neither of which lend themselves to simple or precise definition.³⁰ Within the social sciences an 'ideological approach' is often identified with a 'non-detached' outlook, one pre-eminently concerned with the advancement of particularistic class or group interests, and which, by dint of this commitment, is deflected from an 'objective' or 'impartial' apprehension of social reality. Such an approach is typically counterposed to the 'scientific method' which aims at gathering empirical facts, testing theoretical hypotheses on the basis of those facts, and only then arriving at generalizations, principles or theorems that may be regarded as reliable guides to human practice.³¹ In a nutshell, science is said to be concerned with 'the facts', while ideology is said to be concerned with the facts only insofar as these facts support a preconceived course of action.

What complicates matters considerably is that 'detachment' from the social consequences of a particular social-scientific inquiry is simply impossible. As Blackburn observes: 'The choice

of a particular field of investigation, the choice of a given range of concepts with which to investigate that field all express assumptions about the nature of society and about what is theoretically significant and what is not' (1972:9-10). Does this mean that all science is tainted with 'ideology', that the cuckoo of ideology cannot be permanently expelled from the nest of science? It is not my purpose to provide an answer to this question here. However Blackburn's admonition should alert us to the need for the social scientist to be vigilant in exposing the efforts of those who overlook or deny salient features of social reality in the interests of sustaining a particular world view or prescribing a specific course of action.

This requires a serious and critical attitude towards the products of social-scientific inquiry, a patient assessment of the methodological as well as the theoretical assumptions underlying this inquiry, and only then an evaluation of how well the particular theorist has succeeded in preventing 'preconceived' notions and political or social biases from pre-empting the scientific agenda of the inquiry. Thus, while a concern for 'the facts' must be seen as critically important, this same concern should be extended to the evaluation of the putative 'ideological' opponent's own theoretical product. That is to say, the accusation 'ideological' should be attached to a particular theory or analysis only after a non-correspondence has been established between what the theory actually says and what obtains in social reality, and, further, only after a connection

can be established between this incongruence and a particular 'worldview' or plan of action.

As a minimum criterion for distinguishing between what is 'ideological' and what is 'scientific' in a particular discourse or inquiry, we might posit, in light of what has just been said, a concern for the truth -- the truth about the object of investigation, but also about what the investigator has said about this object. Beyond this, it must be recognized that the precise dividing line between 'science' and 'ideology' will often be well-concealed -- and that most theoretical production will contain 'ideological' elements combined with scientific ones. Thus, in any attempt to determine whether the marginalist or labor theories of economic value are 'better' or 'more scientific', it is as well to begin with the assumption that both of these theories contain their own measures of truth as well as certain limitations. This should not be understood in a 'relativistic' sense. I believe that there are good scientific grounds for adjudging Marx's labor-value theory as superior to the theory associated with Jevons, Menger, Walras, etc. The point is simply that neither of these theories can make the claim to having answered all the important questions about how a capitalist economy operates.

Classical political economy emerged as a specialized field of intellectual inquiry some three hundred years ago. Its rise was associated with the breakdown of the feudal system, the proliferation of petty commodity production, the spread of European

colonialism, and the articulation of national and international markets. Intellectually it was part of the 'great awakening' which characterized the last phases of monarchical absolutism and the mercantilist trade system. From its beginnings, political economy was associated, as Therborn notes, with 'perhaps the two most important currents of thought of the emergent bourgeoisie in its ideological struggle against the established feudal society -- utilitarianism and (mainly in the case of the physiocrats) natural law' (1980:130). Practically it was concerned with the economic affairs of the state, as opposed to the management of a family household or individual enterprise. The political project of most of the early political economists was to influence the state to adopt policies favoring the interests of the bourgeoisie, interests which they took to embody the well-being of everyone, save the most recalcitrant and backward-looking elements of the aristocracy. As Clarke observes:

The economic theories of classical political economy resolved the problem of order by revealing a harmony of interests beneath the apparent conflict of social relations of exchange and distribution, a harmony that could be realized through the unrestricted operation of the hidden hand of the market. It thereby established the viability of capitalist society and showed that such a society could be ruled by reason and not by custom, as social order and class harmony were achieved on the basis of action oriented by enlightened self-interest. (1982:13)

In France this programme found an early expression in attacks on the tax system of the ancien régime; there, the political economists opposed the immunization of nobles and the clergy, proposing the idea of a single tax on land.³² In England, the programme of the political economists found a more advanced

expression in the ideas of 'laissez-faire' and free trade, against which were arrayed not only significant sections of the aristocracy, but also mercantilist elements of the bourgeoisie with an interest in protecting existing trade monopolies. As Robinson notes: 'Adam Smith's main argument, carrying on where the physiocrats left off, was directed against mercantilism. Ricardo's theory of rent led up to the abolition of the corn laws' (1968:61).

It is within this general intellectual-programmatic context that we need to situate the 'labor theory of value'. While it is true that some inklings of such a theory are evident in some of the canonist writings of the Middle Ages, its first systematic expression is to be found in the works of the economic and philosophical thinkers of ascendant capitalism.³³ Both Thomas Hobbes and John Locke subscribed to the labor theory and integrated it into their broader political doctrines. Thus Locke sought to use it as a premise for his argument against the alienation of property -- as a product of labor -- from those who produce it. Locke's argument was aimed against the transparently exploitative relations existing between the landed aristocracy and the actual cultivators of the land: 'Whatsoever then [a man] removes out of the state that nature hath provided and left it in, he hath mixed his labor with, and joined to it something that is his own, and thereby makes it his property.... For this labour being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough and as good left in common for others' (1968:340). Here a labor theory of value is employed

to support the notion of a 'natural right' to property, a right which had been violated by the feudal order but which was now being championed by the emergent bourgeoisie.

If Locke used a labor-value theory as a support for his political theory of possessive individualism, the labor theory of value found an altogether different status in the writings of Adam Smith and David Ricardo, the two outstanding figures of classical political economy. In Smith's writings the theory appears as an adjunct to an argument whose main purpose is to establish the advantages of free trade as a means of increasing productivity and accumulating stock. What is curious about Smith's ruminations on value is that he admits the decisive importance of the labor embodied in commodities as the determinant of exchange-value only in an 'early and rude society' preceding 'the accumulation of stock and the appropriation of the land' -- that is to say, preceding the emergence of social classes.³⁴ In other words, the labor theory of value has validity only where class divisions do not exist. Once ground rent and profit are allowed for (corresponding to the incomes of the landowners and the capitalists), then these factors must be added to the labor factor in the determination of market price. (This is the famous 'trinity formula' against which Marx polemicized in the third volume of Capital.) Even so, Smith's 'rejection' of the labor theory of value was hardly unequivocal, for he remained sympathetic to the notion that labor is not only 'one' important source of value, but also a measure of it: 'The real value of all the different component parts of price,

it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour measures the value not only of that part of price which resolves itself into labour, but of that which resolves itself into rent, and of that which resolves itself into profit'(1970:153). It should nevertheless be noted that Smith's theory remains basically confused to the extent that he 'mixes notions of labour commanded (the amount of labour that can be employed) with the labour expended' (Fine 1982:76).

As with Smith, David Ricardo sought to understand the notion of economic value in relation to the division of society into social classes and the distribution of national income among them. Thus, in Principles of Political Economy and Taxation, he writes: 'The produce of the earth -- all that is derived from its surface by the united application of labour, machinery and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock of capital necessary for its cultivation, and the labourers by whose industry it is cultivated....To determine the laws which regulate this distribution, is the principal problem in Political Economy' (1951:5). It was in order to disclose the laws governing this distribution of the social wealth that Ricardo confronted the problem of its measurement; and it was precisely in this connection that he felt obliged to move beyond the sphere of arbitrary prices to the social origin of the value represented by this wealth.

This points to a key difference between Ricardo's and Marx's problematics. For while Ricardo was interested in labor quantities as a numeraire -- as a means of measuring heterogeneous use-values in terms of a common yardstick, Marx was primarily concerned with the 'qualitative' issue of the social relations expressed by economic value, all 'quantitative' considerations being decisively subordinate to this question. In this connection, the distinction which Marx establishes between 'value' and 'exchange-value' is of vital importance -- a distinction which is not present in Ricardo's writings, nor in those of any of the other classical political economists. As I have written elsewhere:

Whereas the concept of exchange-value is aimed at analyzing a price system whose function is 'to put on the market the quantity of commodities that is required to fulfil the social need, i.e. the quantity for which the society is able to pay the market value' [Marx 1981:289], Marx's purpose in analyzing the more abstract concept of value was to expose the nexus which exists between individuals operating in a society in which private labors are not immediately recognizable as social. (Smith 1984:20)

Because Ricardo was unaware of the successive transformations of the value-form (transformations resulting from an ensemble of factors determining final exchange-value or 'price' and recognized in Marx's theory), he was driven into a formal contradiction which undermined the internal coherence of his theoretical construction: namely, the proposition that values are themselves determined by influences independent of labor time. Whatever else may be said about Marx's handling of the famous 'transformation problem' or a host of other issues, it cannot be said that his labor theory of value shares this fundamental Ricardian flaw.

These important differences between Marx's and Ricardo's theories, together with some others to be discussed later, are typically overlooked in bourgeois expositions of Marx's theory even though the expositors are often well aware of the intricacies of Marx's analysis. For example, Paul Samuelson (who as a graduate student in the 1930's studied Marxist political economy under Paul Sweezy)³⁵ has written an extended article on Marx's solution to the problem of transforming commodity values into 'prices of production'; yet in his introductory textbook he misleadingly attributes to Marx a 'simple labor theory of value' according to which 'the price ratios of goods can be predicted from labor costs alone' (1968:819). Such misrepresentations of Marx's theory are not at all rare. But it is important to appreciate that misunderstandings or deliberate falsifications of Marx's theory are not the principal reason that most economists have turned their backs on all versions of the labor theory of value, Marx's included. The main reason is that it had quite simply lost its ability to contribute to the practical project to which most economists are devoted: namely, the elaboration of ideas that can be used in either legitimizing or 'improving' the existing capitalist order, an order which has long since swept away the feudal and semi-feudal obstacles to 'free trade', a 'free labor market', and the unbridled pursuit of profit. Or, as Clarke has put it, 'the fate of the labour theory of value was not determined by the internal logic of the Ricardian system, but by the ideological demands that were made on it. The essential ideological weakness of the Ricardian system is that

it does not provide a very satisfactory basis on which to defend profit'(1982:106).

All of this, of course, only makes sense if it is appreciated that economics as a vocation is subject to ideological as well as 'scientific' determinations, and that its leading theorists have been committed in the main to promoting and perpetuating the capitalist economy (whether through fiscal tinkering or substantive reform). It should also be noted that these theorists have also often subjectively identified with the class interests of the bourgeoisie. It is by no means a tendentious exercise to point out that John Locke was secretary to the Council of Trade and invested in the silk and slave trades; that Ricardo was a successful stockbroker and contractor of loans who made an enormous fortune during the Napoleonic Wars; that Eugen Von Boehm-Bawerk was Finance Minister of the Austro-Hungarian Empire as well as the author of the 'definitive' critique of Marx's theoretical 'system'; that Joseph Schumpeter had been a Minister of Finance and the president of an Austrian bank before entering academic life; and that John Maynard Keynes enriched himself as a jobber in currency, securities and primary commodities.³⁶ Nor is it 'irrelevant' to point out that two of the English pioneers of marginal-utility theory, Stanley Jevons and Alfred Marshall, were academic antagonists of the organized workers movement. Jevons attacked trade unions for promoting the 'delusion' of a 'supposed conflict of labour with capital', and Marshall, outraged by a strike of engineering workers, wrote: 'I want these people to be beaten at all costs; the complete destruction

of unionism would be as heavy a price as it is possible to conceive, but I think it is not too high a price'.³⁷

Given the decidedly pro-capitalist profile of the 'economics profession' throughout modern history, it should not be surprising that when a 'popular economics' made its appearance at the beginning of the 19th century, 'establishment' economists were quick to appreciate its potential significance. One of the more influential and original exponents of this new economics was a partisan of working-class self-organization, a fierce critic of capitalism, and subsequently a socialist. His name was Thomas Hodgskin, and the titles of his two main works bear eloquent testimony to his economic heresy: Popular Political Economy (1827) and Labour Defended Against the Claims of Capital; or, The Unproductiveness of Capital Proved, With Reference to the Present Combinations Against Journeymen, By a Labourer (1825). Importantly, Hodgskin was also a Ricardian: more specifically, an exponent of Ricardo's labor theory of value, which he had fashioned into a weapon for the critique of capitalism. The 'labor theory of value' was never again to be entertained by mainstream economists in the way that it had been in the past. The tradition of 'classical political economy' began to falter, challenged on the one side by Ricardian socialism and later Marxism, and on the other side by what Marx called the 'vulgar economists' who sought to dispense with a theory of value entirely.

To the extent that classical political economy retained a theory of value, it was Mill's 'cost of production' theory. While this latter theory restored a semblance of rigor and coherence to the classical approach, its key weakness was that

it could not provide a clear picture of the relations of determination between profit, rent and wages, a problem which had been at the center of Ricardo's attention. Nevertheless, unlike 'vulgar economy', Mill's version of Ricardian political economy minus the labor theory of value commanded a real authority by virtue of its continued focus on the problem of distribution. As Clarke observes: 'If the labour theory of value had given classical political economy its scientific strength, it was the theory of distribution that gave it an ideological appeal that persisted into the 1860's' (1982:108).

Meanwhile the project of refining and further developing the labor theory of value was being passed on from the Ricardian socialists to Marx. By identifying the inherent contradictions of the value-relation in its fully-developed capitalist form, Marx claimed to have discovered the basic 'economic laws of motion' governing the rise, the day-to-day operation, and, most significantly, the decline of the capitalist mode of production. In a well-known letter to Kugelmann, Marx made a mockery of the 'vulgar' criticisms of the labor-value theory:

Every child knows that a nation which ceased to work, I will not say for a year, but even for a few weeks, would perish. Every child knows, too, that the masses of products corresponding to the different needs require different and quantitatively determined masses of the total labor of society. That this necessity of the distribution of social labor in definite proportions cannot possibly be done away with by a particular form of social production but can only change the mode of its appearance, is self-evident. No natural laws can be done away with. What can change in historically different circumstances is only the form in which these laws assert themselves.... The vulgar economist has not the faintest idea that the actual everyday exchange relations can not be directly identical with the magnitude of value. The essence of bourgeois society consists precisely in this, that a priori there is no conscious social regulation of production. The rational and naturally

necessary asserts itself only as a blindly working average. And then the vulgar economist thinks that he has made a great discovery when, as against the revelation of the inter-connection, he proudly claims that in appearance things look different. (1965:209-210)

It is the theoretical power of arguments such as this (pointing unmistakably to Marx's preoccupation with a different problematic from that entertained by both classical political economy and vulgar economy) which has forced the more sophisticated opponents of Marx's value theory to argue, as Schumpeter has done, that 'it is incorrect to call the labor theory of value "wrong"' even while, in the next breath, announcing that 'it is dead and buried' (1962:24-25).

Schumpeter's seemingly contradictory assessment is actually quite revealing of the ideological complexion of his and many others' dismissals of Marx's theory of value. The point does not seem to be whether the theory is 'right' or 'wrong'; the point is rather that it constitutes a bad 'tool of analysis' for 'economics as a positive science' -- i.e. for economics as a science committed to asking the appropriate questions about the economy in order to arrive at pragmatically-useful and ideologically-acceptable answers about the workings of capitalism.

It was precisely in this sense that the 'marginalist revolution' appeared to provide the analytical 'tools' necessary for mainstream economics to surmount the impasse created by the breakdown of the classical system. To be sure, neo-classical marginalism owed more both in theory and in spirit to the vulgar tradition than the classical one, despite its success in providing itself with a more 'scientific' foundation than the vulgar economists ever possessed. But it is important to

appreciate that the 'rigor' of marginalist theory is dependent on a dual theoretical movement: the adoption of vulgar economy's theoretical focus on microeconomic phenomena (in particular, the determination of individual commodity prices), and the elaboration of a 'positive' theoretical account of price formation (going beyond vulgar economy's principally 'negative' critique of the labor theory of value). It was this dual movement which defined the contours of the 'marginalist revolution' in relation to classical political economy, vulgar economy and even Marxism.

Joan Robinson, a determined critic of Marx's labor theory of value, but no apologist for the inconsistencies of the neo-classical system, has attempted to show that the 'marginalist revolution' in economic theory did not represent a triumph of science over ideology and metaphysics, but was mainly an ideological reaction to the 'disagreeable smell' of the labor theory (1968:48). Not only, says Robinson, was 'utility' a 'metaphysical concept of impregnable circularity', it also served as a justification for 'laissez faire': 'Everyone must be free to spend his income as he likes, and he will gain the greatest benefit when he equalizes the marginal utility of a shilling spent on each good. The pursuit of profit, under conditions of perfect competition, leads producers to equate marginal costs to prices, and the maximum possible satisfaction is drawn from available resources' (1968:53).

Interestingly, however, Robinson's assessment of marginalism as an 'ideology to end ideologies' is even more extreme than the assessment of most Marxists. As a champion of Keynesian macro-

economics and a leading light of the Cambridge School which has sought to revive interest in the characteristic concerns of classical political economy, Robinson is sensitive to the deficiencies of marginalist microeconomics. Moreover, as a critic of all notions of 'economic value', she is apt to dismiss a utility-based theory of value no less forcefully than a labor-based theory. Given this frame of reference it is not surprising that Robinson missed one of the most salient features of marginalism -- that it served not only to ideologically sanction 'laissez-faire', but also to determine the limits of laissez-faire under conditions of advanced capitalism and the scope for reform of the economy at a time of flagging confidence in the ability of the market economy to 'automatically' reproduce the conditions of social harmony. It is just this question that has attracted Clarke's attention:

Although it presented itself as a positive science, and espoused the neo-Kantian notion of the strict separation of facts from values (in which it followed and was influenced by John Stuart Mill), the new economics arose directly from a concern with evaluation. The questions that gave rise to a demand for a pure theory of price were questions about the proper prices of commodities. Jevons, for example, was especially concerned with the problem of scarcity (in particular the scarcity of coal) and with the role of prices in allocating resources. The problem he posed was that of determining what prices would achieve the optimal allocation of resources. The solutions that were reached would then serve as the basis of policy prescriptions about the proper role of State intervention in the formation of prices in order to achieve such an allocation. (1982:149)

The reluctance of neo-classical economists to engage the Marxist theory of value is, in view of such preoccupations, entirely understandable. They are the continuators of a theoretical tradition which has primarily been concerned with

finding practical arguments on behalf of policies perceived as beneficial to the growth and extension of capitalist economy. The theoretical agenda of Marxist social science has always been quite different: to disclose the 'barriers' and the 'limits' to capitalist production; to demonstrate the inevitability of economic crises and disequilibria under capitalism; and to point the way forward to a socialist society in which the growth of the productive forces and the full flowering of the human personality will no longer be impeded by the 'contradictions' endemic to capitalism.

The fact that the 'destiny' of the labor theory of value was to pose questions and come up with answers injurious to the project of perpetuating the capitalist order is undoubtedly the fundamental reason that it fell out of favor with the theoretical defenders of capitalism and that it was inherited (and indeed transformed) by the socialist antagonists of that order. By itself this statement establishes very little about the scientific status of the theory. However it does alert us to the need to understand 'science' in relation to specific programmatic orientations -- and not as an 'absolute' standard of truth, methodologically or substantively unrelated to the practical goals of human action.

Chapter Three: The Labor Theory of Value and Sociology

As already pointed out in Chapter One, the traditional terms of reference of the relationship between 'the economic' and 'the sociological' within the social sciences have been increasingly subject to a challenge by the penetration of Marxism into the bourgeois academy beginning in the 1960's and continuing up to the present day. One feature of this penetration has certainly been a renewed interest in Marx's theory of value among radical economists and sociologists alike. Yet the earlier conviction among Marxist academics like Shaw that the Marxist theory of value would prove to be the indispensable link between the efforts of Marxist economists and sociologists to undertake an historical materialist assault on 'ideology in social science' has given way to a more circumspect and self-critical posture concerning the fundamental premises of Marxist social theory. Indeed, the Marxist theory of value was an early target of criticism among a layer of heterodox Marxist academics who saw in the revival of Ricardian political economy (minus his labor theory of value, of course) a more promising route to the demolition of the neo-classical synthesis and to the reconstruction of Marxist social science in a critical, 'post-Stalinist' phase.³⁸ The peculiarity of these 'neo-Ricardian Marxists' was their claimed ability to simultaneously address the problematics of neo-classical economics and Marx's value theory. This was, in retrospect, an extraordinary claim, but it was one which appeared to be supported by the apparent relevance of Piero Sraffa's Production of Commodities by Means of

Commodities to a range of economic problems addressed by both neo-classicism and Marxism.³⁹ The responses occasioned by the neo-Ricardian challenge to Marxist value theory were sufficiently varied to produce new fissures within the camp of the more 'orthodox' Marxists, leading to the emergence of a number of distinct schools or trends within a broadly-defined 'Marxist economics'.

Concurrent with these developments has been the the painful birth of a 'Marxist sociology' -- which has turned out to be a brood of warring siblings, each with a different parentage: Critical Theory, Althusserian structuralism, East-European 'revisionism', Marxist humanism, etc. Complicating matters considerably have been the widely-varying appreciations of these disparate currents concerning the relevance of Marx's critique of political economy to their own theoretical shibboleths and preoccupations. At the 'meta-theoretical' level in particular, Marxist sociologists have tended not to be unduly concerned with the theory of value, preferring to engage the more 'general' theses of structural determination in historical materialism, or to discuss the strengths and deficiencies in the Marxist approach to problems of subjectivity or inter-subjectivity. The practical effect of this 'neglect' of value theory, along with the critique of this theory among neo-Ricardian economists, has been to perpetuate and even to reinforce the famous 'division of labor' between economics and sociology.

Yet the tendencies described so far do not define the whole picture. Among Marxist sociologists the influence of radical and sometimes even orthodox Marxist political economy has made

itself felt in a broad range of sociological subdisciplines. Moreover, while neo-Ricardian dismissals of the Marxist theory of value have become more common in the literature of 'radical political economics' (including among the self-styled 'analytical Marxists'), this development has been paralleled by many advances in what I shall later refer to as 'neo-orthodox' and 'fundamentalist' versions of Marxist value theory.

While the debate over Marx's value theory has been raging among radical, neo-Marxist and Marxist economists for some time, it has not had much of an impact to date on 'Marxist sociology'. True, the last fifteen to twenty years have seen an accumulating body of material demonstrating the relevance and applicability of various aspects of Marx's theory of value to a number of specific areas of sociological inquiry and research.⁴⁰ But despite the impressive range and impact of value theory on sociology, the 'value controversy' proper has tended to remain the arcane preserve of a relatively small circle of specialists in Marxist and/or neo-Ricardian economics. Moreover the relationship of this controversy to the reconstruction of social theory on a Marxist basis has been only dimly perceived by most Marxist sociologists, including those with an active interest in political economy.

Writing from the point of view of an economist, Karl Kühne has noted that 'Marxian value theory, as a continuation of that of the classics, has been interpreted in at least eight ways':

(1) as a kind of historical stage theory; (2) as a theory of basic prices, to which market prices bear a certain relationship; (3) as a purely intellectual aid; (4) as a theory of

socially justified or ethically just measurement of income; (5) as a theory of the forces that determine the 'proper' division of labour among the various branches of the total economy; (6) as a theory of 'efficiency units'; (7) as an interpretation of microeconomic costs, especially in distribution theory; and, finally, (8) as a macroeconomic theory of distribution. (1979: Vol.1,p.70)

Without entering into a discussion of these different interpretations, it may be helpful to note that one of the central problems involved in grasping Marx's theory of value is to appreciate both the ways in which that theory is 'a continuation of that of the classics' and the ways in which it is not. The inability to fully appreciate the discontinuities as well as the continuities existing between the classical and Marxist theories of value has characterized much of the controversy between the neo-Ricardian critics of Marxist value theory and its more orthodox defenders. At the same time, this 'economistic' limitation in approaching the interpretation of Marx's value theory must be regarded as an obstacle to the apprehension of the other vital issues posed in this theory: its relationship to the problem of commodity and capital 'fetishism' and all the thorny theoretical and methodological questions that this phenomenon poses for social theory; the 'law of value' understood not only as a principle of 'economic' regulation with 'economic' consequences, but as a principle of 'social synthesis', to use Sohn-Rethel's term; and, related to this last, the law of value understood as a phenomenon which imposes the 'real abstraction of exchange' on human consciousness, with all the implications this has for perpetuating the division of intellectual and manual labor, together with a logic of cognitive expropriation.

These remarks are intended to highlight the fact that the 'value controversy' should no longer be confined to the terrain traditionally associated with 'economic theory'; that the very 'logic' of this controversy is in fact to transgress the boundaries between economics and sociology. In my opinion, this demands a fuller participation in the controversy by Marxist sociologists, who may bring to bear new perspectives on value theory as well as new problems in light of which this theory may be assessed and developed.

This does not mean the deployment of a specific 'sociological' battalion to the battle-site. What it means is that Marxist sociologists should seek to intersect this controversy as it has concretely evolved to date; to assess the controversy in light of the theses of historical materialism rather than the standards of the neo-classical tradition in which most 'Marxist economists' have been trained; and to relate this controversy to some of the outstanding questions now under debate within sociology. What follows is a contribution to that effort.

PART TWO: HISTORICAL MATERIALISM AND THE THEORY OF VALUE

Regardless of how Marx's followers and critics have chosen to construe the relationship between Marx's materialist conception of history and his theory of value, there can be little doubt that Marx himself evidently regarded his value theory as a specific application of the principles of historical materialism to a particular socio-economic epoch: that of generalized commodity production. Yet it is a significant and noteworthy fact that Marx's most 'finished' summation of these principles are to be found in the lamentably brief (if elegantly provocative) lines of the 1859 'Preface' to A Contribution to the Critique of Political Economy, Marx's first systematic statement of his theory of value intended for publication. The question is therefore posed: to what degree did Marx's 'economic' investigations influence the formulation of the leading postulates and methodological precepts of historical materialism as a 'general' theory of human development? To what degree, in other words, did his deepening understanding of the 'economic laws of motion' of capitalism influence the development of Marx's 'science of society' as this progressed from The German Ideology to The Poverty of Philosophy and thence to the 'Preface' of 1859? Clearly the answer can only be: to a very profound degree. The temptation may therefore be strong to regard Marx's 'finished' formulation of the key propositions of historical materialism, as stated in the 'Preface', as a (possibly illegitimate) generalization or interpolation of key insights concerning the dynamics of capitalism to non-capitalist modes of production. Yet, as those segments of the Grundrisse known as

the Formen make abundantly clear, Marx had attempted to analyze the specificities of such modes of production prior to his writing of the 'Preface', and it is therefore quite plausible to conclude that all of the materials of the Grundrisse must have informed the summation of 1859.

The historical priority within Marx's own intellectual evolution of either a general materialist conception of history or a specific analysis of capitalism's laws of motion will doubtless remain a moot point, especially since the resolution of this question must depend on a particular assessment of what constitutes an adequate characterization of 'historical materialism' (as well as an evaluation of the extent to which Marx actually articulated a 'finished' statement of this aspect of his thought). In any case my concern in the pages to follow will not be with the 'chronologic' relationship between historical materialism and the theory of value as these developed within Marx's theoretical workshop, but rather with how historical materialism might inform our understanding of Marx's value theory and vice versa. The result, hopefully, will be a clearer understanding of the strengths and limitations of each as 'general' and 'specific' theories of human development.¹

Chapter Four: Aspects of Historical Materialism

I propose to begin the discussion of historical materialism in a non-standard way: not with the 1859 'Preface', nor with the German Ideology, but with the epistemological status of this 'doctrine' within Marx's political-theoretical project. The intention is to suggest from the outset that historical materialism, as a component of Marx and Engels' 'scientific socialism', is inextricably implicated in Marx's notion of the unity of theory and practice; that whatever its scientific merits or ideological defects might be, it must be seen as serving a practical political project; and that, indeed, this is consistent with a seldom-stated but nevertheless powerful historical-materialist thesis according to which program (defined as the unity of means and ends) generates theory (defined as the apprehension of the conditions under which programs may be acted upon and realized).² An academic bias in the interpretation of Marxism almost always entails a denial (explicitly or implicitly) of this fundamental thesis, resulting in the elaboration of problematics that may have scholarly interest, but which may have little relevance for the 'integrated' Marxist project.

To 'assume' that the problems of historical materialism are cognitively or substantively separable from the political practice which historical materialism was formulated to guide is already to step outside of the parameters within which historical materialism can be meaningfully grasped; it is to treat

this body of ideas as a 'pure theory' and to treat 'problems in theory' as the principal source of 'problems in practice'.³ It is nevertheless remarkably common for ostensibly Marxist academics to write as though theory has a kind of epistemological priority over program, and that consequently a correction of theory is all that is required to remedy faulty programs.

To posit the unity and dialectical interdependence of theory and practice is not, however, to resolve the many theoretical problems posed by their interrelationship. Moreover it would be quite misleading to suggest that the theoretical goal of historical materialism is limited to defining the conditions of programmatically-based practice. Historical materialism must also aspire to an account of human practice itself. Epistemically this seems to result in two theoretical agendas pertaining to 'knowledgability': one about the 'objective conditions' of human action (material limitations and potentialities, on the one hand; socially-determined constraints, on the other), and one about the 'subjective nature' of human action in the face of material and/or social constraints to its 'free expression'.

So conceived, however, these two epistemic agendas must tend to promote a dualistic outlook corresponding to Kant's ontological division between a realm of freedom and a realm of necessity -- realms which Marx (following Hegel) treated as historically estranged from one another, but nevertheless cosubstantial in a peculiar sense.⁴

For Marx 'free human agency' is both bounded and informed by natural laws; but the relationship between human agency and nature is historically mediated by constraints or conditions of action which do not partake of this 'natural substance' and which drive a deep wedge between the knowledge of what is 'naturally necessary' and the knowledge of what human beings are 'free to do'. These 'non-natural' yet no-less objective conditions of action fall under the rubric of social 'form' or 'structure' in Marxist thought. The point is that natural necessity -- or 'material constraints' proper -- belongs to a different order of determination than those 'determinisms' inhering in 'social structures'; indeed, these social determinisms actually constitute the 'wedge' separating the forms of knowledgability in the above-mentioned dualistic gnoseology, pitting natural necessity against the human impulse to free activity, veiling itself as a special set of 'natural laws' when it is nothing other than an alienated expression of human self-organization, suspending human freedom in the remorseless quest for dominion over nature, or worse, dominion over human beings.

Marx's historical materialism was constituted as a monism, epistemologically and ontologically. As such, it asserts that a single set of natural principles underlies all that exists. As a materialist monism, it therefore asserts the materiality of all that exists, while acknowledging the multiplicity of historical forms assumed by matter and by human knowledge of material circumstances. The 'duality of knowledge', accordingly,

is not engendered by the existence of two orders of being (the material and the ideal, Kant's noumena and phenomena, etc.), but rather by the constitution of form and content as distinct objects of inquiry under conditions which tend to obscure their interrelationship. It happens that these same conditions also tend to obfuscate the inner connection between theory and practice within the 'integrated' Marxist project. The problematicity of this relationship (under which may be subsumed the dualities of fact and value, empirical science and critical reason, structural determination and human volition, objective truth and subjective meaning, etc. which have rent Marxist theory and bourgeois social science alike) stems ineluctably from social conditions which call forth two forms of knowledgability while sanctioning their rivalry and obscuring the (socio-historical) source of the division.

The irony is that while historical materialism is equipped with the necessary concepts to combat the epistemic dualism which is rooted in alienated social conditions, it has often lacked voices to prevail against its one-sided interpreters and has repeatedly fallen prey to tendentious projects borrowing its authority now for this anti-determinist theory of praxis, now for that anti-humanist theory of 'structural determination'. No doubt, the immediate mainsprings of these tendentious projects are usually programmatic in character; but, again, they are nurtured by the very social conditions against which historical materialism was formulated both as armor and ammunition for the revolutionary Marxist project.

As a component of Marxian scientific socialism, historical materialism may be usefully seen as one aspect of Marx's attempt to overcome the dualism of 'what must be' and 'what ought to be' through the delineation of a series of practical tasks grounded on a scientific analysis of human development. By disclosing the tendencies and counter-tendencies at work in ascertainable 'objective laws of motion', Marx's intent was not to privilege the 'object' (structural or historical determinism) over the 'subject' (the freedom of human beings to satisfy their perceived needs through conscious goal-directed activity), but to inform the subject's activity with an understanding of what is practically realizable under determinate historical conditions -- of what is imposed by 'natural necessity' and what is imposed by transcendable social forms. At the same time, however, there is little basis for supposing that Marx wished to privilege the 'subject' (or conscious human agency) over the 'object' (determinate processes), or to dismiss the element of 'passivity' which is an essential ingredient of all materialist ontologies, including Marx and Engels' post-Feuerbachian 'new materialism'. Understood in this way, Marx's project may be regarded as both scientific and humanist, as both theory and practice, as both an inquiry into historical and structural determination and a commitment to the conscious transformation and even abolition of 'structures'.

The scientific apprehension of 'what is' or 'what must be', it should be stressed, cannot be separated from a consideration

of human conceptions of 'what ought to be' precisely because human practice tends to actively and consciously alter 'that which exists' in conformity with such conceptions. Moreover, the capacity of the human subject to define, within limits, the concrete unfolding of objectively-determined processes (whether preponderantly 'natural' or 'social' in character) is sufficiently great to permit a wide array of possible 'outcomes'. Any science which does not understand itself as an historically-conditioned product of human practice and which dismisses the significance of the 'active' subjective element represented by human volition condemns itself as a fetishized construct -- a variety of false consciousness. At the same time, however, any subjective 'will' which denies the capacity of science to elucidate the parameters of goal-directed action must tend to promote a disjunction between 'what is' and 'what ought to be', rendering the latter an unrealizable 'goal' -- a 'standard' which can perhaps be aspired to, and even approximated in some limited ways, but which can never become a palpable generalized reality.

The upshot is this: it is a grave error to reduce historical materialism either to an account of subject-less 'structures' or to a speculative philosophical anthropology which eschews the scientific investigation of social structures in the name of 'praxis'. The notion of praxis -- if it is to have a legitimate place in Marxism at all -- must encompass the cardinal imperative of human beings to actively investigate both the

barriers to their free activity and the obstacles to their knowledgability. No less importantly, however, the scientific investigation of social-structural determination must be linked to an understanding of those relatively enduring traits of the human condition which constitute the basic elements out of which social structures arise and out of which the impulse to overturn those structures also arises. To put the matter somewhat differently, the imperative of historical materialism is to avoid idealism -- whether 'objective' or 'subjective'; to recognize the 'active side' of the human situation, but not by disregarding the 'passive side'; to acknowledge the truth in the notion that individual human beings are 'bearers' of social relations and that 'human nature' encompasses the 'ensemble of social relations', but also to recognize that the elements of these social relations possess both variant and invariant aspects -- that some of these elements do endure, albeit in changing forms, across the divide between different socio-economic epochs.

4.1 Historical Materialism: A First Approach

In seeking to identify those elements of 'invariant human nature' which might serve to illuminate the 'pattern of history', one must first of all accept the idea that a pattern can indeed be discerned in human history. This problem can be approached both teleologically and non-teleologically. A teleological approach would suggest that because human history evinces a pattern (deriving from a master-design, a transcendental logos, God, etc.) human beings possess certain characteristics that facilitate the 'unfolding' of the pattern. The non-teleological approach would suggest that a coherent unfolding of certain human dispositions may lend history a discernible pattern. It will be noted that the 'teleological approach' as it is defined here is characterized by a kind of functionalism, while the non-teleological approach is free of this.

Little is served by denying that both approaches find expression in Marx's vision of human history: the teleological being upper-most in his 'inevablist' pronouncements, the non-teleological in his more cautious reflections on the contingent, accidental and 'irrational' aspects of human history. Marx's preponderant thrust would seem to be that if human reason prevails (and natural calamities averted) human progress (or 'development') is assured (inevitable). Marx's over-all thrust is 'optimistic' only in this latter sense; it is an optimism which he could not withhold in light of his larger programmatic goals, but which is probably also deeply rooted in the

'philosophical anthropology' which he gave vent to in his Paris manuscripts of 1844 and in his other youthful writings. Marx was not a teleologist in the typically idealist sense; but to the extent that he was an historical optimist -- and a believer in, not simply a champion of, human reason -- he was prone to making statements with an unmistakably 'teleological' ring to them.

So what exactly was the pattern which Marx thought that he had discerned in human history and which, indeed, he believed constituted the very content of human history? Without a doubt, it was the growth or development of the 'forces of production' -- otherwise expressed as an increase in the productivity of human labor and in humanity's control over its natural environment. Given such a perspective and such a criterion of human progress, it is not at all surprising that Marx should have been so impressed by the achievements of the human intellect in seeking rational solutions to the technical-natural problems confronting humanity. For Marx, the cumulative historical result of the human species' engagement with the forces of nature -- with material constraint, scarcity and insecurity -- had been a truly spectacular progress in the ability of human beings to bend nature to their needs and wills through the development of those technical instruments and cognitive powers (the productive forces) which together allowed human labor to both 'insulate' humanity from nature and to appropriate the natural wealth. This was the 'pattern of history' which most impressed Marx -- and which most requires accounting for in

any Marxist concept of 'human nature'. In precisely this vein G.A. Cohen has commented:

It must be agreed that there are enduring facts of human nature. For man is a mammal, with a definite biological constitution, which evolved hardly at all in some central respects throughout millenia of history. To be sure, one fact of this mammal's nature is that its excellent brain enables it so to transform its environment and itself that there are limits to what may be inferred about society and history from biology. But some inferences are possible, and we performed one or two in the last sentence. The proposition that human nature changes in history is importantly true in some sense of 'human nature', but it is also true that there are permanent attributes of human nature, in some equally important, perhaps the same, sense. (1978:151)

It should perhaps be added that the existence of 'enduring facts of human nature' can only be consistently contested by those who dispute the notion that the biological constitution of human beings bears importantly on human development -- i.e., by those who essentially reject the importance of a materialist analysis of the 'passive' conditions of human existence. In this sense, the notion of 'human nature' is an ineliminable ingredient of any materialist anthropology, and the rejection of the notion is consistent only with an idealist perspective (whether the 'objective idealism' of Althusserian structuralism⁵ or the 'subjective idealism' of some of the 'humanist' Marxisms).

Commenting on the general theme emerging from Cohen's path-breaking Karl Marx's Theory of History: A Defence, Alan Carling has pointed to human rationality as the most significant enduring element behind the pattern of human history:

Cohen committed Marx once again to the view that history has a pattern, and that the pattern results from human deliberation in the face of scarcity. Accordingly, human rationality joined with historical scarcity creates a pressure to

improve productive technique (to raise the level of the forces of production) which is ultimately unstoppable. Rationality works directly in the development and choice of productive technique and indirectly in the choice of social relations most suited to the further development of productive technique from its existing level. (1986:28)

In Chapter 6 various objections to this formulation of historical materialism will be considered. In order to properly evaluate these objections, however, it is necessary to appreciate the panoply of arguments which accompanies this 'old-fashioned' interpretation of historical materialism as set forth by Cohen. My immediate objective is not to summarize all of Cohen's major theses, innovations or departures, but to highlight those elements of his position with which I agree and which I regard as indispensable to sustaining the idea (which is somewhat distinct from Cohen's own conceptions) that human history evinces a pattern to the degree that it has been guided by the rational human imperative to develop the productive forces (including the forces of the human intellect) in the face of non-human nature. Put differently, what is enduringly important in human history is humanity's quest for dominion over non-human nature. From this perspective the social forms assumed by this quest may be regarded as a 'subsidiary' issue. I depart from Cohen (and from Carling for that matter) in one decisive respect. In my view the transition from tribal society to class-divided society (to use Giddens' terminology) carries with it the potential for the human quest for control over nature to be 'side-tracked' or decisively subordinated to the parallel

struggle of individuals and groups for dominion over the human collectivity. Social forms may develop (and have developed) which guarantee security and abundance for the few while not eventuating, either directly or indirectly, in the development of productive capabilities that can serve the interests of the many. The entrenchment of social relations resulting in technological stagnation (or in extremely slow development of the productive forces) seems to have occurred in human experience far more frequently than either Cohen or Marx are prepared to admit. The significance of this observation is counter-balanced to some extent by the suggestion that human rationality seems to have prevailed, in general, against movements towards technological regression. Yet it remains true that many social forms endured for millenia without facilitating the development of the productive forces -- and perhaps because they failed to so develop them. The possibility must not only be admitted but theoretically pursued that 'reason' in pursuit of self-interest might actually regard technological innovation as a threat to a subjectively-agreeable status quo and on that account thwart it or divert it into channels deemed harmless to existing social relations. To put the matter baldly: certain social forms, corresponding to specific types of 'non-technical' rationality, may systematically restrain the growth of the productive forces and block the introduction of new productive forces that are capable of challenging the existing social relations in part by positing a new type of (technical) rationality.

The implications of all this will emerge shortly.

Cohen's most significant contribution to historical-materialist theory, in my view, has been his analytically rigorous restatement of the central propositions of Marx's 'Preface' of 1859.

These propositions are as follows:

- a) 'In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production'.
- b) 'The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which corresponds definite forms of social consciousness'.
- c) 'At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or -- this merely expresses the same thing in legal terms -- with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution'.
- d) 'In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society'.

(a-d, 1970:20-21)

With the exception of proposition (d), Cohen has significantly clarified the meaning of each of these propositions -- mainly by drawing upon Marx's other writings to clarify certain analytically important distinctions. With respect to proposition (a), Cohen has justifiably criticized Marx for failing to distinguish between 'material relations of production' and 'social relations of production', a distinction which is clearly present elsewhere in Marx's writings. Cohen insists that only the social relations of production are relevant to Marx's contention in proposition (b). The 'economic structure' of society -- its 'real foundation' or 'base' -- is not the 'economy' or 'the domain of production', but rather the structure of social relations of production that Cohen defines (rather narrowly) as 'either relations of ownership by persons of productive forces or persons OR relations presupposing such relations of ownership' (1978:34-35). Somewhat later Cohen refers to such social relations of production as 'relations of effective power over persons and productive forces' (1978:63). While Cohen's definition of the concept 'social relations of production' may leave something to be desired (a point to be pursued later), he argues convincingly for his central contention that several generations of Marxists have been wrong to include the 'material forces of productions' within an expanded notion of the 'economic structure'. For Cohen, the material forces of production are properly situated 'below' the economic superstructure, existing as a sort of material sub-stratum or infra-structure supporting both the economic structure and the social superstructure.

Cohen has an appreciation for both the strengths and the limitations of the 'base-superstructure' metaphor and insists, correctly I think, on the need to resist attempts to subsume all aspects of 'social' existence under it. Many ideological forms and cultural products exist, in some sense, apart from both the base and the superstructure, not even to mention the material infrastructure comprised of the productive forces and the material relations of production. Accordingly, Cohen insists upon a literal interpretation of Marx's discussion of the superstructure, limiting this conceptually to legal and political institutions, together with ideological forms of consciousness associated with these institutions which arise on the basis of the economic structure and which also lend stability to this structure.

With respect to proposition (c) -- the 'fettering' of the productive forces by entrenched social relations of production and the emergence of new social relations through social revolution, Cohen has recently admitted that he does not possess 'a good answer to the question how productive forces select economic structures which promote their development' (1983:124). This may reflect a retreat from the position which Carling imputes to him, and for which he has been reproached by Levine and Wright (1980), according to which a transhistorical rationality works indirectly through productive forces (especially through science, skill, and knowledge of optimal organization of work relations) to 'select' the most propitious

practicable social relations for further promoting the development of the forces of production. Such a retreat may signal the abandonment of the one-sided determinism which Cohen originally espoused when he argued that in the conflict between the material development of production and its social form, 'the material development prevails, and the social form is discarded' (1978:108). The problem is that this unilateral determinism (rooted in the primacy that Cohen accords to a transhistorical technical rationality) is an essential component of his self-described 'technological' interpretation of Marx's historical materialism, however much he wishes to elide the issue:

Our version of historical materialism may be called technological, but the issue of determinism will not be discussed in this book. One remark bearing on that issue: in so far as the course of history and, more particularly, the future socialist revolution are, for Marx, inevitable, they are inevitable not despite what men do, but because of what men, being rational, are bound, predictably, to do. (1978:147,n.1)

It is precisely the confluence of such a narrow concept of technical rationality and a commitment to one-sidedly functional explanations of the interaction between the material forces and the social relations of production which leads Cohen into the blind alley of a strong technological determinism bordering on teleology.

Cohen's most important contribution (which is related to but also separable from weaker aspects of his argument) has been to clearly reinstate the 'material-social' distinction which is fundamental to Marx's thought, but which was never explicitly enunciated by Marx himself:

We are arguing that the familiar distinction between forces and relations of production is, in Marx, one of a set of contrasts between nature and society. Commentators have failed to remark how often he uses 'material' as the antonym of 'social' and of 'formal', how 'natural' belongs with 'material' against 'social', and how what is described as material also counts as the 'content' of some form. (Other terms of the material vocabulary are 'human', 'simple', and 'real', while 'historical' and 'economic' consort with 'social'.) The upshot of these oppositions and identifications is that the matter or content of society is nature, whose form is the social form. (1978:98)

The material-social distinction, as set forth by Cohen, is, in my opinion, not only of fundamental importance to a proper understanding of Marx's historical materialism, it is also the irreplaceable link between historical materialism as a 'general' account of human development and the 'specific' theory elaborated by Marx concerning the development of the capitalist mode of production. It is fundamental to the analytical interrogation of the concept of value to which it is genetically related, a point to which we will return in Chapter 5.

If in Marx's thought 'material' loses its conventional contrast with the ideal or the mental and finds in 'social' its appropriate antonym, the door is immediately opened for treating all sorts of knowledge and mental capacities as elements of the 'material substratum' embedded in material work relations and the forces of production. As a consequence, the catalogue of productive forces is expanded to include not only labor power, instruments of production, raw materials, building structures, etc., but also those skills, intellectual capacities and elements of scientific knowledge that are 'productively relevant' (1978:45).

What then comprises 'the social'? Again, no clear-cut definition is to be found in Marx. Cohen, however, defines it as something narrower than 'human interaction'. Much human interaction may be abstracted from particular social contexts (brick-laying, say, in ancient Rome and modern Moscow, where this work is carried out co-operatively by a group of individuals in an identical network of material work relations). For Cohen, 'a description is social if and only if it entails an ascription to persons -- specified or unspecified -- of rights or powers vis-à-vis other men'(1978:94). It is only when we 'look through the social form' that 'we discern something conceptually separate from it: the human -- here opposed to social -- interaction with nature which is material production' (1978:99). Accordingly, the concept of 'social form' concerns those aspects of human intercourse which structure relations of power, domination, and control between human beings (in abstraction from the relationship of human beings to nature). Such a definition of 'the social' is broader and much more satisfactory than that implied in Cohen's definition of 'social relations of production', quoted above, where the concept of 'ownership of productive forces or persons' stands alone in defining the social relations relevant to production. To cite one example, the ownership of a quantity of money clearly confers on its owner certain rights and powers whether it is used to purchase inputs to production or articles of personal consumption.

After a fashion Cohen acknowledges this point in his discussion of the concept of 'mode of production'. Beginning with the observation that 'economic structure is not a [material] way of producing, but a framework of power in which producing occurs', Cohen arrives at the conclusion that 'whatever correlations obtain between structure and mode, they are not one' (1978:79).

Cohen points out quite properly that there are really three senses of mode of production in Marx's writings. The material mode refers simply to the technical aspects of the production process: the manner in which concrete use-values are materially shaped or assembled through a technical-productive process. The social mode, on the other hand, 'denotes social properties of the production process', and in this context three 'dimensions' are relevant: the 'purpose' of production (e.g., is it for the personal use of the immediate producer or is it for exchange?), the form taken by the direct producer's 'surplus-labor' (profit, rent, etc.), and the 'means of exploiting producers' (i.e. is the 'mode of exploitation' chattel slavery, wage-slavery or feudal appropriation?). Finally, the mixed mode concept is intended to 'denote both material and social properties of the way production proceeds, its "entire technical and social configuration"' (1978:84).⁶ Unless it was clearly intended to be interpreted in one of the first two narrower senses, however, Marx employed the concept of mode of production most often in the third 'mixed' sense, and this is certainly the sense in which it is almost always used by modern Marxists. Importantly,

it is only in this latter sense that we can make any kind of sense of Marx's designation in proposition (d) above of 'the Asiatic, ancient, feudal and modern bourgeois modes of production' as 'epochs marking progress in the economic development of society'. For what is absolutely central to Marx's notion of 'progressive epochs' is the interrelationship between the material forces and social relations of production as this conditions the forms of exploited labor and the corresponding forms of social surplus labor:

What distinguishes the various economic formations of society -- the distinction between for example a society based on slave labour and a society based on wage-labour -- is the form in which this surplus-labour is in each case extorted from the immediate producer, the worker. (1977:325)

And further:

The specific economic form in which unpaid surplus labour is pumped out of the direct producers determines the relationship of domination and servitude, as this grows directly out of production itself and reacts back on it as a determinant. (1981b:927)

Cohen argues that the 'economic structure' -- comprised as it is exclusively of 'social relations of production' -- cannot be synonymous with any of the three senses of mode of production to be found in Marx's writings. However, while it is true that a 'mode' cannot be a 'structure', it might nevertheless be pointed out in reply to Cohen that a structure of social production relations will necessarily encompass many of the elements of a mode of production in the 'mixed' sense. Moreover, while it is true that Marx's 'social mode' cannot be fitted into the concept of 'economic structure' as Cohen has specified it, this misses the point that such a 'sociological' designation of 'mode of production' was very likely intended by Marx as a supplement-

ary theoretical device to that of the 'economic structure' -- that it was formulated outside of the metaphor to which Cohen is most attached. Nevertheless, it must be insisted that the 'mixed' concept of mode of production (the sense in which it was undoubtedly used by Marx in the 1859 'Preface') is quite consistent with this metaphor so long as the 'social relations of production' are conceived as designating more than 'relations of ownership by persons of productive forces or persons OR relations presupposing such relations of ownership'.

The social relations of production must specify class as well as individual relations of ownership of both means of production and articles of consumption, and they must designate the kind of social bonds that exist between producers and non-producers, as well as between producers themselves, within actually-existing economies.⁷ Only with this degree of specification can the 'social relations of production' -- along with the productive forces to which they are matched -- provide an adequate conceptual foundation for the description of progressive modes of production operating through concrete socio-economic formations. Accordingly, the concept of 'social relations of production' must encompass the notions of 'forms of authority' and 'distribution of rights' in their broadest senses, as Cohen elsewhere implies.⁸

Relevant to an evaluation of the general historical applicability of the 'forces-relations' dialectic as well as to the 'priority' which Cohen accords to technical rationality in human development is the degree to which the distinction between the material and the social aspects of production may be regarded

as relevant to pre-capitalist economic formations. In this connection Cohen's discussion is instructive, albeit abbreviated:

In the pre-capitalist case the form of the product is determined by the social role occupancy of which generates a claim on it. There is no single form, such as exchange-value, exhibited by all goods and bringing them into systematic mutual relationship. The relation between matter and form may not be the same in pre-capitalist production, but the distinction must apply to it, and it does. (1978:102)

Without entering at this point into a discussion of how far we can speak of 'all goods' exhibiting a single social form (exchange-value) under capitalism, Cohen is clearly on to something when he suggests that the comparative heterogeneity of the social forms exhibited by pre-capitalist economic formations distinguishes all such formations decisively from capitalism. Under capitalism the social form of value (for Cohen, exchange-value) is overwhelmingly dominant. But with this dominance comes a relationship of form to content possessing a unique logic -- a logic which is not explored by Cohen but which nevertheless has the most profound implications for the manifestation of 'human rationality'.

It shall be my contention that it is the value-form, of all social forms, which most consistently promotes a logic of technical rationalization favoring the growth of the productive forces. Contrary to Cohen who predicates 'a perennial tendency to productive progress, arising out of rationality and intelligence in the context of the inclemency of nature' (1978:155), I shall suggest that the human propensity to technical rationality and to promoting the development of the productive forces

may remain latent to the extent that the 'balance' of extant social forms militates against it and in favor of an opposition between production and appropriation. To the extent that such an opposition remains entrenched within a socio-economic formation, 'technical rationality' may be decisively repressed by (and not simply 'subordinated to') other forms of rationality oriented above all towards 'stability' and the perpetuation of social inequalities founded on 'conscious planning'. The archetype of this non-technical 'appropriative' rationality is precisely the modality of thought characteristic of the ruling elements of the so-called 'Asiatic mode of production'.

4.2 Historical Materialism: A Second Approach

Much of Marx's subtler meaning is lost in the translation of his writings from German to English (sometimes via Russian). This is nowhere more evident than in his discussions of the differences between pre-capitalist 'communities' and capitalist 'societies' as well as the process of transition from personliche Verhältnisse (personal bonds) to sachliche Verhältnisse (objective bonds).⁹ There is a very real sense in Marx's thought of an historical divide between human communities and societies, a divide which is progressively traversed through a process of 'objective socialization' attending the spread of market exchange. Precisely because pre-capitalist communities, cultures or civilizations are not fully-fledged 'societies' in this sense, the 'social relations' existing within them are more 'personal', 'subjective', and 'specific' than 'societal' (associative, objective and universal). Accordingly, the material-social distinction applies

with less force to pre-capitalist economic formations than to capitalism -- the reason being that these formations are less 'socialized' (in the sense of being burdened with social forms enforcing objectification). It should be recalled in this connection that 'social' contrasts not only with 'material' but with 'natural' as well, and that the closer a particular human culture is to 'natural economy' the less burdened it is by social form. At the same time, as Cohen points out, 'natural' is not necessarily matched with 'primitive' in Marx's thought; indeed, there is a very strong sense in which Marx believed that the future communist society would be 'free' of social form or structure and in that sense a 'natural' form of human association.

In The German Ideology Marx speaks of the 'crystallization of social activity, this consolidation of what we ourselves produce into an objective power above us, growing out of our control, thwarting our expectations, bringing to naught our calculations' as 'one of the chief factors in historical development up till now' (1962:22-23). The discussion then proceeds quickly, if not altogether clearly, to the formation of the state out of the contradiction between the interest of the individual and that of the community. The upshot of the discussion seems to be that 'crystallized' social activity -- by which we are to understand objectified social practices and institutions -- mediates the relationship between individuals and nature, as well as between individuals themselves, while often disrupting the ability of conscious human beings to steer an unfettered

course. But these instances of 'objective power' standing 'above us' -- the institutions of private property, the state, the market -- can have different imperatives and different effects on the development of the human collectivity's 'natural' content. The main point is that 'social form' tends to be strongest where individuals are least capable of confronting each other as individuals: where the interconnections or 'bonds' between human individuals are decisively regulated by a social power outside of their control, a power that reduces them to objects. Such a social power is classically represented in Marx's writings by capital, defined as 'self-expanding value'. But another candidate for this designation may be the state in the societies which Marx regarded as examples of the Asiatic mode of production.

As types of social power 'capital' and the 'despotic state' are very distant, each relying on very different sources of power. Arguably, they are based on two antagonistic and ultimately irreconcilable principles of resource and labor allocation: planning and market exchange. A recent discussion by Mandel -- in a somewhat different context -- serves to illuminate what is involved in these 'principles':

Planning is not equivalent to 'perfect' allocation of resources, nor 'scientific' allocation, nor even 'more humane' allocation. It simply means 'direct' allocation, ex ante. As such, it is the opposite of market allocation, which is ex post. These are the two basic ways of allocating resources, and they are fundamentally different from each other -- even if they can on occasion be combined in precarious and hybrid transitional forms, which will not be automatically self-reproducing. Essentially they have a different internal logic. They generate distinct laws of motion. They diffuse divergent motivations among producers and organizers of production, and find expression in discrepant social values.

Both basic kinds of labour allocation have existed on the widest possible scale throughout history. Both are therefore quite 'feasible'. Both have also been applied in the most variegated fashions, and with most diverse results.... But whatever their forms, all of these [forms of planning] involve direct a priori allocation of resources (including labour) through the deliberate choice of some social body. At the opposite pole is resource allocation through objective market laws that a posteriori counteract or correct previously fragmented decisions taken by private bodies, separately or autonomously from each other. (1986:7)

To the extent that conscious planning occurs 'behind the backs' of the direct producers, through a central agency which stands as an objective power beyond the reach of individuals who are 'externally' associated with one another only through the mediation provided by the state, 'social relations' will be shaped by a very different 'logic' and 'rationality' than that existing in an economic formation evincing more localized forms of planning, not to mention economic formations in which 'market allocation' is emerging, or has already emerged, as the dominant principle of labor and resource allocation. The despotic central planning of the Asiatic societies (limited though this was to large-scale hydraulic works and the like), articulated with the localized 'planning' efforts of relatively autarchic rural communes, proved to be an inhospitable medium for the development of market exchange as well as for revolutions in productive technique.¹⁰ It would seem to follow from the historical experience of such societies that, in assessing the universal applicability of the relations-forces dialectic, and the singular concept of human rationality accompanying it, it is necessary to take account of a parallel dialectic: that existing between planning and market exchange as allocative

principles. At least until the dawning of a communism in which central planning is not the privilege of a state power indifferent or hostile to the technical rationalization of production, the interplay of plan and market would seem to be an appropriate focus for analysis of the tensions encouraging the development of the productive forces, including those cognitive powers linked to technical rationality.

The 'objective' social power of the classical despotic state, it should be noted, is actually quite limited: under conditions of the 'Asiatic' or similar modes of production, most planning occurs at the local level, while the most significant activities of the state center on surveillance, large-scale 'public works', and direct appropriation. In one sense, then, 'objective' and 'personal' relations (or bonds) co-exist with one another relatively harmoniously, with personal relations being the more immediately important for the direct producers. But these objective relations are of a peculiar type, decidedly different from -- and even at odds with -- the 'objective relations' imposed by market exchange. Irrespective of how they are erected as a 'superstructure' over the natural economy, they do not constitute a negation of the personal relations existing in the domain of production. Indeed, they may actually constitute themselves as a guarantee against the proliferation of those objective exchange relations which do tend to undermine the personal relations characteristic of the 'natural economy', and with them the principle of direct (planned) allocation ex ante as the exclusive principle of resource allocation.

In light of the preceding discussion, it may be said that the concept of the 'Asiatic mode of production' -- whatever its deficiencies as a description of historically-existing socio-economic formations -- serves at least one valuable function: it permits us to wrestle with a vision of a society in which 'social form' does not present itself in the diverse ways that must obtain in social formations where the principles of planned allocation and market allocation 'co-exist' antagonistically, where relations of personal dependence are not constantly under siege by the impersonal relations of market exchange. Under conditions of class formation and division of labor more advanced than those present in the Asiatic mode, personal relations are inexorably challenged and supplanted by market relations: the two 'social forms' exert themselves, as it were, in inverse proportion to one another. Thus Marx writes:

The less social power the medium of exchange possesses ...the greater must be the power of the community which binds the individual together, the patriarchal relation, the community of antiquity, feudalism and the guild system. Each individual possesses social power in the form of a thing. Rob the thing of this social power and you must give it to persons to exercise over persons. (1973:157-158)

Marx proceeds from this insight to suggest a sequence of three great stages of human development which differs from the account presented in the 'Preface' of 1859 in that it focuses on the evolution of social relations rather than the sequence of modes of production:

Relations of personal dependence (entirely spontaneous at the outset) are the first social forms, in which human productive capacity develops only to a slight extent and at isolated points. Personal independence founded on objective [sachlicher] dependence is the second great form, in which a system of general social metabolism, of universal relations, of all-round needs and universal capacities is formed for the first time. Free individuality, based on the universal development of individuals and on their subordination of their communal, social productivity as their social wealth, is the third stage. The second stage creates the conditions for the third. Patriarchal as well as ancient conditions (feudal, also) thus disintegrate with the development of commerce, of luxury, of money, of exchange value, while modern society arises and grows in the same measure. (1973:158)

Two important considerations flow from this latter passage. The first is that the peculiarities of the Asiatic mode of production cannot be fitted into this developmental schema (unless it is regarded as a special case of 'relations of personal dependence'); the second is that 'relations of personal dependence' and 'relations of objective dependence', while treated as discrete 'stages', are also treated as co-existent, if antagonistic, social forms. It is precisely the extent of their co-existence or 'interpenetration' which varies in all social formations standing between the relatively 'pure' and 'singular' forms represented by the Asiatic mode of production and modern capitalism. It should be added that this variation is complemented by a variation in 'productive capacity' to which it is not mechanically correlated, but to which it bears some significant correlation.

Marx is even more explicit about the co-existence of the two antagonistic social forms in question when he contrasts

'an undeveloped system of exchange' with 'the developed system of exchange':

When we look at social relations which create an undeveloped system of exchange, of exchange values and of money, or which correspond to an undeveloped degree of these, then it is clear from the outset that the individuals in such a society, although their relations appear to be more personal, enter into connection with one another only as individuals imprisoned within a certain definition, as feudal lord and vassal, landlord and serf, etc., or as members of a caste etc. or as members of an estate etc. In the money relation, in the developed system of exchange..., the ties of personal dependence, of distinctions of blood, education, etc. are in fact exploded, ripped up...; and individuals seem independent (this is an independence which is at bottom merely an illusion, and it is more correctly called indifference), free to collide with one another and to engage in exchange within this freedom....The definedness of individuals, which in the former case appears as a personal restriction of the individual by another, appears in the latter case as developed into an objective restriction of the individual by relations independent of him and sufficient unto themselves....[The] objective dependency relations also appear, in antithesis to those of personal dependence...in such a way that individuals are now ruled by abstractions, whereas earlier they depended on one another.(1973:163-164)

It should be clearly understood that in this passage Marx is not contrasting a capitalist economy resting on a developed system of exchange with a 'pure' natural economy resting on 'personal relations' of the communal type (i.e. of the type to be found under tribal communism or under the Asiatic mode), but with a non-communal, class-divided formation in which an undeveloped system of market exchange exists alongside a natural economy rent with class or status distinctions. In such a community 'personal relations' have been significantly adulterated by the undeveloped forms of market exchange; at the same time these latter forms seem to be structurally connected to a legally-ordained 'definedness of individuals' which is impossible to conceive in the absence of private property (the historical forms of which likewise require careful specification). The

upshot is that the social institutions represented by private property, market exchange, and the state will lend different social forms to 'relations of personal dependency', undercutting the degree to which these latter relations may escape the characteristics of objectification. In precisely this connection Marx observes that 'as regards the illusion of the "purely personal relations" in feudal times, etc., it is of course not to be forgotten for a moment...that these relations, in a certain phase, also took on an objective character within their own sphere, as for example the development of landed proprietorship out of purely military relations of subordination' (1973:165).

Apart from the disjointed notes of the Formen and his later ethnological notebooks, Marx did not concern himself much with the characteristics and contradictions of pre-capitalist economic formations. However Engels did prepare for publication a study relevant to the present discussion:

The appearance of private property in herds of cattle and articles of luxury [among the Greeks] led to exchange between individuals, to the transformation of products into commodities. Here lies the root of the entire revolution that followed.... [No society] can for any length of time remain master of its own production and continue to control the social effects of its process of production, unless it abolishes exchange between individuals.

The Athenians were soon to learn, however, how quickly after individual exchange is established and products are converted into commodities, the product manifests its rule over the producer. With the production of commodities came the tilling of the soil by individual cultivators for their own account, soon followed by individual ownership of the land. Then came money, that universal commodity for which all others could be exchanged. But when men invented money they little suspected that they were creating a new social power, the one universal power to which the whole of society must bow. It was this new power, suddenly sprung into existence without the will or knowledge of its own creators, that the Athenians felt in all the brutality of its youth. (1970, III:279)

What Engels asserts, unambiguously, is that exchange-value exists as a social power in all formations which have reached the stage of private property and simple commodity production. Moreover, even in those societies, like that of ancient Athens, in which commodity production remains decisively subordinate to 'production for use', the appearance of money -- of value in exchange -- heralds a revolution unleashing the most unexpected and uncontrollable of 'social effects'. A 'law of value' sui generis -- less developed than that which holds sway under capitalism, but historically and conceptually related to it -- makes its historical debut, signalling the onset of a new mode of social existence, one with an inexorable logic of its own and one which must ultimately prevail over the relations of personal dependence characteristic of authentically 'communal' modes of human existence.

But it needs to be stressed that this 'law of value sui generis' develops under the constraint of the primeval principle of production for use and, initially at least, in accordance with the notion that market exchange (trade) should serve the maximization of consumption rather than the accumulation of capital (understood as value in process, or value in search of an increment). In view of this, the emphasis to be found in Engels' passage quoted above deserves to be balanced by the following considerations made by Marx in the Formen:

Among the ancients we discover no single enquiry as to which form of landed property, etc., is the most productive, which creates maximum wealth. Wealth does not appear as the aim of

production, although Cato may well investigate the most profitable cultivation of fields, or Brutus may even lend money at the most favourable rate of interest. The enquiry is always about what kind of property creates the best citizens. Wealth as an end in itself appears only among a few trading peoples -- monopolists of the carrying trade -- who live in the pores of the ancient world like the Jews in medieval society. Wealth is on the one hand a thing, realized in things, in material products as against man as a subject. On the other hand, in its capacity as value, it is the mere right to command other people's labour, not for the purpose of dominion, but of private enjoyment, etc. (1965:84)

Under conditions such as these, money appears 'as measure and as medium of circulation', but not as the goal (or 'the result') of circulation (1973:223). To the extent that its expansion appears as a result, unconnected to any productive role (as in Rome, where vast sums of money were amassed 'by stealing from the whole world'), money operates to subvert the community's productive nexus. For it is inherent in the simple character of money itself that it can exist as a developed moment of production only where and when wage labour exists; that in this case, far from subverting the social formation, it is rather a condition for its development and a driving-wheel for the development of all forces of production, material and mental' (1973:223).

What emerges from a reading of the Formen and the quoted passages of 'The Chapter on Money' in the Grundrisse is an impressive array of insights, unsystematically linked, concerning the fundamental dynamics of social development. These insights draw our attention to the historical importance of the evolution of property forms (communal and private), of the developing functions of money, and of the breakdown of the 'division of

labor' between producing and trading peoples to the dissolution of the ancient world. Such questions are clearly vital to any historical-materialist analysis of the succession of 'modes of production' -- and yet they are not explicitly referred to in the 'Preface' of 1859. Does this mean that they are 'inconsistent' with the themes of the 'Preface'? I think not. The 'Preface' need only be seen as inconsistent with these concerns if the 'relations-forces' dialectic is construed in so narrow a fashion as to exclude the development of exchange relations from consideration and if the presented model of 'stages' is taken to be applicable to every human culture regardless of external contingencies. These matters will be further pursued in connection with an evaluation of Giddens' critique of historical materialism in Chapter 6.

Chapter Five: A First Approach to Marx's Theory of Value

In the previous chapter we considered some of the principal themes of Marx's historical materialism by way of a presentation of G.A. Cohen's clarification of several key propositions of Marx's 'Preface' of 1859 as well as by examining some often-neglected ideas regarding the changing character of 'social bonds' adumbrated by Marx in the Grundrisse. While the concepts of 'social production relations' and 'social bonds' are not identical, I believe that the neglect of those inter-human ties described under the rubric of 'social bonds' can only cripple the theoretical task of adequately defining the conceptual terrain of the category 'social relations of production' and, inter alia, our understanding of the relations-forces dialectic.

It is one -- though not the only -- weakness of Cohen's reconstruction of historical-materialist theory that he has failed to adequately describe the elements of the social relations of production -- that he has limited this latter category to 'relations of ownership by persons of productive forces or persons OR relations presupposing such relations of ownership'. With this too-narrow definition, which flows from Cohen's tendency toward methodological individualism and from an apparent unwillingness to draw out all of the methodological implications of the social form/ material content distinction that he has discerned in Marx's thought, Cohen has been unable to successfully bridge the divide between Marx's general and specific theories of social development. He has, in other words, been unable to

recognize the indissoluble theoretical link between the theory of historical materialism and the theory of value in Marx's thought or their postulated interconnection in real life. It is not surprising therefore that Cohen adopted an 'agnostic' position with respect to Marx's theory of value in Karl Marx's Theory of History -- A Defence and that he subsequently declared himself to be an opponent of that theory.¹¹

Yet the intimate relationship between Marx's theory of value and historical materialism was recognized by a theorist who has done as much (if not more) to clarify and defend Marx's theory of value as Cohen has done to clarify and defend Marx's 'theory of history'. That theorist is Isaak I. Rubin, a Russian Marxist economist who wrote his Essays on Marx's Theory of Value in the 1920's and whose influence is very much alive in the contemporary value controversy. With an analytical acuity matching Cohen's, but with a methodological horizon closer to Marx's own, Rubin skillfully employed the 'material-social' distinction in the interrogation of the problems that Marx sought to elucidate with his theory of value.

In this chapter I will consider Rubin's historical-materialist appreciation of Marx's theory of value as a complement to the account of historical materialism elaborated in the last chapter.

5.1 Historical-Materialist Analysis of Commodity Economy

At the outset it should be remarked that one of the greatest merits of I.I. Rubin's interpretation of Marx's theory of value is the extent to which it recognizes the profound divide separating the theoretical goals of Marx's (critique of) political economy from the traditional concerns of all schools of classical, post-classical and neo-classical economics. Indeed, Marx is credited by Rubin with having been one of the first social theorists to subject political economy to a 'sociological' critique:

The revolution in Political Economy which Marx carried out consists in his having considered social production relations behind material categories. This is the genuine subject of political economy as a social science. With this new 'sociological' approach, economic phenomena appeared in a new light, in a different perspective. The same laws which had been established by the Classical Economists were given a completely different character and meaning in Marx's system. (1973:47-48)

In Rubin's view, Marx's theory of commodity fetishism occupies a central role in this 'revolution in political economy' and is indispensable to an understanding of Marx's specific approach to the subject-matter of economics, as reflected in his theory of value.¹² For Marx, according to Rubin, 'Political Economy is not a science of the relations of things to things, as was thought by vulgar economists, nor of the relations of people to things, as was asserted by the theory of marginal utility, but of the relations of people to people in the process of production'(1973:3). To correctly grasp the significance of this, it is imperative that the 'process of production' be understood not as a discrete

'phase' of the social production process -- a phase of 'direct production' to be followed by a phase of 'exchange' -- but rather as the total process of production, a process which may include moments of circulation and exchange in a determinate form of economy, the commodity economy, but which refers fundamentally to all those activities bearing on the articulation of a social division of labor, the allocation or distribution of social labor to different branches of the economy, and the application of that labor to the production of determined groups of objects of utility, whether resource and labor allocation is carried out on a 'direct' ex ante basis or indirectly, via the market, on an ex post basis.

For Rubin the tools and methods of 'science' are not required to disclose the relations of people to people in the process of production in a society where conscious planning is the method of allocation; in such a society these relations present themselves in a relatively 'transparent' fashion. It is only where the relations of people to people in the process of production express themselves through the exchange of the products of their labor that the science of political economy is called upon to elucidate the mechanisms of labor and resource allocation as this is carried out 'unconsciously' and 'opaquely' in the commodity economy.

Just as planning is not a phase of the direct production process, neither is exchange. But just as planning constitutes an integral moment of the total process of production in an economy based on the principle of direct allocation ex ante,

so exchange constitutes such a moment in a commodity-market economy.

By contrasting 'exchange' to 'planning' -- as two distinct social forms of effecting social reproduction and of achieving economic growth with some semblance of economic equilibrium, we are better able to grasp just how differently the problem of exchange is approached by Marx and by neo-classical economists. According to Rubin: 'Exchange interests us mainly as the social form of the process of reproduction which leaves a specific mark on the phase of direct production...not as a phase of the process of reproduction which alternates with the phase of direct production'(1973:9). If the phenomena of exchange are approached so differently in the Marxist and neo-classical theories, it should not be surprising that the problem of economic value will be treated in similarly discordant ways.¹³In bourgeois economics acts of exchange are treated as independent of the process of production, and the 'value' of commodities is treated as an exclusively quantitative and micro-economic question the resolution of which must necessarily take into account a myriad of influences affecting the exchange ratios of commodities. Regardless of their specific character, these influences possess an interest principally in relation to the role they play in market price formation at the level of individual commodities. In Marx's theory, to the contrary, the principal problem is not to analytically catalogue the various influences on price formation, but rather to grasp the significance of the fact that the social form of reproduction in the commodity economy is

that of private exchange -- that the products of labor are expressly produced with the aim of exchanging them on a market enshrining the principle of the 'exchange of equivalents' (a principle which necessitates the equality of commodities and the equality of commodity producers).

In light of these considerations, we might say that the different theoretical agendas underlying the competing conceptions of value in the Marxist and neo-classical theories arise from the fact that the phenomena of commodity exchange are viewed from the standpoint of historical materialism in the former case whereas they are not in the latter case. In Marxist theory 'exchange' is both a social form of the reproduction process and a (temporal) phase of this process following the phase of direct production, whereas in neo-classical theory, exchange is exclusively a moment of the economic reproduction process.

At the very heart of Marx's value theory, then, is the already-familiar historical-materialist distinction between 'social form' and 'material content'. As Rubin observes:

[The] social or functional existence of things is opposed to their 'material existence', 'actual existence'...In the same way, the social form or function is opposed to the 'material content', 'material substance', 'content', 'substance', 'elements of production', material and objective elements and conditions of production'(1973:39).

And further:

Marx carried through a precise distinction between the material-technical process of production and its social forms, between labor as the totality of technical methods (concrete labor) and labor seen from the standpoint of its social forms in the commodity-capitalist society (abstract or human labor in general). (1973:70)

The implication of the consistent application of these distinctions (or oppositions) to the analysis of the commodity-capitalist society was a substantially different theoretical agenda from that proposed by even the classical political economists, much less the 'vulgar' post-classical and neo-classical economists. Rubin defines this new agenda with great clarity:

Since he was not restricted by the horizon of the capitalist economy, and since he saw it as only one of past and possible social forms of economy, Marx asked: why does the material-technical content of the labor process at a given level of development of productive forces assume a particular, given social form? Marx's methodological formulation of the problem runs approximately as follows: why does labor assume the form of value, means of production the form of capital, means of workers' subsistence the form of wages, increased productivity of labor the form of increased surplus-value? His attention was directed to the analysis of social forms of economy and the laws of their origin and development, and to 'the process of development of forms in their various phases'. [Rubin here quotes a passage from Theories of Surplus Value Volume III.] This genetic (or dialectical) method, which contains analysis and synthesis, was contrasted by Marx with the one-sided analytical method of the Classical Economists. (1973:43)

The significance of the methodological difference between Marx and the classical economists is clarified in Rubin's comparison of Marx to Ricardo:

because Ricardo had confined himself to the reduction of form (value) to content (labor) in his analysis, Marx wants to show why this content acquires a given social form. Marx does not only move from form to content, but also from content to form. He makes the 'form of value' the subject of his examination, namely value as the social form of the product of labor -- the form which the Classical Economists took for granted and thus did not have to explain. (1973:113)

Or, as Marx himself puts the matter:

Political economy has indeed analyzed value and its magnitude, however incompletely, and has uncovered the content concealed within these forms. But it has never once asked the question why this content has assumed that particular form, that is to say, why labor is expressed in value, and why the measurement of labour by its duration is expressed in the magnitude of the value of the product. (1977:173-174)

Up to this point it seems clear that there is a definite convergence between the Marx-Cohen account of historical materialism and the Marx-Rubin account of the theory of value, a convergence centered on the 'material content'/'social form' distinction. It is now time to suggest the limits of that convergence.

Rubin and Marx, unlike Cohen, resort not only to a distinction between 'material content' and 'social form', but also to a distinction between what might be called 'social content' and 'material form'. Thus, after observing that the 'basic categories of political economy...express various types of production relations which assume the form of things', Rubin quotes Marx to the effect that 'In reality, value, in itself, is only a material expression for a relation between the productive activities of people' (1973:34). This 'social content'/'material form' distinction shows up in numerous other passages in both Rubin and Marx. For example: 'the central insight of the theory of fetishism is not only that political economy discloses production relations among people behind material categories, but that in a commodity-capitalist economy, these production relations among people necessarily acquire a material form and can be realized only in this form' (Rubin 1973:61-62); 'we face the task of

demonstrating that value: 1) is a social relation among people, 2) which assumes a material form, and 3) is related to the process of production' (Rubin 1973:63); 'Marx studied above all the 'form of value', i.e. value as the material expression of the working relations among people and social (abstract) labor' (Rubin 1973: 113); 'Therefore, when Galiani said: Value is a relation between persons...he ought to have added: a relation concealed beneath a material shell' (Marx 1977:167,n.29). In formulations such as these we are enjoined to understand the 'content' of value as social production relations which, as value, have assumed a material form.

The problem is that all this seems to contradict a whole series of other statements according to which value is a determined social form of labor.¹⁴ Early in his book Rubin appears to be uncomfortably aware of this 'contradiction', noting Marx's conceptual slippage when 'sometimes Marx uses the terms 'function' and 'form' in a material-technical sense, the first term very often, the second more rarely' (1973:39,n.9). He also observes that 'the terms "substance" and "content" are used by Marx not only to refer to the material process of production, but also to its social forms'(ibid). Rubin characterizes all this as a 'terminological inconvenience', but it is an inconvenience that he does little to rectify. Indeed, if anything, Rubin would seem to be more prone to alternating between the 'material content'/ 'social form' distinction and the 'social content'/ 'material form' distinction than is Marx. And it must be admitted that neither Rubin nor Marx provide a full

methodological justification for this practice, even though I believe that the basic elements of such a justification are adumbrated by Rubin in other contexts.

To get on top of this problem, let us consider from a methodological standpoint the following discussion of value appearing later in Rubin's book:

value is 'reified', 'materialized' labor and simultaneously it is an expression of production relations among people. The two definitions of value contradict each other if one deals with physiological labor; but they perfectly supplement each other if one deals with social labor. Abstract labor and value have a social and not a material-technical or physiological nature. (1973:153)

In this passage, which forms part of an argument for the idea that 'abstract labor' and not 'concrete' or 'physiological' labor comprises the content or 'substance' of value, abstract labor is treated as both the 'social substance' or 'social content' of value and as a determined 'social form' of social labor. If one approaches abstract labor from the point of view of its 'receptacle' -- a material product of labor possessing value -- then it appears as the content of value in its material commodity form. However, if one approaches 'abstract labor' from the 'opposite direction' -- i.e. from the vantage point of its relationship to 'social labor in general' -- then abstract labor appears as a determined form. Pushing further back in the 'same direction', social labor itself appears as the content of abstract labor as well as the form assumed by concrete labor when concrete labors are articulated within a social division of labor. Similarly, if we 'push forward' from abstract labor to value and its commodity form, we can say that the commodity form

of value is a 'materialized' expression or form of abstract labor, while value is itself a determined social form of production relations 'concealed beneath a material shell'.

The question is, how can a single concept be the 'content of a form' from one perspective and the 'form assumed by a particular content' from a different perspective? Even more dauntingly, how can value be regarded simultaneously as 'a material expression for a relation between the productive activities of people' and as a specific social form of the product of labor (or, for that matter, as a social form of particular production relations which, in turn, assume a 'material form' in the shape of a commodity)? These questions remain unanswerable in principle so long as we confine ourselves to a purely analytical method (as G.A. Cohen has done in company with the classical economists). 'The process of development of forms in their various phases' can only be properly studied through a genetic-dialectical method, as Rubin rightly insists. At bottom what is at issue here is the entire problem of 'metamorphic forms' -- the continuously-repeated process of the transformation of forms, a subject which remains a closed book to the practitioners of a 'one-sided analytical method' which rules out synthesis. Proponents of such a method are ill-disposed to consider the dialectical (developmental and contradictory) relations between things, preferring to focus on those purely formal relations which may be disclosed on the assumption of an unchanging or static set of relations. It is important to note that this one-sided method

happens to be aligned to a particular conception of the relation between form and content -- a conception descending from Kant, according to which form is external to content. As Rubin observes, 'one cannot forget that, on the question of the relation between content and form, Marx took the standpoint of Hegel, and not of Kant' (1973:117). The importance of this can scarcely be overstated.

Marx, following Hegel, opposed Kant's treatment of form as something 'external' to content, as 'something which adheres to the content from the outside' (1973:117). Such a dualistic conception regards 'form' as somehow independent of content, as having, indeed, an ontological status which is superior (because it is 'abstract') to the content (which is 'merely' concrete).¹⁵ Marx stands closer to Hegel on this question precisely because Hegel proposed a monistic (albeit also idealist) alternative to Kant's dualistic treatment of the form-content relation. In the monistic conception, form and content are understood not as two distinct orders of being but as two aspects of a singular reality that is constantly in flux and that undergoes change through the development and evanescence of forms springing from a changeable content. Thus, according to Rubin: 'through its development, the content itself gives birth to the form which was already latent in the content. Form necessarily grows out of the content itself' (1973:117).

New forms are constituted as functionally necessary 'mediums' for the development of particular contents; yet even before

their full emergence, they may have a latent existence as a component of the content. The upshot is that particular forms are inconceivable without particular contents. And, by the same token, particular contents are necessarily associated with particular forms. Just as certain forms emerge ineluctably from certain contents, certain contents bear the unavoidable imprint of the forms they assume.

The point of all this is that the dividing line between form and content is not at all a clear-cut issue. What is merely a form from one vantage point is a component of content from another. Value, from one perspective -- the social imperative to articulate a social division of labor, expresses social production relations and is necessarily regarded as a particular social form of labor. Value, from another perspective -- the social production relations it presupposes, is a 'material' expression of socially-distributed abstract labor, one which represents the division of labor and the material connections between different branches of production as a relation between things (i.e. commodities).

In view of the monistic conception of the form-content relation, it is altogether impossible to maintain a strict 'opposition' between 'material content' and 'social form'. Social forms and relations find expression in material things, as suggested by Marx's doctrine of fetishism, just as material things assume particular social forms and, as such, acquire new characteristics as functionally indispensable material components

of the reproduction of particular social forms or social relations.

None of this is intended to undermine the centrality of the 'material content'/'social form' distinction to historical-materialist investigation. It is merely to suggest that it needs to be supplemented by the 'social content'/'material form' distinction -- a distinction which recognizes that material contents not only generate functionally indispensable social forms, but social forms which possess their own developmental logic and functional exigencies and which therefore 'react back' upon the material content in specific ways, generating 'material forms' or 'material expressions' of the social relations comprising the social, as distinct from the material, substance of these social forms. To put the matter otherwise, 'social forms' possess both a 'social substance' and a 'material content'. Conceptually, 'material content' is associated with a segment of 'transformed nature' (human individuals, material things, material relations between people and between people and things, etc.), while 'social substance' may be associated with the defining elements of the social relations existing between people.

From one point of view, the content-substance of a particular social form is simply the 'transformed nature' which 'materially' fills it. From this point of view, which understands the defining social relations of a particular social form as 'internal' to it, while viewing its material content as 'external', there is no need to specify the 'social content' of a social form, since 'social form' and the 'social relations' comprising the social form are one and the same. Here, indeed, substance of form and content of form are implicitly treated as distinct --

even opposed -- concepts.

From the dialectical-monistic point of view, on the other hand, 'social relations' and 'transformed nature' are two (co-substantial) aspects of the content-substance of a given social form. Accordingly it becomes imperative to recognize that social form is governed not only by a material-technical content, but also by a 'social substance' seeking material expression (i.e. a material form) through things.

On the basis of the preceding discussion (which admittedly raises some very difficult philosophical and methodological issues), we might say that the crucial difference between Cohen and Rubin as regards the form-content distinction concerns the pivotal question: does form attach itself externally to a given content, as something qualitatively separable from transformed nature, or does form develop out of content, thereby expressing an internal relationship to content and a qualitatively similar ontological status? Cohen tends toward the first (Kantian) approach (although not without equivocation), while Rubin's approach is resolutely within the second (dialectical-monistic) tradition.¹⁶

Cohen's tendency to embrace a Kantian conception of the content-form relation is indicated in his discussion of the relationship between economic structures and productive forces, particularly when he speaks of the productive forces 'selecting' economic structures that are functionally propitious to the development of the productive forces. To be sure, there is

also a sense in Cohen's discussion of appropriate economic structures 'coming to be in response to the needs of development of the forces' (1978:162). This undercuts the impression of an 'external anchoring' of a particular content to a 'selected' form, but it does not entirely dispell it. As noted earlier, Cohen has admitted that he does not possess 'a good answer to the question how productive forces select economic structures which promote their development'. The point is, this problem of 'selection' quite simply disappears if forms are regarded as immanent in contents.

For all the undeniable expository strengths of the structural model presented by Marx in his 'Preface' of 1859, its abiding weakness is that it invites a dualistic interpretation of the form-content relation. Cohen's commitment to the defence of this imperfect model -- which, as we have already seen, stands in an uneasy relationship to Marx's more monistically interpretable concept of 'mode of production' -- may be seen as a consequence of his more general orientation to reconstruct Marx's theory of history on a basis consistent with the principles of modern analytical philosophy. Indeed, it might well be appropriate to speak of a theoretical 'elective affinity' at work here, with Cohen selecting those conceptual devices from Marx which are most consistent with a straight-forward, formal-logical, functional-analytic exposition of the key relationships described in the 'Preface' of 1859. Thus, as we have already noted, Cohen seems to be more 'attached' to the 'structural' metaphor

than he is to the 'mode of production' concept, a concept which presents far greater difficulties of interpretation to a theorist with little taste for methodological holism, a monistic philosophy of internal relations, or dialectical logic. Yet, just as the 'mixed' concept of mode of production -- the 'entire technical and social configuration' of production -- demands a monistic-dialectical method of investigation, so too does the concept of 'value' -- which, in its most fully-developed forms, expresses the fundamental relations of the capitalist mode of production.

In distancing ourselves from Cohen's account of historical materialism, it is important to preserve all that is valid in that account. Like the classical political economists Cohen is not so much 'wrong' as 'limited' and 'one-sided' in his approach. To further develop Cohen's own important insights and to render them relevant to a 'value-theoretical' analysis of the capitalist mode of production, it is necessary to see in the 'material content'/'social form' distinction simply the starting point of a series of distinctions corresponding to a process of dialectical development of 'form and content'.

One salutary result of this 'correction' of Cohen's account of historical materialism is that it provides a strong basis for rejecting the tendential technological-determinism enunciated by Cohen. Social form -- no longer conceived as belonging to an ontologically subordinate order of being, but as a determined and determining aspect or 'dimension' of a monistic totality -- may now be examined with a view to disclosing its 'non-functional'

or 'dysfunctional' effects on the material content of society as well as its functional influences. For once social forms develop material expressions, they may achieve a degree of relative functional autonomy which it is impossible to conceive if they are regarded only from the standpoint of their having been 'selected' by material forces for their potential role in developing the latter. At the same time, it should be appreciated that this 'relative autonomy' of the social from its material content (and mainspring) opens the door to forms of rationality other than that technical rationality uniquely oriented toward the development of the material forces of production. The stronger this relative autonomy of the social becomes -- for whatever reasons -- the weaker 'technical rationality' will stand in relation to 'extra-technical', 'socially-inspired' forms of rationality.

In concluding this section, two observations are in order. The first is that the application of the historical-materialist procedure of distinguishing between material content and social form is a necessary but not a sufficient condition for grasping Marx's theory of value. The second is that the theory of value itself displays a complexity which demands that we regard the 'material content'/'social form' distinction as only the starting point of an historical-materialist analysis of commodity-capitalist societies. Thus, the theory of value is not only interpretable in light of the theses of historical materialism; it is itself a rich source of insights concerning the dialectical relationship between form and content and between the

social and material, and may therefore be useful to the elaboration of a more satisfying account of historical materialism as a 'general theory' of social development.

5.2 Concerning the Historical Specificity of the Law of Value

In Chapter 4 it was suggested that the tension between 'planned' methods of labor and resource allocation and the emergence of an 'undeveloped system of exchange' might plausibly be regarded as a key element contributing to the decline of pre-capitalist modes of production and to the specific historical process which eventuated in the global dominance of the capitalist mode of production. It was also suggested that it might be legitimate to speak of a 'law of value sui generis' at work within this undeveloped system of exchange, a law representing a new 'social power', to employ Engels' formulation, and signalling 'the onset of a new mode of social existence, one with an inexorable logic of its own and one which must ultimately prevail over the relations of personal dependence characteristic of authentically "communal" modes of human existence'. In this connection Engels' discussion of the emergence of simple commodity production in Greek antiquity was considered, a discussion replete with implications for the question of the historical specificity of the law of value.

Engels' treatment of this question in The Origin of the Family, Private Property and the State anticipated a controversial argument that he made in defense of the labor theory of value in an article entitled 'Law of Value and Rate of Profit', which serves as a supplement and addendum to Volume III of Marx's Capital.

It is not my intention here to evaluate all aspects of the argument set forth by Engels in this article; as a polemical defense of Marx's value theory, it contains a number of one-sided formulations that can very easily be discounted. However I do wish to evaluate -- and defend -- what his critics have rightly taken to be the main theme of Engels' argument, namely the proposition that commodity production has been in existence for several thousands of years and that, consequently, the law of value must have been in operation prior to the development of capitalism. Even though this issue has been a central one in the value controversy as it has unfolded in recent years, I believe that it deserves consideration now, rather than in Part III of this work, because it involves, on opposite sides, two authorities to whom I have already positively referred, Engels and Rubin, and because its 'resolution' is of some importance to specifying the historical scope of the theory of value -- the role it can play in deepening our understanding of the dynamics of social development.

Can Engels' and Rubin's notions of the historical specificity (or applicability) of the law of value be reconciled? At first glance this would appear to be highly unlikely. Rubin criticizes Engels in a tone which suggests that he regards Engels' account of the theory of value as a substantial misrepresentation of Marx's own theory. According to Rubin, Engels had been forced to seek an 'historical' foundation for the theory of value because he had been persuaded by Marx's critics that 'the conclusions of the third volume [of Capital] demonstrated the inapplicability of the law of labor value to the capitalist economy' (1973:254).

Such an interpretation of the conclusions of Capital III, based as it must be on the superficial notion that the first and third volumes of Capital 'contradict' one another, could only be accepted by someone with a fundamental misunderstanding of both the subject-matter of Marx's value theory and the explanatory scope of the law of value.¹⁷ Earlier, Rubin had furnished his own definitions and delimitations of this theory and law:

The theory of value analyzes the laws of exchange, the laws of the equalization of things in the market, only if these laws are related to the laws of production and distribution of labor in the commodity economy...The aim of this theory is to discover the laws of equilibrium of labor [allocation] behind the regularity in the equalization of things [in the process of exchange]...The subject matter of the theory of value is the interrelations of various forms of labor in the process of their distribution, which is established through the relation of exchange among things, i.e. products of labor. Thus Marx's theory of value is completely consistent with the ...general methodological postulate of his economic theory, which does not analyze relations among things nor relations of people with things, but relations among people who are connected to each other through things. (1973:67)

The unavoidable implication of Rubin's critique of Engels is that the latter had given undue weight to the 'quantitative' dimensions of Marx's value theory and, like the 'vulgar economists' with whom he had done battle, slighted the 'qualitative' or 'sociological' themes of Marx's theory. Unlike Marx, Engels had permitted the vulgar economists to define the contested issues; and in so doing, he had unwittingly made their agenda his own (including the 'solution' they attributed to Marx of the problems which they raised). Accordingly, Rubin saw one of his main tasks as correctly defining Marx's conception of the purpose of economic theory:

economists frequently thought the task of economic theory was to find a standard of value which would make it possible in practice to compare and measure the quantity of various products in the act of market-exchange. It seemed to them that the labor theory of value emphasized labor precisely as this practical standard of value...[But] market exchange does not need any type of standard which is thought up by economists. The task of the theory of value is completely different, namely to grasp and explain theoretically the process of equalization of commodities which takes place regularly on the market, in close connection with the equalization and distribution of social labor in the process of production, i.e. to uncover the causal relation between both of these processes and the laws of their changes. The causal analysis of the actually realized processes of equalization of various commodities and various forms of labor, and not the finding of practical standards for their comparison -- this is the task of the theory of value. (1973:125-126)

As a statement concerning the differences Marx had with both the classical and the post-classical economists, this is both insightful and unimpeachable; once Marx's theory of value was approached in the way indicated it was no longer possible to sustain the notion that the third volume of Capital 'contradicts' the first, or that the law of labor-value applies only to pre-capitalist commodity economy in which the law of the equalization of the rate of profit does not operate. Having accepted this, however, must we accept the converse notion that in no sense does the law of value find expression in pre-capitalist economies in which simple commodity production is carried out?

In the heat of his polemic against Engels, Rubin asserts that 'we know with certainty that Marx himself was strongly opposed to the view that the law of value was in force in the period preceding the development of capitalism' (1973:255). He then refers to a number of passing remarks by Marx which, in themselves, are no more conclusive with respect to establishing Marx's position

on this matter than a series of other remarks that appear to favor Engels' position.¹⁸ (It is not so much that Marx was 'equivocal' or 'contradictory' on this issue as unengaged; most of Marx's relevant remarks on this matter are subject to a variety of plausible interpretations.) The real issue, however, is whether Engels' proposition concerning the applicability of the law of value to pre-capitalist economies is consistent with Marx's value theory -- or whether it necessarily implies agreement with the anti-Marxist argument according to which the law of labor-value is 'irrelevant' to fully-developed (capitalist) commodity economies.

Let us consider Rubin's argument as it has been adopted and further developed by John Weeks. Weeks begins his own criticism of Engels by correctly noting the difference between 'embodied' concrete labor (and labor time) and 'abstract' labor (whose measure is socially-necessary labor time).¹⁹ Since, under conditions of simple commodity production in a pre-capitalist economy, the requisite economic mechanisms do not exist for the appearance of 'abstract labor' as a specific social form of labor, it follows that the 'substance' of commodity values in Engels' account must be embodied labor and their measure must be concrete labor time. Weeks quotes Engels to the effect that:

the Marxian law of value holds generally, as far as economic laws are valid at all, for the whole period of simple commodity production, that is, up to the time when the latter suffers a modification through the appearance of the capitalist form of production...Thus the law of value has prevailed during a period of from five to seven thousand years. (1981:14)

Commenting on this passage Weeks states:

[Engels'] assertion has two parts, which are closely related. First, that 'the law of value holds generally' for all periods of commodity circulation. Second, that it holds up to the appearance of capitalism, when it undergoes a 'modification'. More important than the particular time span suggested by Engels is the fundamental view that the value form is not specific to capitalism. Indeed, he suggests that it persists only in modified form under capitalism, and its pure form characterizes precapitalist society. (1981:14-15)

The fact is that Weeks' commentary represents a substantial misrepresentation of Engels' statement. Engels does not assert that the law of value undergoes a modification with the appearance of capitalist production, but that commodity-production does; consequently, it is a pure legerdemain for Weeks to attribute to Engels the position that the law of value holds only 'up to' the appearance of capitalism. Capitalism, according to Engels, brings about an important change in the character of commodity production, and with this change comes a further development of the law of value. But this in no way implies that the 'pure' value-form exists only in pre-capitalist society. Rather, it would seem to be incumbent on Weeks to explain what he means when he speaks of the 'pure value form' in contrast to a 'modified form'. In any case, the implication of Weeks' argument is that the 'value form' (whether 'pure' or 'modified') exists only under capitalism. But the 'value form' (at least in one sense of this expression) refers to a social form of the product of labor -- that is, to social labor as this is represented in commodities. Thus, to be consistent, Weeks must argue that not

only does the 'law of value' not operate in pre-capitalist economies, but that, strictly speaking, it is incorrect to speak of commodity production except under capitalism.

This is in fact Weeks' position -- although not without some ambiguity.²⁰ Weeks quotes Marx's statement that 'the division of a product into a useful thing and a value becomes practically important only when exchange has acquired such an extension that useful articles are produced for the purpose of being exchanged and their character as values has therefore to be taken into account, beforehand, during production'. But the question is: does it follow from this that 'To treat the exchange of products in precapitalist societies as evidence of commodity production is to presuppose the underlying social relations of the most developed form of exchange, particularly the monetization of the means of production' (1981:36)? Of course, the mere 'exchange of products' is not in itself sufficient to demonstrate the presence of commodity production; but does this mean that it is correct to assert that commodity production can only occur under conditions of the monetization of the means of production and 'social relations of the most developed form of exchange', i.e. under capitalism? This is surely an unacceptable conclusion, one which imposes on the very definition of the word 'commodity' an array of conditions which no Marxist (before Weeks) has ever insisted upon. Simply because not all products subject to exchange can be regarded as commodities in pre-capitalist economies, it hardly follows that none of the exchanged

products can be so regarded.

The whole texture of Weeks' polemic against Engels is infused with a formalism which rules out, in advance, the possibility of the commodity form and the value form undergoing a dialectical development from simple to more complex manifestations. Methodologically, therefore, such a stance would appear to constitute a departure from the very 'genetic-dialectical' approach which I.I. Rubin has done so much to clarify in relation to Marx's theory of value.

One other aspect of Weeks' method should be noted: his tendency to use tautologies in order to sustain his own definitions of the relevant concepts. Thus, at one point, Weeks insists that 'A distinction can be drawn between the law of the economy of concrete labor time, applicable in all societies with or without exchange, and the law of the minimization of abstract labor time (law of value)' (1981:33). Now, if the law of value is synonymous with the 'law of the minimization of abstract labor time', then there can be no argument concerning the applicability of the law of value to pre-capitalist commodity exchange. 'Abstract labor time', for Marx, is a category specific to capitalist relations of production -- even though it can be reasonably argued that abstract labor itself underwent a process of development in the transition from simple commodity production to capitalist production. If the law of value is predicated on the concept of abstract labor, then there can be no pre-capitalist law of value. But is 'abstract labor' intrinsic to

'value' in all its historical forms, or is it intrinsic simply to the value form under capitalism? Again it is quite clear that Marx saw abstract labor as the substance of value under capitalism. But this is in no way inconsistent with the idea that earlier (and simpler) forms of value might possess a less developed substance. Weeks implies that the only possible candidate for being that substance is 'embodied concrete labor'. But, as Rubin discussed at some length, abstract labor is simply a specific historical form of 'socially-equalized labor'.²¹ The question is therefore posed: could the substance of value in pre-capitalist commodities be regarded as a specific form of 'socially-equalized labor' -- one which is transitional, as it were, between either a planned distribution of concrete labors or simply a 'subjective' accounting of the concrete labor time embodied in particular marketed products and the 'universal, abstract labor' characteristic of developed commodity-capitalist economies? Could the 'substance' of commodities evince a range of forms, progressing from subjectively-calculated concrete labor time through forms anticipating 'unconscious' processes of social equalization and culminating in the fully-reified phenomenon of abstract labor?

In attempting to answer these questions, the following passages from Rubin are worthy of consideration:

Abstract labor is not only socially equalized labor, i.e., abstracted from concrete properties, impersonal and homogeneous labor. The concept of abstract labor presupposes that the process of impersonalization or equalization of

labor is a unified process through which labor is 'socialized', i.e. is included in the total mass of social labor. (1973:142)

Abstract labor appears and develops to the extent that exchange becomes the social form of the process of production, thus transforming the production process into commodity production. In the absence of exchange as the social form of production, there can be no abstract labor. Thus to the extent that the market and the sphere of exchange is widespread, to the extent that individual economic units are drawn into exchange, to the extent that these units are transformed into a unified social economy and later into a world economy, the characteristic properties of labor which we have called abstract labor are strengthened. (1973:144)

In the first passage Rubin unmistakably suggests that socially-equalized labor in general embraces a number of the characteristics of 'abstract labor' (that is, it is 'impersonal' and 'homogeneous' and 'abstracted' from concrete properties). But what is distinctive about abstract labor as a form of socially-equalized labor is that it can appear only when the forms in which labor is 'socialized' have been unified through processes of 'impersonalization' and/or 'objective' equalization. Abstract labor, in other words, corresponds to a singular social form of the reproduction process. It makes its appearance as a form of socially-equalized labor to the degree that the process of the social equalization of labor is carried out 'unconsciously' and 'objectively' and to the degree that this becomes the exclusive (or at least overwhelmingly dominant) form of the social equalization of labor. What is especially noteworthy here is the implication that other forms of the 'social equalization of labor' (including other unplanned, impersonal, 'reified' forms) are allowed -- forms anticipating but not fully realizing the characteristics of abstract labor. The upshot is that abstract

labor may be conceived as a particular historical form of socially-equalized labor and as the defining substance of value under conditions of 'generalized commodity production'.

In the second quoted passage Rubin treats 'abstract labor' as a 'tendential' phenomenon. Abstract labor appears and develops 'to the extent' that a series of conditions are realized; its 'characteristic properties' are 'strengthened' only 'to the extent' that certain contingencies obtain. But here is the crucial point: 'In the absence of exchange as the social form of production, there can be no abstract labor'. Everything else in this passage can be read as an elaboration of the corollary notion that abstract labor appears (exists, develops) to the degree that exchange becomes the singular (tendentially exclusive) social form of production.

Even under conditions of developed capitalism (so-called 'generalized commodity production'), it cannot be said that commodity exchange is the exclusive or singular social form of production.²² It is true, however, that the characteristics of abstract labor are qualitatively strengthened with the transition from simple commodity production to capitalist commodity production. In this sense, it may be said that the law of value undergoes a 'modification' -- one corresponding to a transformation of 'quantity' into 'quality'. With this modification the 'substance' of value is no longer social labor that has been equalized through more or less conscious calculation of the concrete labor time embodied in commodities, but rather abstract labor.

This does not mean that prior to this modification (which occurs through a protracted historical process) the substance of the value form has none of the characteristics of abstract labor; it simply means that these characteristics, which are latent in more rudimentary forms of the commodity, require for their full flowering a set of social production relations capable of ensuring that the general social form of production will be one of private exchange. Only the developed capitalist mode of production can furnish such a set of production relations. At the same time, only the most rigid of formalist methodologies can stand opposed to the (eminently dialectical) notion that the incremental process of the progressive realization of the characteristics of abstract labor must involve the historical transformation of the forms of value.

This attempt at 'reconciling' Rubin's account of value with Engels' propositions concerning the pre-capitalist provenance of the law of value must certainly ignore a number of aspects of the arguments of both men. Unquestionably, the different emphases and preoccupations implicit in these arguments permit their development in even more antithetical (and unfortunate) ways. Indeed, Weeks has done this to both accounts -- in the case of Engels, by substantially caricaturizing his position, and in the case of Rubin, by carrying a number of his less tenable theses to their logical conclusion. For our present purposes, however, it may be sufficient to express agreement with Ernest Mandel's defense of the idea that commodity 'valuation' may occur as a more or less conscious process under certain

(pre-capitalist) circumstances:

if it is true that fully-fledged 'economic accounting based upon quantities of socially equalized labor' comes into its own only under capitalism, and this only as an objective economic law and not as conscious decisions of owners of commodities, it does not follow at all from this statement that 'labor quantities accounting' cannot begin to appear in pre-capitalist societies, in which commodity production becomes a regular institution. Indeed it is precisely when commodity production is already largely developed, but at the same time still intertwined with traditional forms of 'natural' economic organization, which imply conscious allocations of economic resources and social labour between different forms of production (through customs, habits, rites, religion, deliberation of elders, assemblies of participants, etc.), that the need for a conscious accounting of 'labour quantities' can and must appear, in order to avoid basic injustice and inequalities in social organizations still based upon a high degree of social equality and coherence. (1977:15)

In concluding this discussion, it should also be noted that, despite some of the more 'non-dialectical' formulations of his criticism of Engels, Rubin himself gave grounds for supporting the notion that 'less developed' forms of the commodity and of value existed before the emergence of capitalism:

we can say: labor-value (or commodity) is a historical 'prius' in relation to production price (or capital). It existed in rudimentary form before capitalism, and only the development of the commodity economy prepared the basis for the emergence of the capitalist economy. But labor-value in its developed form exists only in capitalism. (1973:256)

Chapter Six: Value and History

To argue that a 'law of value sui generis' operated in pre-capitalist societies (that is to say, in social formations in which capitalist relations of production were either non-present or non-dominant) and that its operation was an important -- even vital -- factor in the eventual emergence of the capitalist mode of production is to accord a significance to simple commodity production which has been uncommon in recent discussions of the theory of value. Yet it is more than a mere terminological convenience to 'assimilate' the laws of market exchange in non-capitalist formations with the law of value (albeit of a less developed form) rather than to posit them as logically and conceptually independent laws, as Weeks, for example, has done by specifying a 'law of subsistence' and a 'law of monetary costs and subsistence' and radically distinguishing these from a 'law of value' which is irreducibly associated with a 'law of socially necessary labor time' and a 'law of the tendency of the rate of profit to equalize'.²³ This assimilation at the conceptual level should not blur the fundamental distinction which needs to be maintained between simple commodity production and the capitalist mode of production; nor should it obviate the radical historical discontinuity produced by the elevation of the law of value to the ruling principle of labor and resource allocation. However, by 'restoring' the law of value to pre-capitalist history, certain definite theoretical purposes are served, not only in respect to the problem of the emergence of capitalism, but also

in respect to some of the key problems of historical materialism that were broached in Chapter Four.

The fashion in which the 'law of value' and the general propositions of historical materialism intersect is, as I have already suggested, a matter of some considerable importance not only for the evaluation of Marxist value theory, but for historical materialism as well. In the last chapter an initial attempt was made to disclose the deep methodological links between value theory and historical materialism. In the present chapter the 'historical role' of value will be examined with a view to showing that the concept of value is not only elucidated by the precepts of historical materialism but important to a satisfactory restatement of some of the substantive theses of historical materialism. In this connection the contributions of Habermas and Giddens to the critique of historical materialism will be considered, along with the shortcomings of Cohen's 'technological' defence of Marx's 'theory of history'. Throughout this discussion, explicitly towards its conclusion, the provocative ideas of Alfred Sohn-Rethel concerning the historical emergence of the 'exchange abstraction' will serve as a guiding thread.

6.1 Two Recent Sociological Critiques of Historical Materialism

Critiques of historical materialism by sociologists have always relied excessively, if to some degree understandably, on a strategy of imputation. Marx's failure to produce a statement of the principal theses of historical materialism fuller than that contained in the 'Preface' of 1859 left his thinking susceptible to gross misinterpretation, sympathetic over-simplification and too-easy caricature. Unfortunately Engels' independent accounts of historical materialist theory, while often perceptive and certainly valuable, did little to counter the prejudice that, at bottom, this theory was straight-forward 'economic determinism'. During the heyday of the Second International, the 'economistic' reduction of historical materialism was encouraged by Marxists and, to some degree, recognized as a strength of Marxist theory by its adversaries. But with the recession of a revolutionary workers movement in the West, the rise of fascism and Stalinism, and the victory of 'socialist revolutions' in countries that had not yet reached the 'capitalist stage', the economic-determinist construction of historical materialism seemed increasingly untenable. Even so, the legitimacy of this construction (its authentically Marxist pedigree, as it were) was seldom challenged by Marxists, even in the face of the embarrassingly effective efforts of anti-Marxist social scientists to theoretically discredit Marxism by associating it with the most vulgar 'economic-determinist' notions.

The real trouble with the notion of 'economic determinism' is not that the idea of 'determinism' is problematic (although it is), but that the concept of the 'economic' remains unspecified in most discussions of historical materialism. Marxists and non-Marxists have shared the habit of employing the term in the most 'taken-for-granted' fashion, rarely bothering to define its conceptual content, much less to distinguish between its Marxist and neo-classical connotations. This confusion is reflected in the standard interpretation of the base-superstructure metaphor of the 'Preface' of 1859. As Cohen points out, the prevailing wisdom among Marxists and critics of Marxism is that the 'economic base' or 'economic structure' referred to by Marx is the economy in toto, i.e. the ensemble of forces and relations of production, the mode of production encompassing the entire socio-technical configuration permitting the material reproduction of society. In this standard interpretation much room remains for reinstating a simplistic 'material-ideal' distinction recalling the classical confrontation between philosophical materialism and philosophical idealism -- a confrontation which Marx believed he had superseded in his Theses on Feuerbach. Not only did this interpretation encourage the idea that this metaphor was meant to be a comprehensive 'model' of actually-existing socio-economic formations (with the superstructure encompassing 'everything' within the societal totality which did not belong to the 'economy'); perhaps more seriously, it failed to pose the issue of the relations of determination existing between the social relations and material

forces of production by conflating these categories as elements of the economic structure. In this way the 'standard' interpretation of the base-superstructure metaphor came to approximate the conceptual premises of modern sociology and neo-classical economics, premises which posit a clear line of demarcation between 'economy' and 'society', with the first term referring to a material-natural realm and the second to a realm of human interaction based on ideas, norms -- in a word, the 'ideal'. It has been the very considerable merit of G.A. Cohen's defence of historical materialism to have disentangled the knot of confusion surrounding these issues by showing that it is the material-social distinction, and not a material-ideal distinction, which is central to Marx's historical materialism and indispensable to a proper and scientifically-fruitful reading of the 'Preface' of 1859.

Although both Jürgen Habermas and Anthony Giddens have elaborated critiques of historical materialism from positions which are not altogether unsympathetic to Marxism and which evince a degree of sophistication greater than most of the critics of 'economic determinism', I believe that it is fair to say that their critiques are only in part directed towards the actual theses of historical materialism, significant elements of their respective critiques being directed against positions that they (and not only they) have incorrectly imputed to Marx. Neither of these theorists has grasped the material-social distinction in Marx's thought; nor have they escaped the essentially dualist

habits of thought which enjoin them to regard the most significant theoretical distinctions to be those existing between the material and the ideal (a formal ontological opposition), rather than between form and content (a monistic-dialectical relation). Despite their considerable sophistication and their avowed sympathy for Marx's project, it is therefore not surprising that both Habermas and Giddens have ended up recapitulating some rather hoary complaints about historical materialism, albeit in new guises.

I consider Habermas first, not only because his critique is older and better known, but also because it takes in Marx's analysis of capitalism in a way that Giddens' critique does not.

Much of Habermas's work constitutes a sort of dialogue with Marxism -- or even an attempt at 'reconstructing' historical materialism. My concern here, however, will not be with Habermas's general theoretical views (even as these might indirectly relate to his critique of historical materialism), but with those of his views which indicate an unacknowledged methodological divergence from Marx. Although many instances of such a divergence can be cited, it serves our purpose to limit our attention to two -- the first pertaining to the issue of social evolution, the second to Marx's critique of political economy.

For Habermas the process of social evolution occurs in three distinguishable dimensions: production, socialization and system maintenance (Habermas 1975). Not only do each of these dimensions display a specific 'logic of development', there exists a distinct concept of 'rationalization' appropriate to each process.²⁴

General historical progress is a product of the parallel, if not always synchronized, unfolding of technical rationalization and practical rationalization (the first pertaining to humanity's dominion over nature, the second to the normative and ideational framework of human interaction). Social reproduction involves the interlacing of these processes in a way which permits mutual conditioning but does not entail any blurring of the logically distinct character of these processes.

Perhaps the central criticism which Habermas makes of Marx is that historical materialism involves a reduction of socialization (the interactional context) to production. From the standpoint of Habermas's dualistic social ontology, Marx's assertion of the primacy of production appears quite untenable and can only be defended through the fantastic (and illegitimate) operation of subsuming interactional elements under an 'expanded' concept of production:

The only way Marx salvages production as the independent variable is by terminological equivocation...The concept of production is given such a broad meaning that even the relations of production are implied by it....

These definitional attempts to subsume all aspects of social practice under the concept of production cannot conceal that Marx has to take account of social pre-conditions of production that, unlike the material, instruments, energy and organization of labor, do not belong immediately to the labor process itself. (1971:328)

It is perplexing that Habermas should attribute to Marx the (desperate) attempt of trying to subsume all aspects of social practice under the concept of production when it is quite clear that Marx regards many social practices as occur-

ring beyond the framework of the material reproduction of society (practices which are not meant to 'fit' the base-superstructure metaphor at all, as Cohen effectively argues). What is plain, however, is that Habermas (in conformity with neo-classical economics) thinks that an adequate characterization of production can be made without reference to 'interactional variables', just as an adequate account of 'socialization' can be made without reference to production. For Habermas, as for the neo-classicals, production is governed by natural laws and must therefore proceed in accordance with the rules of technical rationality. Production and socialization may be interdependent, but they are no less 'logically distinct' on that account. Accordingly, Marx's explicit inclusion of certain interactional elements (social relations) within his concept of production must be considered logically untenable. As Julius Sensat, Jr. observes: 'Habermas sees Marx as simply broadening this concept of production to include interactional elements in order to reconcile his historical materialism, which treats societal reproduction as production, with his critique of political economy, which implicitly recognizes both purposive-rational action and symbolic interaction as logically independent factors in societal reproduction' (1979:100).

In his thorough critical appraisal of Habermas's relationship to Marxism, Sensat accurately pinpoints the key methodological issue dividing Habermas from Marx:

For Habermas, the historical development of production is something describable apart from production's various interactional contexts (though these contexts may be causally relevant to that development). For Marx, on the other hand, interactional contexts are viewed as social forms of the production process. The historical development of production is not something describable in abstraction from these forms; rather it is precisely the assumption and shedding of these forms by the production process...[Marx's] critique of political economy views labor and interaction as sometimes internally related, in which case a change in interactional context would involve essential changes in the labor process. (1979:100)

In coming to terms with Habermas's critique of Marx, Sensat has evidently isolated what we have already isolated as a key methodological postulate of historical materialism: the 'social form'/'material content' distinction, allied to a conception of form and content as internally related. On the basis of this insight Sensat correctly observes that '[Marx] is not trying to reduce interaction to Habermas's concept of production', and that for the debate not to proceed at cross purposes, 'it must be oriented toward mutually acknowledged criteria of adequacy' (1979:100-101). That is to say, Habermas's misrepresentation of the way in which Marx specifies the relationship between production and interaction should not obscure our understanding of the adequacy of Marx's treatment of those issues which Habermas regards as centrally important but also as inadequately or misleadingly addressed in 'economic-determinist' accounts of historical materialism. Sensat proceeds rather convincingly to demonstrate that a correctly specified account of historical materialism is better able to deal with the constellation of issues surrounding power relations, technological consciousness, and

various ideological supports of class domination than the theoretical framework proposed by Habermas. Such an account must proceed from the following considerations: 'Societal reproduction involves both communicative interaction and production. For Marx, however, these two processes do not develop in distinct dimensions, each with its own developmental logic; rather, interaction is related to production as form to content'(1979:101). The application of this insight in the analysis of capitalism allows us to appreciate the inadequacy of Habermas's attempted 'reconstruction' of historical materialism and his dismissal of the contemporary relevance of Marx's critique of political economy.

Sensat's wide-ranging treatment of Habermas's criticisms of Marx cannot be summarized here. However, the following passage may be taken as an illustration of how the methodological issue dividing Habermas from Marx leads inexorably towards substantive differences of considerable importance:

It has been a central goal of the work of the Frankfurt School in general and of Habermas in particular to come to terms with the ideology of technocracy, as exemplified in the view that all remaining social problems are purely technical ones due not to class antagonisms but rather to insufficient advances in science and technology. This view presupposes that stages of scientific and technological development can be adequately individuated apart from their specific interactional (class-relational) contexts. Habermas does not question this presupposition, but rather adopts it himself. He does not question the technocrat's conception of rationality, but merely wants to restrict it to its proper domain. The problem with technocratic consciousness does not lie in its conception of science and technology but rather in its attempts to offer technical solutions to what are essentially practical problems. These problems have a completely different logic; a distinct type of rationality provides criteria of adequacy for their solutions. But if Marx is right, Habermas concedes too much to the technocratic view, because the presupposition he shares with it is false.(1979:114)

It is in Marx's treatment of the 'real subsumption of labor under capital' -- an analysis richly informed by the internal dialectical relation between the forces and relations of production under capitalism -- that Sensat discovers Marx's distinctive rejoinder to the technocratic view of the 'neutrality' of science and technology as these are applied within the capitalist production process:

The real subsumption of labor under capital is the realization of the capital-labor relation as a specific form of the production process, and consequently the dependency of labor on capital goes deeper than mere wage dependency, the mere lack of the ownership of the means of production by the workers. Just as the social character of commodity-producing labor must express itself as a property of the products of that labor, so too must the social relations of capitalist production acquire a material-technical shape: certain features of the production process -- e.g. the material subordination of labor to machinery -- embody, express and reproduce the power relations obtaining between capital and labor. (1979:110)

The process of the real subsumption of labor under capital possesses enormous ideological implications as well:

the consequence is also a type of fetishism: the forces of production (e.g. cooperation, division of labor, machinery, science) appear as such to have the power to subjugate living labor. The peculiar exploitation of living labor by dead labor which is capital appears to be due either to certain eternal features of the production process or at least to certain of its features which transcend its capitalist form. (1979:110)

This 'capital fetishism' is not based on 'illusion', but rather upon the fact that capital (as a social form of the means of production) really does subordinate labor under itself; that it really does transform living labor into a technically subordinate adjunct to the increasingly sophisticated 'dead labor'

(machinery) of the production process; that it really does come to 'embody' the skills formerly exercised by living laborers, while reducing these laborers to detail functions and degraded, purely 'manual' forms of labor. But the reality of this process of subsumption has a significant ideological by-product: the tendency to identify the value-creating process and the labor process and the failure to see the valorization process as only one possible social form of the labor process. It is precisely this failure and this identification that constitute the basis of the technocratic (capital-apologetic) ideology according to which the specific features of the capitalist process of production are dictated solely by the material-technical requirements of production and not by the functional requirements or exigencies of the capitalist form of the production process.

From Marx's standpoint, then, the problem is not one of restricting technical rationality to the domain of production in order to minimize the alienating and reifying consequences of modern technology on human beings, but rather of challenging the 'social form' of this technical rationality.²⁵ Sensat addresses this question in the appropriate terms:

The state of a society's technology at a given time depends on the range of technically feasible alternative production processes which confront the producers. This range is circumscribed not simply by the existing state of knowledge but more narrowly by the embodiments of that knowledge which are actually on hand in the form of developed designs, skills, abilities, and means of production. It was Marx's view that capitalism guided the evolution of these embodiments in a quite specific direction -- one which sacrificed certain worker abilities and thereby rendered the worker more dependent on capital...Marx thus did not believe in the neutrality or political 'innocence' of capitalist technology. (1979:111-112)

In light of these consideration we can see that it is quite wrong to believe that Marx 'ignored' the issues with which Habermas is concerned. The problem is that Marx addressed these issues in a methodological spirit foreign to Habermas -- so foreign, in fact, that Habermas was unable even to recognize Marx's unfamiliar approach to treating them. The result was a misreading of Marx's position and the elaboration of a substantially different theoretical framework for addressing many of the same sorts of problems. The fact Habermas has dealt with some of these problems in a far more explicit and direct way than did Marx in no way indicates the superiority of Habermas's alternative framework. On the contrary, as valuable as much of Habermas's work is, it also stands as an obstacle to the rediscovery and further development of Marx's distinctive approach to these matters.

Much the same sort of assessment can be made of Anthony Giddens' critique of historical materialism. The undeveloped status of Marx's materialist conception of history -- the 'inchoate' quality of many of Marx's most illuminating and fruitful insights, together with their unclear relation to the theses of the 'Preface' of 1859 and their unfamiliar methodological roots -- is the real starting point of Giddens' ambitious attempt to specify the critical weaknesses in Marx's theory of history. Like Habermas, Giddens has much to say that is valuable in its own right. Yet much of this is presented in such a way as to suggest a basic incompatibility with historical materialism; underlying methodological differences are left unacknowledged, while differences

on substantive issues are frequently magnified. Unlike Habermas, however, Giddens seeks to use Marx against Marx. Specifically, he is concerned to show that Marx's analysis of the capitalist mode of production and his studies of pre-capitalist formations in the Grundrisse together point to a conclusion that Marx himself had been unwilling or unable to entertain: the proposition that capitalism, as a 'class society', is far more radically distinguishable from pre-capitalist ('class-divided') societies than the 'evolutionary schema' of the 'Preface' of 1859 or some other of his writings would seem to allow. In this connection Giddens argues that the forces-relations dialectic has unique relevance for capitalism and that Marx's attempt to apply it to pre-capitalist history is misguided and can only result in significant theoretical errors:

The forces/relations of production dialectic is not a miraculous device that somehow holds the answer to disclosing the underlying sources of social change in general. Nor can the contradictory*of social formations be understood in these terms -- except in the case of capitalism. The forces/relations of production dialectic, I shall argue, has peculiar reference to capitalism as a type of society. (1981:89)

It is easy to see a certain affinity between Giddens' affirmation of the radically distinct character of capitalism (along with the peculiar reference that the forces-relations dialectic has to it) and the insistence of some Marxist economists, like John Weeks, that the law of value is peculiar to capitalism. At the level of method, the affinity would appear to be grounded on a common rejection of a dialectical-evolutionary conception

*character

of social development, reflecting perhaps the anti-diachronic prejudices that structuralism has introduced into social theory in recent years.²⁶ But Giddens' methodological divergence from Marx is not limited to this. Like Habermas, Giddens embraces an essentially dualistic social ontology which renders him incapable of grasping Marx's monistic-dialectical handling of the form-content relation. Thus Giddens refers explicitly to two distinct 'worlds' over which human beings seek domination:

I distinguish two major types of resources that enter into structures of domination: those that are involved in the dominion of human beings over the material world (allocative resources) and those involved in dominion over the social world itself (authoritative resources). (1981:4)

Although it would be incorrect to fully identify Giddens' 'allocative resources' with Marx's 'material forces of production', or Giddens' 'authoritative resources' with Marx's 'social relations of production', Giddens does seem to invite such identifications, at least up to a point. Indeed it is precisely on the basis of such identifications that Giddens attempts to undermine the theoretical grounds for applying the forces-relations dialectic to pre-capitalist history:

Whereas Marx gave primacy to allocative resources in his materialist conception of history, I argue that in non-capitalist societies co-ordination of authoritative resources forms the determining axis of societal integration and change. In capitalism, by contrast, allocative resources take on a very particular significance....(1981:4)

To evaluate this statement properly we must be clear on the meaning of the relevant concepts. Only then can we appreciate how thoroughly Giddens has misrepresented Marx by imputing to him the position that 'allocative resources' could be the 'deter-

mining axis of societal integration and change' in either capitalist or non-capitalist societies.

According to Giddens, 'allocative resources' permit human control over 'not just "objects" but the object-world'(1981:51). Among the major types of these resources are the following: material features of the environment (raw materials, material power sources); means of material production/reproduction (instruments of production, technology); produced goods. 'Authoritative resources', on the other hand, permit human control of 'the humanly created world of society itself'. Its major elements include: 'organization of social time-space (the temporal-spatial constitution of society); production/ reproduction of the human body (organization and relations of human beings in society); organization of human life-chances (constitution of chances of self-development and self-expression)' (1981:51-52).

We can see immediately from these definitions that the conceptual content of 'allocative resources' and 'authoritative resources' is inseparable from a dualistic ontology foreign to Marx. For Giddens to impute to Marx the position that 'allocative resources' have 'primacy' in human history, then, is really a round-about way of saying that Marx believed that human beings accord greater importance to the 'material (or object) world' than to the 'social world'. But this is patent nonsense. Marx could not have held such a position for the simple reason that he refused to distinguish between a material-object world and a human-social world. Indeed, the items catalogued by Giddens

under the headings 'allocative resources' and 'authoritative resources' are, for Marx, constituent elements of a unified material reality which, through human history, has assumed and discarded different social forms.

Merely to reject Giddens' implicit conflation of his own theoretical lexicon with that of Marx does not permit us, however, to ignore what is at the heart of Giddens' critique of Marx. At bottom Giddens wishes to show that in principle Marx's materialist conception of history deflects attention from the signal importance of 'power' in human affairs: 'the lack of a satisfactory treatment of power, including the use of violence by individuals, collectivities and states, runs like a red thread...through the writings of Marx and of Marxists subsequently' (1981:244). It is critical to realize that Giddens' rather surprising assertion concerning Marxist 'indifference' to the issue of power turns on a particular understanding of power as 'generated by the intersection of authoritative and allocative resources' (1981:105). According to Giddens, by giving 'pride of place to relations with nature in influencing societal change', Marx's historical materialism must underestimate the importance of the inter-human struggle for power (as expressed through the 'co-ordination' of authoritative resources) as a lever of change, and therefore, as an 'over-all interpretation of history, it does not pass muster' (1981:105).

The problem with all this is that Giddens at no point specifies clearly what, in his view, constitutes 'societal change'. For G.A. Cohen, it will be recalled, 'social change'

consists of 'change in social relations of production'; at the same time, in the long view of history, such changes derive their enduring significance from their role in promoting 'changes in material relations and productive forces' (1978:167). Giddens provides no comparable conception of the 'pattern of history' such that one could ascribe to him clear-cut criteria for identifying 'societal changes' which command historical interest and theoretical explanation. Of course Giddens is in no sense obliged to furnish such a conception -- though it should be noted that his over-all position would seem to be inconsistent with my earlier thesis that 'human history evinces a pattern to the degree that it has been guided by the rational human imperative to develop the productive forces (including the forces of the human intellect) in the face of non-human nature'. The point, however, is that Giddens fails to address this centrally-important issue in a straight-forward fashion, all the while implying that a coherent and specifiable conception of social change informs his divergence from Marx.

In light of these considerations, let us now consider a passage in which Giddens cites Clastres as part of his criticism of Marx's 'evolutionary scheme':

Most primitive societies 'have at their disposal, if they so desire, all the time necessary to increase the production of material goods'. They do not so desire, since the expansion of material production is not experienced as a driving impulsion. All this, it may be said, is quite consistent with Marx's emphases in the Formen but not with the general presuppositions of his evolutionary scheme. It is not the forces of production which underlie the major episodic transitions prior to those associated with industrial capitalism. (1981:84) 27

The trouble with this argument is that Giddens recognizes only two major types of 'episodic transition': the first corresponding to the transition from primitive tribal society to (non-capitalist) class-divided society, the second to the transition from class-divided society to (capitalist) class society.²⁸ The above argument pertains only to the first type of episodic transition -- an account of which was not the intent of Marx's focus on the forces-relations dialectic in the 'Preface' of 1859. It is important to recognize that the forces-relations dialectic is restricted in its explanatory scope to the processes of transition between modes of production as these are shaped by the conflict between out-moded social production relations and expanding productive forces. Marx never intended this dialectic to explain the transition from 'primitive communism' to societies characterized by a class division between producers and appropriators. Moreover, the inapplicability of the forces-relations dialectic to this transition establishes very little about its inapplicability to other 'episodic transitions', including many which did not eventuate in capitalism. Giddens may or may not be correct to embrace Clastres' thesis that it is 'that mysterious emergence...of the thing we know by the name of the state', and not the Neolithic Revolution, that was the 'true revolution in man's protohistory'. But this does not entitle him to write off 'the expansion of material production' as the 'driving impulsion' behind the repeated revolutions in social organization in all post-tribal societies.

Since Giddens appeals to the Marx of the Formen against the 'evolutionary schematist' of the 'Preface' of 1859, we should also consider this 'comparative' dimension of Giddens' critique:

there are major inconsistencies between Marx's evolutionary scheme and the views developed in the Formen. These views express quite a radical break with the forces/ relations of production dialectic. Just as, Marx suggests, there is no 'economy' in non-capitalist societies -- in the sense that this presupposes an institutional separation from other sectors of society which only occurs in capitalism -- so in these societies production is neither distinctly separate from communal organization nor is its expansion the focus of social change. 'The original conditions of production', Marx asserts vigorously, 'cannot themselves originally be products -- results of production'. It is exactly this process, i.e. how production comes to be the motor of social transformation with the advent of capitalism, which we need to explain. (1981:88-89)

Giddens then cites the following passage from the Grundrisse:

It is not the unity of living and active humanity with the natural, inorganic conditions of their metabolic exchange with nature, and hence their appropriation of nature, which requires explanation or is the result of a historic process, but rather the separation between these inorganic conditions of human existence and their [sic] active existence, a separation which is completely posited only in the relation of wage-labor and capital. (1981:89; quoted from K. Marx, Grundrisse, 1973:489. Marx is misquoted by Giddens: 'their active existence' should read 'this active existence'.]

What is completely overlooked by Giddens is Marx's suggestion in this latter passage that the historical process requiring explanation is a protracted, historically-produced separation of the direct producers from their means of labor which is completely posited only under capitalism. True, Marx regards this separation as being absent in the relations of slavery and serfdom (i.e. in modes of production that are individuated in other of his writings).²⁹ But it is also true that this separation begins prior to capitalism, in societies which may be principally characterized

by 'natural economy' and by the 'unity of living and active humanity with the natural, inorganic conditions of their metabolic exchange with nature', but which are rarely characterized by a single social form of production and which usually evinces undeveloped instances of this separation. Such instances are associated with the division of mental and manual labor, developing social and technical divisions of labor, and the presence of simple commodity production. In this connection the 'law of value sui generis' which we have discussed previously may have played a decisively important role in the historical process culminating in the 'complete separation' to which Marx refers.

The question posed is this: does Marx's emphasis on such matters in the Formen stand in irreconcilable contradiction to the evolutionary account of the 'Preface' of 1859? In Chapter Four I gave a preliminary answer to this question by suggesting that these seemingly divergent approaches to historical materialism remain irreconcilable only 'if the "relations-forces" dialectic is construed in so narrow a fashion as to exclude the development of exchange relations from consideration and if the presented model of "stages" is taken to be applicable to every human culture regardless of external contingencies'. There are really two points here. The first is that all forms of social bonding must be considered in the description of the social relations of production existing within particular social formations. The fact that most societies, including pre-capitalist ones, tend to be dominated by a specific mode of production does

not entitle us to interpret the 'Preface' of 1859 as suggesting that the dynamic of, say, feudal society was solely determined by the dialectic of the forces and relations of production characteristic of the 'feudal mode of production'. Thus, when Marx attributes the historical decline of feudalism to the material forces of production outgrowing the feudal economic structure, he is not suggesting that feudal relations of production had been the sole stimulus to the development of these productive forces; for clearly this was not the case. What he is suggesting is that the entire framework of social relations of production within feudal society (including all those forms of social bonding relevant to production during the feudal era) had permitted a certain growth of the productive forces and, at a certain point, this framework had become inadequate for the further development of these forces.³⁰

The second point is that the stages schema refers to universal history, and not to the developmental dynamic of individual societies. The 'skipping' or 'telescoping' of stages within given social formations is entirely possible, and explicable in terms of external influences and the laws of uneven and combined development.³¹ However it should also be recognized that Marx's description of 'Asiatic, ancient, feudal and modern bourgeois modes of production...as progressive epochs in the economic formation of society' was never well specified by Marx and may only be superficially interpretable as a description of unilinear human progress. There are, of course, many dangers in 'reading between

the lines' when it comes to assessing such an unclear theoretical statement. Nevertheless, in my view the themes and emphases of the Formen can as easily become the basis for a new and more profound interpretation of Marx's meaning in this passage as stand as a repudiation of or a 'break' with the evolutionary themes of the 'Preface' of 1859 (as Giddens insists). Indeed, if we are correct in regarding Marx's concept of progress as consisting of increased labor productivity allied to freer modes of human existence, then the criterion for evaluating each of these 'successive' modes of production becomes compatibility with forms of social bonding conducive to technical rationality, even if the 'characteristic' relations of production of these modes are in some sense specifiable in abstraction from such forms. In speaking of 'human progress' in these terms it might be said that we are referring to the capacities of each mode of production to 'sponsor' or at least co-exist with social forms that may contribute, directly or indirectly, to a drive (or 'appetite') to render the productive forces increasingly productive.

These considerations should cast serious doubt on Giddens' contention that Marx's remarks in the Formen constitute a fundamental departure from some of his more 'familiar' historical-materialist themes. They should also raise questions about Giddens' imputation to Marx of a position which gives 'pride of place to relations with nature in influencing societal change'. To be sure, a central theme of historical materialism concerns the human struggle for dominion over nature: for material security in the face of natural inclemencies and scarcity. But this

in no way means that it is correct to reduce the human drive to develop the forces of production to the struggle with nature. Indeed, the very unevenness of this struggle throughout human history should suggest that other factors intervene to determine the pace of this struggle -- factors that, in part, may involve the question of variable social forms.

What complicates matters considerably is that it is not immediately apparent what Giddens means when he says that historical materialism gives 'pride of place to relations with nature in influencing societal change'. But if this refers to a general privileging of 'allocative resources' as Giddens has specified these, then it can be said with certainty that Marx would have rejected this proposition as a basis for analyzing either non-capitalist or capitalist societies. For it is not the technological imperatives of modern industry that have shaped capitalist development so much as the 'valorizing' imperatives of capitalist production that have impacted on the course of technological change. This is precisely the burden of Marx's theory of the real subsumption of labor under capital to which I have already referred in the earlier discussion of Habermas.

In coming to terms with Giddens' suggestion that Marx's historical materialism gives insufficient attention to the issue of 'power' as a factor in 'societal change', these latter considerations are quite germane. Giddens' argument appears to be that the issue of power is treated somewhat satisfactorily in Marx's analysis of capitalism (whereas it is not in his analysis of pre-capitalist formations) because one of the peculiarities of

capitalism is that the 'institutional separation' of the economy from other sectors of society allows for the generation of power in an altogether unique way:

In calling capitalism a class society, and thereby distinguishing it as a social system from class-divided societies, I mean to emphasize principally two things: the primacy accorded to the 'economic', and more generally to the transformation of nature; and, following from the above discussion, the intrusion of exploitation and class domination into the heart of the labour process. The connections between these two characteristics are to be found in the transformations indicated above, whereby the dominant form of property becomes capital and where simultaneously the only 'property' possessed by the majority of the population consists in their market capacities: the nature of the labour-power which they are able to offer as a marketable resource to achieve a money wage. In such circumstances, class relations, founded upon private ownership of the means of production in 'asymmetrical reciprocity' with propertyless wage-labour, have a centrality in the dynamics of power far beyond anything found in class-divided societies.(1981:121)

Giddens' thesis may be translated into more recognizably Marxist terms as follows: under capitalism, the social relations of production are founded upon the antagonistic class relation between a class of direct producers who are propertyless and compelled to sell their labor-power as a commodity and a class of surplus appropriators who monopolize the means of production as their private property. It is this social relation of production which radically distinguishes capitalism from pre-capitalist 'class-divided' societies, and this is so because under capitalism the sphere of production becomes insulated from other facets of social life; within production different rules, obligations and relations of power exist between workers and capitalists than outside production, and this 'difference' accounts for the fact that the sphere of production becomes the main arena in which power is generated under capitalism. So far this sounds very much like Marx's own thesis. What Giddens adds is that this 'central-

ity' of the production process to the generation of power (or the primacy of the 'economic' in the structuring of relations of power) is unique to capitalism. For Giddens, it is this unique institutional arrangement of capitalism, centered on the capitalist labor contract, which 'serves as a major nexus of transformation/mediation relations, or structural sets, converting allocative resources (control of private property as capital) into authoritative resources' (1981:128).

Giddens' proposition that 'allocative resources' are in some sense 'convertible' into 'authoritative resources' is a revealing one. Indeed, this proposition would seem to invite the idea that capitalism effects a merger of the 'material-object world' and the 'human-social world' -- a merger which Giddens regards as historically unprecedented. It is this notion of 'conversion' which allows Giddens to acknowledge, from his own peculiar dualistic standpoint, that under capitalism the material forces of production acquire a particular social form and that this social form influences their development in definite ways. However Giddens has something else in mind as well. He wishes to sustain the idea that in non-capitalist societies it is not the co-ordination of allocative resources through the monopolization of the means of production that is the basis for power, but rather the co-ordination of authoritative resources primarily through the exercise of violence.

In non-capitalist societies, the exercise of power is inconceivable without access to the 'means of violence'. Under capitalism, however, 'the monopolization of the means of violence in

the hands of the state went along with the extrusion of control of violent sanctions from the exploitative class relations involved in emergent capitalism' (1981:180). The upshot of this is that violence and exploitation are 'institutionally separated' under capitalism whereas they are not in class-divided societies.

There is a measure of truth in Giddens' argument, even though he rather overstates his case. But nothing in this argument provides a convincing basis for the proposition that 'power' in post-tribal pre-capitalist societies is not adequately conceptualized on the basis of the forces-relations dialectic. Two points need to be made here. The first is that while it is quite correct to observe that it is unnecessary for the expropriators (i.e. the dominant class) to intervene directly into the production process in order to maintain their power, authority and claim on the 'economic surplus' in pre-capitalist societies, the importance which therefore attaches to political, military, and ideological factors does not provide a compelling basis for assigning 'primacy' to the so-called 'authoritative resources' in the determination of societal change. Violent sanctions and ideological coercion stemming from 'non-economic' institutions and processes may be key to explaining the 'mode of exploitation' in non-capitalist 'class-divided' societies; but the necessity of this exploitation to those who have freed themselves from a role in 'direct production' is not merely a 'condition' of their existence: it is also a determining influence on societal change. For those who exercise political and military power as well as for those who provide 'intellectual' (cum ideological) services to

the dominant class, the disposition and division of the social surplus product, along with its growth or contraction, are vital questions shaping a myriad of decisions and unleashing the most serious of conflicts.

The second point is that the 'forces-relations dialectic' must be seen as the key to understanding a specific type of 'societal change'; not to a chain of historical events lacking pattern or direction, but to 'historical progress' as this is defined by Marx. To repeat an earlier point, the objective criterion for progress postulated in historical materialism is the development of the productivity of labor. For Giddens' critique to be satisfactorily sustained, it would be necessary to show that there is no systematic impetus for the development of labor productivity in pre-capitalist societies, and that the forces-relations dialectic (as an 'evolutionary scheme') is mistakenly predicated on the notion that there is. To answer Giddens from the standpoint of historical materialism, then, it is necessary to demonstrate both that there is such an impetus at work in pre-capitalist societies and that this impetus is explicable in terms of the forces-relations dialectic.

Clearly, we are disarmed from the outset if we accept Giddens' own terms of reference for these problems. Like Cohen, Giddens insists upon a narrow 'technological' reading of historical materialism such that the 'social relations of production' can refer only to the immediate institutional matrix of the production process -- largely those relations of ownership and control that are specifiable in terms of 'property rights'.³² However, once this

narrow concept of 'social relations of production' is abandoned and the concept is permitted to encompass 'forms of social bonding' and 'forms of exchange', then it becomes possible to argue that pre-capitalist modes of production are to varying degrees compatible with the development of exchange-value as a specific 'social power' with a determining influence on what Cohen has rightly regarded as the most fundamental of the material forces of production: labor-power, in both its mental and manual dimensions.³³

This latter point brings us to an encounter between Cohen's conception of 'productively-relevant' science and technique as relatively-enduring elements of the material sub-stratum of society and the conception developed by Alfred Sohn-Rethel regarding the role of the 'exchange abstraction' (deriving from a specific form of 'social synthesis') in the development of those cognitive powers linked to technical rationalization, the increasing separation of head and hand, and the genesis of 'science'.

6.2 Rationality, the Value Abstraction and the Dialectic of Progress

There is a celebrated line in the 'Preface' of 1859 -- one justifiably regarded as a key postulate of historical materialism -- that has been deliberately overlooked up to this point. It reads: 'It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness' (1978:4). In the 'conventional' (i.e. pre-Cohen) interpretation of the 'Preface', this proposition has been regarded as simply one aspect of Marx's more general argument concerning the determination of the 'superstructure' by the economic structure of society. 'Consciousness' is seen as purely 'superstructural' permitting a construction which fits in neatly with a formal ontological opposition between 'the material' (aligned to the concrete) and 'the mental' (aligned to the abstract and the ideal).³⁴ Marx's meaning is hardly a model of clarity in this passage; but if Cohen's reinterpretation of the 'Preface' is correct, then we need to approach Marx's thesis in a different light. We must distinguish carefully between those elements of consciousness that belong to the 'superstructure' and those elements that have direct relevance to the material forces of production. Clearly, scientific and technical consciousness must have a determining influence on the development of these forces, as Marx makes clear in numerous contexts, and therefore it is not entirely true to say that men's consciousness does not determine their being (even if it is undoubtedly true that men's being does not begin with consciousness).

The real thesis posed by Marx is this: all forms of consciousness owe their existence to particular social forms of the material reproduction of human beings. Therefore, even if scientific and technical knowledge (as products of consciousness) are appropriately regarded as part of the material sub-stratum comprising the material forces and material relations of production, as Cohen so cogently argues, this does not explain the 'social origin' of the consciousness (or cognitive powers) which makes this knowledge possible. Cohen seems to adopt the view that such knowledge springs from the interaction between an inhospitable natural environment and a human species 'naturally' inclined to seek technical-rational solutions to the problems it confronts. Technical rationality, on this view, would seem to be an integral faculty of the human constitution -- an invariant element of a human nature explicable in terms of the human mammal's 'excellent brain'. The problem with this approach is that it seeks to explain historically variant forms of consciousness with reference to historically invariant human capacities, 'bypassing' the mediating influences of social forms or social relations. Yet it is precisely these mediating influences of 'the social' that Marx calls our attention to with the statement that social being (i.e. human material existence in particular social forms) determines consciousness (including 'mental elements' of the material sub-stratum, as Cohen would have it).

But if Marx succeeds in calling our attention to this problem in the 'Preface' of 1859, he does not go very far towards clarify-

ing it even though his critique of political economy contains an implicit critique of epistemology as well. Consequently it is not at all surprising that many Marxists have tended towards a dualistic epistemology according to which social being determines certain ideological (or at least nonscientific) forms of consciousness while humanity's 'natural being' (our direct encounters with nature) allows for the development of scientific consciousness and the acquisition of productively-relevant knowledge of a technical nature. It is precisely such a dualistic conception that Cohen flirts with -- and that he is compelled to flirt with -- by refusing to redress what Sohn-Rethel refers to as the 'historical-materialist omission of the enquiry into the conceptual foundations of science'. It is true, of course, that Marx was the original 'author' of this omission; unlike Cohen, however, Marx possessed the theoretical resources to address the issue. Indeed, it is precisely on the basis of Marx's theory of value -- which Cohen 'ignores' in the elaboration of his defence of historical materialism -- that Sohn-Rethel has sought to explain the social genesis of those forms of thought to which we today attach the adjective 'scientific'.³⁵

Sohn-Rethel begins by establishing that an 'abstraction other than by thought' is conceivable and that this notion is present in Marx's discussions of the 'real abstraction' of commodity exchange. He further argues that such a notion is implicit in the thesis that 'social being determines consciousness'. Indeed, Sohn-Rethel's point is that if it is not possible to sustain the notion of an 'abstraction other than by thought', then it is not

possible to sustain the postulate of historical materialism either:

A derivation of consciousness from social being presupposes a process of abstraction which is part of this being...But with this point of view the historical materialist stands in irreconcilable opposition to all traditional, theoretical philosophy. For this entire tradition it is an established fact that abstraction is the inherent activity and the exclusive privilege of thought; to speak of abstraction in any other sense is regarded as irresponsible unless of course one uses the word merely metaphorically. But to acquiesce in this philosophical tradition would preclude the realization of the postulate of historical materialism. If the formation of consciousness, by the procedure of abstraction, is exclusively a matter for the consciousness itself, then a chasm opens between the forms of consciousness on the one side and its alleged determinations in being on the other. (1978:18)

From Sohn-Rethel's standpoint, the introduction of commodity exchange into human affairs involves more than the simple addition of another social form of the product of labor: it entails a veritable revolution in the cognitive capacities of human beings through the introduction of a real abstraction into what Sohn-Rethel refers to as the 'social synthesis' (defined as 'the network of relations by which society forms a coherent whole' [1978: 4]). In a nutshell, the thesis is that it is the existence of a real abstraction -- the commodity or value abstraction -- which makes possible the development of those conceptual abstractions associated with classical philosophy, mathematics and contemporary natural science. In substantiating this thesis, Sohn-Rethel points to the 'striking similarity' between the value abstraction and the thought abstractions of science:

The economic concept of value resulting from [the commodity abstraction] is characterized by a complete absence of quality, a differentiation purely by quantity and by applicability to every kind of commodity and service which can occur on the market. These qualities of the economic value abstraction indeed display a striking similarity with fundamental categor-

ies of quantifying natural science without, admittedly, the slightest inner relationship between these heterogeneous spheres being as yet recognizable. While the concepts of natural science are thought abstractions, the economic concept of value is a real one. It exists nowhere other than in the human mind but it does not spring from it. Rather it is purely social in character, arising in the spatio-temporal sphere of human interrelations. It is not people who originate these abstractions but their actions. 'They do this without being aware of it'. (1978:20; the quoted line is taken from Capital I; see Marx 1977:166.)

The burden of Sohn-Rethel's subsequent argumentation is to establish that an 'inner relationship' does obtain between the value abstraction and the thought abstractions of mathematics, philosophy and science, and that, in fact, 'the real abstraction operating in exchange engenders the ideal abstraction basic to Greek philosophy and to modern science'(1978:28, emphasis added). Sohn-Rethel proceeds to a detailed theoretical analysis of the formal elements of the exchange abstraction, based on Marx's theory of value, and demonstrates that not only analogy but 'true identity' exists between the formal elements of this abstraction and the formal cognitive constituents of those forms of thought which issued in the development of modern science. Consider the concepts of 'abstract quantity', 'abstract time and space', 'abstract movement', and 'strict causality'; each of these notions have 'real' counterparts in elements of the act of exchange:

1) Abstract quantity. Because two lots of commodities are 'equated' by virtue of the fact that they are exchanged and not by virtue of any intrinsic equality which they possess, 'the interrelational equation posited by an act of exchange leaves all dimensional measurements behind and establishes a sphere of non-

dimensional quantity' (1978:47). Quantity is 'freed' from any physico-spatio dimensionality, finding expression in coinage or paper money which permits exchange to occur on the basis of pure abstract quantities. The 'non-dimensional quantity' posited in exchange is identical to 'the pure or abstract quality of cardinal numbers, with nothing to define it but the relation of greater than (>) or smaller than (<) or equal to (=) some other quantity as such' (1978:47). Sohn-Rethel's conclusion is that the exchange equation yields a concept of abstract quantity which is the foundation of 'free mathematical reasoning'.

2) Abstract Time and Space. Implicit in Marx's analysis of commodity exchange is the idea that exchange 'empties time and space of their material contents and gives them contents of purely human significance connected with the social status of people and things'(S.-R. 1978:48). The postulate of the exchange equation is predicated on the physical immutability of the commodities to be exchanged; abstraction is made of the differing conditions, for example, of their storage and transport. Because this is so, time and space in connection with exchange are considered to be 'absolutely homogeneous' and 'continuous'. Of course, this bears no relation to the actual physical disposition of commodities as real physical objects; but the basis of the exchange abstraction is a social one, not a 'physical' one. Physical realities intrude on the exchange equation only to the extent that they intrude on 'the social status of people and things' -- i.e. to the extent that they depart from acceptable norms. The damaged VCR and the rotten peach fall outside the

normal exchange equation not because of their compromised utility alone, but also because their condition testifies to 'journies' 'outside' of the homogeneous, continuous and 'materially empty' time and space which 'real' (i.e. normatively acceptable) commodities are supposed to move through. As Sohn-Rethel observes:

The exchange abstraction excludes everything that makes up history, human and even natural history. The entire empirical reality of facts, events and description by which one moment and locality of time and space is distinguishable from another is wiped out. Time and space assume thereby that character of absolute historical timelessness and universality which must mark the exchange abstraction as a whole and each of its features. (1978:48-49)

3) Abstract Movement. Sohn-Rethel describes the exchange abstraction in all its elements as follows: 'the act of exchange has to be described as abstract movement through abstract (homogeneous, continuous, and empty) space and time of abstract substances (materially real but bare of sense-qualities) which thereby suffer no material change and which allow for none but quantitative differentiation (differentiation in abstract, non-dimensional quantity)' [1978:53]. The abstract movement postulated by the exchange abstraction, however, is characterized by both continuity and discreteness. In general commodities are supposed to retain their value until such time as they are consumed as use-values, and this conveys a certain continuity to all of the transfers which are effected in the process of circulation. (For example, an industrial capitalist sells a commodity to a merchant capitalist at a value which is 'supposed to be' a component of the value of the commodity when it is sold by the merchant to its 'final' purchaser.) At the same time, the commodity's circulation can at any time and place be stopped, and the condition and value of

the commodity reassessed. This 'provision' permits the movement of the commodity to be cut into discrete moments. The upshot is that 'both continuity and discreteness attach to the abstract movements of the commodities side by side' -- a phenomenon whose contradictory nature, once again, can be shown to have a social origin. So characterized, abstract movement 'has given rise to the paradoxes of Zeno, whereas in modern times it has been absorbed in the analysis of movement by means of the calculus' (1978:54).

4) Strict Causality. The concept of strict causality is considered by Sohn-Rethel to be a 'consequence' or 'corollary' of the exchange abstraction rather than an 'element' of it. Within the exchange transaction, 'cause and effect' phenomena are considered to be irrelevant, since 'the action of exchange permits of no material change to the objects whether the cause of this change be considered adequate or not' (1978:55). Nonetheless, the exchange abstraction does seem to be 'the root of the cause and effect equation which characterizes strict causality' (1978:54). This is so because 'strict causality is the form in which physical change affects objects which are up for exchange on the market under the postulate exempting them from material change...The concept of exemption from material change is in effect nothing more than a fiction whereby the reality of material change is not excluded but is subjected to a specific conceptual form. This is the form of the exact, mathematically formulatable equation between cause and effect by which the process of causality, if it can be isolated as a specific single event, submits, before

and after its completion, to the postulate negating material change. The negation of change would accordingly be the logical postulate from which the strict equation between cause and effect derives its necessity as thought' (1978:54-55). What is involved in all this is a concept of nature and of natural change which is separate from human action and which 'gains ground' in the market-place despite and against the wills and postulates of the human agents of exchange. 'Nature' is distinguished from the 'human world' and from 'material changes' arising from human action, and is seen as 'a force transcending all collusion with man, a force totally separated from the human sphere'. Thus, the very postulate of exchange which excludes 'material change' calls forth a concept of nature as a 'pure object world' -- one in which the strict causality of the cause and effect process is conceived as occurring 'solely within the object world', behind the backs of human agents and in complete disregard of human norms and conventions. Like all other categories of 'pure reason', the concept of strict causality contains no visible trace of a 'social origin', whether in exchange or elsewhere. But, says Sohn-Rethel, 'this genetic blindness of the categories of understanding finds its fitting explanation in the reflection of the exchange abstraction, for the content of this abstraction has in all its features a strictly timeless form which is irreconcilable with any thought of a specific origin. From being historical and geographical in character these features become subject solely to mathematical determination' (1978:55).

Sohn-Rethel follows up this theoretical argument with a convincing historical argument concerning the social origin of the dissociation of 'primary nature' and 'second nature', a dissociation which has persistently encouraged dualistic habits of thought within the 'civilized' mind:

We must now establish the great importance of the following, initially elusive fact: by its own physicality in terms of spatio-temporal action, the abstraction from natural physicality, which exchange enforces by its separation from use, establishes itself as a physicality in the abstract or as a kind of abstract nature. It is devoid of all sense reality and admits only of quantitative differentiation. Furthermore it is understandable solely to people acquainted with money and engaged in the use and acquisition of it....

This real abstraction is the arsenal from which intellectual labour throughout the eras of commodity exchange draws its conceptual resources. It was the historical matrix of the conceptual paradigms of science as we know it. Basic changes occurring in these paradigms indicate major changes in this matrix, and vice versa, because the socially necessary forms of cognition in any epoch have no source from which they can originate other than the prevailing functionalism of the social synthesis. (1978:56-57)

Sohn-Rethel's thesis is certainly a provocative one; but if it can be satisfactorily sustained on theoretical and historical grounds, it obviously also possesses unusual importance. For if his thesis is correct, Sohn-Rethel has done nothing less than to locate and 'empirically' explain what has previously always been shrouded in mystery: the source of those 'non-empirical concepts of our pure understanding' upon which Kant had regarded nature as modelled.³⁶ Kant's categories a priori, on this view, are not transcendental properties of the human intellect, but historically-produced concepts originating in specific types of

social interaction and based upon a real abstraction. As Sohn-Rethel observes: 'Once the elements of the real abstraction have assumed conceptual form, their character, rooted in social postulates, evolves into the dialectic of logical argument attached to the concepts' (1978:71). The apparent 'autonomy' of this 'dialectic of logical argument' from social being is a consequence of the fact that the exchange abstraction is an abstraction associated with the actions of people and not with their thinking. It is an abstraction of which people are not consciously aware, but which nevertheless is reproduced in human consciousness in the form of the 'abstract intellect'.

It is in this (rather special) sense that it becomes possible to appreciate the unexpected 'social power' of value (and its material expression, money) long before it emerges as the ruling principle of resource and labor allocation with the advent of capitalism. In pre-capitalist societies, value plays only a subordinate role in the articulation of a division of labor (if, indeed, it plays a role at all). Yet the real abstraction of exchange plays an extremely consequential role in the development of those cognitive faculties linked to 'science' and to 'technical rationality', as well as in the deepening dissociation of intellectual and manual labor.³⁷ To be sure, so long as value does not play a dominant part in giving social form to production, the forms of thought deriving from the value abstraction must wage an 'uphill battle' against forms of thought rooted in antagon-

istic 'social postulates' -- the more-or-less 'conscious' yet pre-scientific attempts at 'planning' that are based on custom, tradition and social privilege. But this in no way obviates the thesis that the value abstraction causally influences the growth of scientific and technical knowledge, and in this specific way enters into the forces-relations dialectic even as this unfolds in pre-capitalist societies.

With the generalization of commodity value as the social form of the product of labor, the influence of the value abstraction on the socially-necessary forms of cognition undergoes a qualitative strengthening, stimulating the generalization of technical rationality and scientific forms of cognition -- at least up to the point where these enter into a more contradictory relation with the reproduction of the value form.³⁸ Even so, the 'relative autonomy' of the dialectic of logical argument stemming from the impact on human cognition of what was initially a marginal social form of the product of labor means that the phenomenon of commodity-value plays an on-going role in the forces-relations dialectic which is out of all proportion to its strictly 'economic function' in pre-capitalist formations.³⁹ This 'cognitive role' of value -- its specific impact on human consciousness -- cannot be judged by ahistorical standards, and it is pointless to consider whether it has been 'good' or 'bad' in all times and places. However, if Sohn-Rethel is correct, then it cannot be denied that it occupies an extremely important place in what might be called 'the dialectic of progress'.⁴⁰

Further consideration will be given to Sohn-Rethel's argument later in this study. For the moment, however, it might be well to conclude the present discussion on a cautionary note. Although Sohn-Rethel's argument is derived from Marx's theory of value, it is, strictly speaking, an 'independent' construction based on the conviction that 'the "commodity form", to use Marx's expression, can be analyzed as a phenomenon of its own, in separation from the economic issues' (1978:33). Thus, just as Marx's critique of political economy can be accepted or rejected without accepting or rejecting Sohn-Rethel's 'critique of epistemology', so Sohn-Rethel's argument is not predicated on acceptance of Marx's account of the relationship between labor, value and price. In Sohn-Rethel's view this latter relationship is a 'matter for economics'. It is perhaps most appropriate to suggest that Marx's 'formal analysis of the commodity' provides a common starting-point for two related but also distinct enquiries: the critique of political economy and the critique of epistemology. As such, it is not 'value as a representation of labor' which alone commands our attention, but 'value as a source of abstraction' as well.

According to Sohn-Rethel, the relationship between use and exchange as contrasting kinds of activity contains the explanation of the abstraction of exchange, and this relationship resides at the very heart of the formal structure of exchange. In defining this structure, Sohn-Rethel refers to the following passage from Capital:

So long as the laws of exchange are observed in every single act of exchange -- taken in isolation -- the mode of appropriation [of the surplus] can be completely revolutionized without in any way affecting the property rights which correspond to commodity production. The same rights remain in force both at the outset, when the product belongs to its producer, who, exchanging equivalent for equivalent, can enrich himself only by his own labour, and in the period of capitalism, when the social wealth becomes to an ever-increasing degree the property of those who are in a position to appropriate the unpaid labour of others over and over again. (Marx 1977: 733)

This passage from Capital is noteworthy for two reasons. First, it possesses an obvious relevance to the whole debate surrounding Engels' contention that the law of value operates in pre-capitalist societies. Secondly, however, it points to the conclusion that the 'laws of exchange' remain invariant across socio-economic epochs distinguished by different modes of exploitation.⁴¹ Commodity production is characterized by specific 'property rights' which remain formally invariant as between simple commodity production and capitalist commodity production; moreover it is the characteristics of commodity exchange as these are articulated on the basis of these rights that are central to the analysis of the value abstraction:

The point is that use and exchange are not only different and contrasting by description, but are mutually exclusive in time. They must take place separately at different times. This is because exchange serves only a change of ownership, a change, that is, in terms of a purely social status of the commodities as owned property. In order to make this change possible on a basis of negotiated agreement the physical condition of the commodities, their material status, must remain unchanged. Commodity exchange cannot take place as a recognized social institution unless this separation of exchange from use is stringently observed. (1978:23-24)

Sohn-Rethel goes on to point out that commodity exchange involves a socially specific type of 'restriction of use'. Where such restriction is associated with 'exploitation based on unilateral appropriation as opposed to the reciprocity of exchange' we are dealing with instances of what Marx calls 'direct lordship and bondage'. In such instances, the 'restriction of use' is a result of conscious design, subjective intent -- but not of 'objective necessity'. Things stand altogether differently with the 'restriction of use' associated with commodity exchange. And it is this difference which contains the key to an important discontinuity in pre-capitalist history which is highlighted by Sohn-Rethel (and which, incidentally, is altogether ignored by Giddens in his attempt to emphasize the over-arching similarity of pre-capitalist societies):

There were significant formal similarities between Bronze Age Egypt or Babylonia and Iron Age Greece...But the great difference is that the social power imposing this control over the use of things was in the nature of the personal authority of the Pharaoh obeyed by every member of the ruling set-up. In an exchange society based on commodity production, however, the social power has lost this personal character and in its place is an anonymous necessity which forces itself upon every individual commodity owner. The whole of the hierarchical superstructure of the Egyptian society has disappeared, and the control over the use and disposal of things is now exercised anarchically by the mechanism of the market in accordance with the laws of private property, which are in fact the laws of the separation of exchange and use.

Thus the salient feature of the act of exchange is that its separation from use has assumed the compelling necessity of an objective social law. Wherever commodity exchange takes place, it does so in effective 'abstraction' from use.

This is an abstraction not in mind, but in fact. It is a state of affairs prevailing at a definite place and lasting a definite time. It is the state of affairs which reigns on the market. (1978:25)

One need not agree with Sohn-Rethel's implicit (and rather curious) characterization of ancient Greece as 'an exchange society based on commodity production' to acknowledge that there is a significant difference between those 'class-divided' societies in which market exchange plays little role and those in which this role has assumed some importance. This is precisely the burden of Engels' discussion of the 'new social power' unleashed by the invention of money to which reference was made in Chapter 4. It is the considerable merit of Sohn-Rethel's contribution to have specified in great detail some of the more far-reaching consequences of this social power.

6.3 Twenty Theses on Historical Materialism and Value Theory

Before proceeding to a detailed elaboration of the 'value controversy' as this has unfolded under the heading of 'Marxist economics', it is necessary to summarize the principal ideas and themes emerging from Part II concerning the relationship between Marx's theory of value and his materialist conception of history. In the interests of both clarity and brevity, a modified 'theses' format will be employed. Unless otherwise specified, all quoted statements have been taken from the preceding text.

1) Within Marx's integrated theoretical-political project, the concepts of historical materialism serve as the basis for defining a 'pattern' in human history as well as for establishing objective criteria for the notion of 'human progress'. The materialist conception of history was never meant to explain societal change 'in general', but rather the conditions under which humanity has effected a process of societal evolution consistent with the notion of 'progress'.

2) Marx defended the view that history possesses a 'pattern' to the degree that it has been guided by the rational human imperative to develop the material forces of production, fundamentally through enhancements to the productivity of human labor. Such enhancements constitute the fundamental Marxist criterion of human progress inasmuch as they lay the basis for increasing human mastery over nature, for increasing hu-

man security in the face of natural inclemencies and material scaracity, and for liberating human praxis from 'objectively-determined' limitations by bringing about a progressive reduction in 'necessary labor time' (i.e. the labor time required to reproduce the human collectivity at a customary level).

3) The human propensity towards technical rationality (a rationality oriented towards enhancing labor productivity) is, in part, explicable in terms of the human mammal's ability to use its excellent brain in pursuing material security. But this ability is more a 'condition' of human progress than a 'cause' of it. The 'dialectic of progress' encompasses elements which do not belong to the unmediated interchange of humanity and nature. Accordingly, the phenomenon of human 'technical rationality' -- upon which the impetus to develop the forces of production is predicated -- must be understood as only one possible form of human consciousness, a form which co-exists with other forms and which must be explained in terms of the historical materialist postulate that 'social being determines consciousness'.

4) The dialectical interaction between the material forces of production and the social relations of production refers to an internal dialectical relation between the material content of production and its social form. 'The concept of "social form"...is concerned with those aspects of human interaction

which structure relations of power, domination and control between human beings (in abstraction from the relationship of human beings to nature)'. At the same time, social forms arise out of the changing requirements of material production, and, once entrenched, may acquire a degree of relative functional autonomy. Such autonomy is strengthened by the tendency of social forms to engender material expressions such that a second-order dialectic of 'social content'/'material form' may emerge. This dialectic is especially pronounced and significant in the 'decadent' phase of a given economic structure: the dominant social forms of production no longer play a functionally useful role in the development of the forces of production, but, to the contrary, inhibit their qualitative extension, re-shape material production in such a way as to preserve and perpetuate the existing social order, and in general subordinate the functional requirements of production (material-technical progress) to the functional requirements of the social order.

5) The dialectic of the forces-relations of production is a product of the economic and political revolutions associated with the transition from primitive communism (tribal-communalism) to civilization. This transition is not, in itself, explicable in terms of the forces-relations dialectic (based as this is on the notion of 'class-antagonistic' social relations either promoting or fettering the forces of production).

6) The most salient features of the revolution which ended the epoch of primitive communism are the following: the ability of human beings not only to create a social surplus product, but to dispose of it in such a way as to allow for the emergence of a privileged layer of 'appropriators' who no longer need participate in direct production; the development of a division of labor not only between different branches of material production, but also between head and hand; corresponding to the division of mental and manual labor, the growing 'compartmentalization' and 'specialization' of social life (production, appropriation, military and political service, religious and ideological activity, etc.); the development of the state.

7) The dialectic of the forces-relations of production refers to the interplay between the totality of social relations of production and the totality of material forces of production within a given social formation. It does not refer exclusively to the 'internal' dynamics of individuated modes of production as these are conceptualized in abstraction from other modes.

8) Not every mode of production is characterized by an 'internal' drive to develop the material forces of production. However, most modes of production are to varying degrees compatible with (structurally-subordinate) social forms associated with simple commodity production -- forms that do give an impetus to the development of the productive forces.

'...it is the value-form, of all social forms, which most consistently promotes a logic of technical rationalization favoring the growth of the productive forces'.

9) The 'social form' of production in all pre-capitalist modes of production, with the exception of simple commodity production, is some form of more-or-less conscious 'planning' (whether based on custom or detailed social accounting). In such modes of production, production is oriented above all towards use (consumption). Typically, such modes of production are also characterized by a low order of 'objectification', with inter-human relations having a largely 'personal' character. Yet the 'planned' or consciously-regulated character of production does not ensure an orientation towards qualitative expansion and extension of the productive forces; indeed, production is most often geared to maintaining the direct producers at a subsistence level while providing the appropriating class and its hangers-on with a considerably more comfortable level of consumption. In such cases, a contradiction tends to appear between production and appropriation: the perpetuation of social conditions propitious to unilateral appropriation takes precedence over any appetite to revolutionize the material framework of production. One might say that the mode of expropriation of the surplus often presupposes social forms that are inimical to progressive transformations in the material mode of production. The Asiatic mode

of production may have owed its (probably overstated) technological 'stagnancy' and perennial social stability, in part, to the dominance of appropriation over production -- signifying the resistance of the social form of production both to qualitative improvements in the productive forces and to other social forms of production more likely to 'sponsor' such improvements.

10) G.A. Cohen predicates 'a perennial tendency to productive progress, arising out of rationality and intelligence in the context of the inclemency of nature'. As against this we suggest that 'the human propensity to technical rationality and to promoting the development of the productive forces may remain latent to the extent that the "balance" of dominant social forms militates against it and in favor of an opposition between production and appropriation. To the extent that such an opposition remains entrenched within a given socio-economic formation, "technical rationality" may be decisively repressed by (and not simply "subordinated to") other forms of rationality oriented above all towards "stability" and the perpetuation of social inequalities founded on "conscious planning".'

11) Pre-capitalist 'planning' is often governed by an 'appropriative rationality' rather than by a technical or 'productivist' rationality. Appropriative rationality will typically find its cognitive support in purely 'superstructural' or 'ideological' elements -- the 'ideal' concepts corresponding

to and lending support to the dominant social relations of production: Hence the often-dominant role played by political and ideological practices in pre-capitalist social formations.

12) 'In assessing the universal applicability of the relations-forces dialectic and the singular concept of human [technical] rationality which accompanies it, it is necessary to take account of a parallel dialectic: that existing between planning and market-exchange as allocative principles'. In pre-capitalist societies, social forms of production based on planning as the principle of allocation tend to encourage an appropriative rationality legitimated by ideological forms of consciousness. Market-exchange, on the other hand, is a social form of production which tends to encourage technical rationality, a rationality which derives its cognitive support from 'objective' and 'impersonal' criteria of human interaction and from those (productively-relevant) ideas that form elements of the material forces of production. Therefore, 'the interplay of plan and market would seem to be an appropriate focus for analysis of the tensions encouraging the development of the productive forces, including those cognitive powers linked to technical rationality'.

13) Perhaps the most significant role that 'value' has to play in pre-capitalist social formations concerns its role as a source of abstraction, rather than as a social form of production. Even so, the condition for 'the exchange abstraction'

to develop is the presence of market exchange as a social form of production, of the commodity as a social form of the product of labor, and of value as a particular expression of socially equalized labor. Value in exchange must have a role to play in the social synthesis (as this is defined by Sohn-Rethel) if it is to have a significant impact on the cognitive faculties of human beings.

14) The value abstraction as this appears in pre-capitalist societies is not based on the fully-reified phenomenon of 'abstract labor' -- which is the substance of value only in capitalist-commodity economies. However it is based on a number of characteristics that 'socially-equalized labor' shares with abstract labor: 'socially-equalized labor in general embraces some of the characteristics of "abstract labor" (it is "impersonal" and "homogeneous" and "abstracted" from concrete properties)'. In pre-capitalist as well as capitalist societies, the 'law of value' refers fundamentally to the laws of exchange as these laws impart social form to production. These laws of exchange cannot be specified in abstraction from the notions of private property and private property rights. The principle of the 'exchange of equivalents', for example, flows from the recognition of the formal equality of commodity producers, just as the separation of exchange and use flows from the commodity producer's need to effect a change in the ownership of the commodities produced. Moreover the need for a purely quantitative commensuration of physically heterogeneous

commodities is the basis for socially-equalized labor time to emerge as the measure of commodity values; but socially-equalized labor time could not afford a quantitative measurement of value unless value itself has become an element of the social synthesis -- i.e., unless private exchange has become one of the social forms of production, one of the modes of articulating a division of labor and effecting a distribution of resources. 'Commodity production is characterized by specific "property rights" that remain formally invariant as between simple commodity production and capitalist commodity production, and it is the characteristics of commodity exchange as these are articulated on the basis of these rights that are central to the analysis of the value abstraction'.

15) 'Social being determines consciousness' -- but social being is often contradictory, encompassing different and even antagonistic social forms: 'so long as value does not play a dominant part in giving social form to production, the forms of thought deriving from the value abstraction must wage an "uphill battle" against forms of thought rooted in antagonistic "social postulates" -- the more-or-less "conscious" yet pre-scientific attempts at "planning" that are based on custom, tradition and social privilege. But this in no way obviates the thesis that the value abstraction causally influences the growth of scientific and technical knowledge, and in this specific way enters into the forces-relations dialectic even as this unfolds in pre-capitalist societies'.

16) Technical rationality displaces appropriative rationality to the degree that the latter becomes subsumed under the former; i.e. to the degree that exchange emerges as the dominant social form of production. Capitalism 'resolves' the contradiction between these two forms of rationality by, in a sense, giving technical rationality an 'appropriative form'. Technical rationality serves the development of the productive forces under capitalism to the degree that this serves the (capitalist) appropriation of surplus-value.

17) A fundamental methodological unity exists between Marx's theory of value and his materialist conception of history. In both, the form-content distinction is centrally important, as is the dialectical relation between the material and the social.

18) 'In Marx's theory [of value]...the principal problem is not to analytically catalogue the various influences on price formation or on exchange ratios existing between commodities, but rather to grasp the significance of the fact that the social form of reproduction in commodity economy is that of private exchange; that the products of labor are produced precisely in order to be privately exchanged in a market based on the principle of the 'exchange of equivalents' (involving the equality of commodities and the equality of commodity producers)'. .

19) Qualitative equality-quantitative differentiation: these are the poles of the value postulate. The first directs our

attention to the development of private property and the formal 'rights' enjoyed by commodity producers and those involved in commodity exchange. The second directs us to the problem of commensuration -- the 'mechanics' of commodity exchange. Both compel us to regard 'the law of value' as a particular means of effecting a division of labor and ensuring societal reproduction. In both its qualitative and quantitative dimensions the concept of value is indispensable to understanding the 'dialectic of progress' in pre-capitalist societies as well as the 'laws of motion' of contemporary capitalist society.

20) For Marx: '...it is not the unity of living and active humanity with the natural, inorganic conditions of their metabolic exchange with nature, and hence their appropriation of nature, which requires explanation or is the result of a historical process, but rather the separation between these inorganic conditions of human existence and this active existence, a separation which is completely posited only in the relation of wage-labour and capital'. The separation to which Marx refers is a result of a protracted historical process which has lent a pattern to pre-capitalist history as well as to the dynamics of capitalist development. Contrary to Giddens, the dialectic of the forces-relations of production is relevant to pre-capitalist societies; but it must be recognized that this dialectic involves processes which have often gone unrecognized in earlier accounts of historical materialism. Foremost among these is the appearance and development of

the 'law of value' and with it the 'value abstraction', predicated on the existence of private property and the separation of exchange and use. Simple commodity production influences not only the 'economic structure' of society by lending a specific social form to certain production processes, but also the 'material infrastructure' of society by stimulating forms of consciousness (via the real abstraction of exchange) conducive to technical rationality and the growth of productively-relevant science and technique.

PART THREE: THE VALUE CONTROVERSY

Part III is devoted to the controversy surrounding Marx's labor theory of value as this has unfolded under the heading of 'Marxist economics'. It is not my intention to present a complete 'history' of the controversy, but to provide a comprehensive summary of its main lines of development and an evaluation of the main positions that have emerged in the controversy. The task of summarization, it seems to me, should provide some license for a certain 'telescoping' of issues and an eliding of some of the more 'technical' and 'micro-theoretical' issues involved. At the same time, however, it carries with it the responsibility not to over-simplify the terms of debate. Hopefully, what will emerge will be a series of insights concerning Marx's theory of value that can serve as a basis for wrestling with some of the substantive economic and sociological questions dealt with in Parts IV and V.

Chapter Seven, entitled 'The Orthodox Framework and Its Critique', begins with a section on 'Marx's Theory of Value, Capital and Profit'. The purpose of this section is to review Marx's own treatment of the main issues which served to ignite the controversy surrounding his theory of value. In the interests of brevity as well as fairness, I have endeavored to keep this discussion relatively free of potentially contentious 'interpretation'. To the greatest extent possible I have sought to permit Marx to speak for himself. The task of interpreting his ideas -- and also situating them in a broader intellectual context -- will be the principal burden of the rest of Part III.

Chapter Seven: The Orthodox Framework and Its Critique

An interesting aspect of the value controversy of the 1970's and 1980's has been that the task of critiquing, or at least of critically interpreting, Marx's theory of value has been taken on by theorists who regard themselves as Marxists. In this the contemporary value controversy is quite different from the earlier series of debates surrounding the theory of value which arose between Marxists and avowedly non-Marxist social scientists, usually academic economists. In one sense this should be regarded as a welcome development, for it is far better for an ostensibly Marxist economist to declare opposition to the theory of value than to 'support' it while simultaneously 'adapting' (with a greater or lesser degree of conscious surreptitiousness) the theory in light of the concepts, methods and shibboleths of a favored current of non-Marxist economics. Indeed, the willingness of such 'neo-Marxists' to explicitly part company with Marx on questions where disagreement is evident should be seen as both conducive to theoretical clarification and development and symptomatic of the great diversity of thought which has grown up within Western Marxism since the 1960's.

At the same time, however, it should be noted that the 'glasnost' which characterizes the contemporary controversy amongst ostensible Marxists over the theory of value is accompanied by two less salutary developments: the tendency towards

an attenuation of what it means to 'be a Marxist', and the importation into 'Marxist' debates of concepts and assumptions that were originally developed, at least in part, in opposition to Marxism tout court. The fact that 'Marxist orthodoxy' has had to withstand a barrage of criticism informed by 'bourgeois thought' and adopted by self-style Marxists is not, however, a retrospective justification for the dogmatism and rigidity that ruled during the heyday of Stalinism. On the contrary, it might well be argued that it was just this dogmatic rigidity that proved to be such an important obstacle to the development of Marxist theory and practice, ensuring a new lease on life for those 'bourgeois ideas' to which Stalinism declared such implacable rhetorical opposition.

All of which helps to explain why a summary of the contemporary controversy over the theory of value needs to begin not merely with Marx's own presentation of the issues, but with the original critiques brought to bear against it as well. The 'orthodox framework and its critique' were the necessary starting-points for the renewed debates of the 1970's and 1980's -- debates which gave the lie both to the Stalinist claim of a monopoly of truth and 'correct interpretation' and to the neo-classical/Keynesian conceit that the Marxist theory of value had been definitively laid to rest.

7.1 Marx's Theory of Value, Capital and Profit

Marx provides what is perhaps his clearest description of the procedure he followed in elaborating his theory of value in Marginal Notes on Wagner, a short polemical work written late in his career:

I do not start from 'concepts', hence I do not start out from the 'concept of value', and do not have to 'divide' these in any way. What I start out from is the simplest social form in which the labour-product is presented in contemporary society, and this is the 'commodity'. I analyze it, and right from the beginning, in the form in which it appears. Here I find that it is, on the one hand, in its natural form, a useful thing, alias a use-value; on the other hand, it is a bearer of exchange-value, and from this viewpoint, it is itself 'exchange-value'. Further analysis of the latter shows me that exchange-value is only a 'form of appearance', the autonomous mode of presentation of the value contained in the commodity, and then I move on to the analysis of the latter. (1975:198)

Methodologically this brief passage possesses great interest. On the one hand, Marx wishes to make clear against his detractor (A. Wagner) that the starting point of his theory is not 'conceptual' (an ideal abstraction), but something real, something which evidently can be regarded as having both a 'natural form' and a specific 'social form' -- the individual commodity, what might be considered a 'real abstraction'.

The real existence of individual commodities is indisputable; but why should it be regarded as a 'real abstraction'? The reason is that it is not a process of abstract reasoning which endows the commodity with its abstract qualities, but its actual existence as a particular social form of the product of labor. Indeed, it is its combined socio-natural qualities

which invite us to formulate certain abstract concepts conducive to its proper analysis: the concepts of use-value and exchange-value. In their turn these abstract concepts, or 'determined abstractions', serve as the analytical basis for elaborating a more complex system of ideas aimed at apprehending the totality of relations in which the individual commodity finds itself enmeshed. Thus, Marx's description of his theoretical procedure in the above passage corresponds precisely to the analytical requirements of his stated object of investigation: the capitalist mode of production, understood as 'generalized commodity production'. It also corresponds to his methodological commitment to the formulation of abstract concepts on the basis of real concrete objects (which are always a complex unity of form-appearance and content-substance) and then employing these (determined and determinate) abstractions in ascending to an apprehension of the concrete totality of relations.

The 'individual commodity' is therefore not an arbitrary starting-point for Marx's analysis of 'capital', for unlike capital (or wage-labor, or profit, etc.) the defining characteristics of the commodity (as a real object) are relatively unproblematic; they are 'given' in the commodity's real existence and accepted by all.

If the concepts of use-value and exchange-value are determined by the abstract qualities of a real object, however, it cannot be said that they are themselves completely determining of what must follow in the analysis of the commodity. Classical political economy, no less than Marx, recognized that a

commodity is characterized both by 'value in use' and 'value in exchange'; but this did not lead the classical economists to draw the same conclusions about the commodity-capitalist economy that Marx did. Indeed, even the Marx of the Contribution to the Critique of Political Economy of 1859 had yet to break with that tradition's conceptual conflation of 'value' and 'exchange-value'. What, then, led him to do so?

Consider the following passage from Marx's 1868 letter to Kugelmann: 'the form in which [the] proportional distribution of labour asserts itself [as a 'natural law' stemming from 'the necessity of the distribution of social labour in definite proportions'], in a state of society where the interconnection of social labour is manifested in the private exchange of the individual products of labour, is precisely the exchange-value of these products' (1965:209). The concept of 'exchange-value' in this passage is unmistakably that of a specific social form of a general human imperative to distribute aggregate social labor in definite proportions. Another way of putting this is to say that exchange-value is an historically-specific form of a necessary process peculiar to a society where the medium of 'interconnection' amongst different units (or determined fractions) of social labor is the indirect one of private exchange. However, exchange-value is also a concept derived from the analysis of the 'individual commodity', which, according to the opening sentence of Capital I, is itself the 'elementary form' of 'the wealth of societies in which the capitalist mode of

production prevails'(1977:125). Thus, while the 'individual commodity' is a real concrete object whose characteristics are readily observable, it is also a 'form' (or individual embodiment) of something greater than itself -- the 'immense collection of commodities' which is the 'appearance' of wealth in capitalist societies. The 'individual commodity', accordingly, is the 'elementary form' of the social wealth as this appears as a collection of commodities in capitalist societies.

The concept of exchange-value arises from the analysis of the individual commodity, as a form-characteristic of what turns out to be both a concrete object with a real (natural and social) content and an 'elementary form' of something greater than itself. The form-content distinction in this context would seem to be aligned with, or a special case of, the distinction between the general (or universal) and the particular. As a particular incarnation of a general class of objects called commodities, the individual commodity is both a real concrete object and a representation of the abstract characteristics of all commodities. The trouble is that exchange-value is inadequate as an 'abstract quality' descriptive of commodities as a collective representation or form of appearance of wealth in capitalist societies, its conceptual limitations reflecting the conceptual limitations of the 'individual commodity'. Indeed, the relationship of the individual commodity to all commodities dictates the need for a concept adequate to the analysis of the interconnections amongst all commodities

and distinguishable from the exchange-value concept, the significance of which is limited to the analysis of the 'individual commodity'. To put the matter differently, once the focus of analysis shifts from the 'individual commodity' to the mutual interconnections amongst all commodities, it becomes necessary to deploy a different concept from that of exchange-value, a concept which is less 'specific', more 'general' or 'universal', and better suited to defining the characteristics of commodities no longer perceived as discrete things-in-themselves, but as a 'collection' of products of labor, whose existence is necessarily a collective one.

Marx 'derives' the concept of value from exchange-value by noting that a 'common element' must stand behind the myriad representations that an individual commodity can have as an exchange-value. For example, the exchange-value of a quarter of wheat can be represented by x boot-polish, y silk, z gold, or varying quantities of other physically incommensurable commodities. When one commodity is exchanged with another type of commodity, its exchange-value finds expression in varying quantities of different use-values. As a consequence, exchange-value necessarily appears as 'accidental and purely relative', as 'the quantitative relation, the proportion, in which use-values of one kind exchange for use-values of another kind' (1977:126). Having made this point, Marx then implies that these circumstances furnish something like a logical proof for the existence of a 'common element' capable of rendering

physically heterogeneous commodities commensurable in exchange. For Marx, 'abstract utility' cannot play this commensurating role, since it is precisely differences in use-value that qualitatively distinguish commodities from one another and impose the need for a means of commensuration abstracted from utility: 'As use-values, commodities differ above all in quality, while as exchange-values they can only differ in quantity, and therefore do not contain an atom of use-value'(1977:128).

Marx's 'logical argument' proceeds as follows. Since a quart of wheat is exchangeable with any of them,

x boot-polish, y silk, z gold, etc., must, as exchange-values, be mutually replaceable or of identical magnitude. It follows from this that, firstly, the valid exchange-values of a particular commodity express something equal, and secondly, exchange-value cannot be anything other than the mode of expression, the 'form of appearance', of a content distinguishable from it.

Let us now take two commodities, for example corn and iron. Whatever their exchange relation may be, it can always be represented by an equation in which a given quantity of corn is equated to some quantity of iron, for instance 1 quarter of corn = x cwt of iron. Both are therefore equal to a third thing, which in itself is neither the one nor the other. Each of them, so far as it is exchange-value, must therefore be reducible to this third thing.(1977:127)

As is well known, Marx identifies this 'third thing', this 'common element', as the circumstance that all commodities are products of labor. But this is insufficient. The reduction of all commodities to a 'common element' must entail abstraction from the useful characteristics of the product of labor, and these characteristics are shaped by the 'useful character of the kinds of labor embodied in them'(1977:128). For true

abstraction from utility to be made, the labor embodied in commodities and capable of rendering them commensurable in exchange must be conceived as 'human labour-power expended without regard to the form of its expenditure', as 'congealed quantities of homogeneous human labour' characterized by 'phantom-like objectivity' (1977:128). Marx refers to this 'human labour in the abstract' as a 'social substance' and to the products of labor abstracted from their utilities as 'crystals of this social substance', as 'commodity values'.

Marx concludes this critical phase of his argument as follows:

We have seen that when commodities are in the relation of exchange, their exchange-value manifests itself as something totally independent of their use-value. But if we abstract from their use-value, there remains their value, as it has just been defined. The common factor in the exchange relation, or in the exchange-value of the commodity, is therefore its value. (1978:128)

Much has been said about the weaknesses of this argument as a 'logical proof' of the labor theory of value. But what should be noted at this point is that the burden of Marx's argument is not to 'prove' that the substance of either value or exchange-value is labor (abstract or otherwise), but rather that the exchange-value of a commodity stands in a particular relation to its value: as form to content. That Marx did not consider it necessary to 'prove the concept of value' is revealed in his letter of 1868 to Kugelmann where he speaks of his analysis of capitalist relations as containing 'the proof and demonstration of the real value relation'(1965:208-209). Here the value relation is unmistakably linked to an histor-

ically specific mode of the 'proportional distribution of labour'. As a material expression and individual manifestation of a social division and distribution of labor carried out 'unconsciously', behind the backs of private commodity producers, the commodity is unavoidably implicated in 'value relations' and is, in this sense, a 'crystal' of value, understood as a 'social substance'. But the 'form of appearance' of the commodity's value (that is to say, of its relationship to the larger social process of forcibly articulating a division and distribution of labor between various branches of production) is necessarily its forms of exchangeability with other products, i.e. its exchange-value(s). Marx's basic idea can be summarized as follows: exchange-value refers to the myriad 'prices' that can attach to particular commodities, while value refers to some of the larger social processes in which individual commodity prices are formed. As a 'value' the commodity is conceived in abstraction from its use-value, as the embodiment of a definite fraction of the aggregate social labor employed in the production of all commodities; and it is this which permits 'value' to become the common factor underlying the different exchange-values that the individual commodity can manifest.

For Marx, the value of a commodity is determined by the abstract social labor embodied in it; but the commodity's exchange-value is simply a 'form of appearance' of its value and is therefore not identical to the commodity's abstract

labor content. Exchange-value is the necessary form of appearance of value, but it is a form whose 'magnitude', or quantitative aspect, is determined not only by embodied social labor, but by other factors as well. Thus, by establishing the distinction between value and exchange-value, Marx was able to avoid Ricardo's error of assuming that commodity prices are determined by the amount of labor embodied in them, i.e. that commodities exchange in accordance with their proportional labor contents. Surprisingly, in the third volume of Capital, Marx even suggests that market price (the final exchange-value of a commodity) is effectively co-determined by value and by market demand. Thus, the function of the market-price system, according to Marx, is fundamentally to 'put on the market the quantity of commodities that is required to fulfil the social need, i.e. the quantity for which the society is able to pay the market value' (1981b:281). It would appear that for Marx, contrary to many interpretations, individual price formation is governed both by the social need for particular commodities (supply and demand) and by the over-all framework of value relations in which individual commodities are produced and enter into exchange.

This last formulation of the 'determination of price', however, is not entirely satisfactory. Marx was certainly well aware of the role of 'supply and demand' in price formation; but the role of his theory of value was not to 'complement' this as an explanation of commodity prices. It was rather to

look beyond the surface appearances of market phenomena and to demonstrate that 'supply and demand' -- and all market phenomena -- are fundamentally regulated by what is transpiring in production. As I have written elsewhere,

Marx's purpose in analyzing the...abstract concept of value was to expose the nexus which exists between individuals operating within a society in which private labors are not immediately recognizable as social. It is first of all in this sense that value must be grasped as a social relation: the law of value explains the mechanism through which the individual and isolated productive activities of private economic agents are rendered social so that some semblance of economic equilibrium and social harmony are maintained in the absence of conscious social control over these activities. The analysis of value is therefore the analysis of the regulating principle(s) of a capitalist, market economy and not the analysis of short-term price fluctuations. (1984:20-21)

These considerations compel us -- as Marx was compelled -- to amend the definition of the 'dual character' of the commodity found at the beginning of Capital I. The commodity is, properly speaking, a unity of use-value and value, not exchange-value. As a form of appearance of value, exchange-value (price) is determined both by value (abstract labor) and by its 'natural' characteristics as a use-value. As Marx says in the Grundrisse, 'As a value, the measure of [the commodity's] exchangeability is determined by itself;...in real exchange [the commodity] is exchangeable only in quantities which are linked with its natural properties and which correspond to the needs of the participants in exchange'(1973:141-142). Conceptually value is utterly abstracted from utility, whereas in real life exchange-value, as its form of appearance, cannot be. Indeed, at the level of the individual commodity, utility mediates the relation between value and exchange-value and is one

factor accounting for their quantitative divergence.

If Marx recognized that both abstract labor (value) and utility play a role in the determination of individual commodity prices, why then did he pay so little attention to utility and concentrate so heavily on value and on exchange-value as a form of appearance of value? The answer is that Marx's principal interest in the analysis of the capitalist mode of production was to lay bare the 'economic law of motion' of capitalist society -- that is, to disclose the macro-economic processes determining the dynamic and developmental tendencies of the capitalist economy. This macro-economic analysis was served by abstracting from individual acts of exchange and focusing on exchange as an aggregate social process -- as a social form of the production process. Furthermore, while an individual commodity's exchange-value has as one of its determinants the use-value of the commodity (the commodity's 'qualitative' relationship to all other commodities), the idea cannot be sustained that exchange-value is an expression or form of appearance of 'utility in the abstract'. Exchange-value is an expression of something purely social: its existence is predicated not on the fact that products of labor have utility but on the fact that, as commodities, they embody certain social relations and interconnections. Thus, the analysis of value serves Marx's historical-materialist project of disclosing the social form of human labor under conditions of commodity production -- value as 'a definite social mode of

existence of human activity (labour)'(1978 I:46).

These 'qualitative' considerations pertaining to the analytical functions of the concept of value need to be fleshed out. We have already seen that Marx regards 'value relations' as a specific social form of the human imperative to articulate a division of labor and to distribute the aggregate social labor in definite proportions to different branches of production in order to satisfy social needs. Another way of putting this is to say that value is a relation between different production units: that it expresses a particular social relation of production existing between commodity producers. Marx goes a long way towards defining the content of this social production relation with his discussion of Aristotle's notion of equivalence in exchange.

With apparent approval, Marx quotes Aristotle's dictum that 'There can be no exchange without equality, and no equality without commensurability'(1977:151; cited from Aristotle, Nicomachean Ethics, Bk.V, Ch.5). In supporting this concept Marx was not asserting that the values of two commodities must be equal for them to be exchanged, but rather that true exchange is founded on the equality of commodity producers in the act of exchange, and the equality of the labor that has gone into the production of the commodities. Aristotle faltered in his analysis, according to Marx, because

[he] was unable to extract [the] fact, that in the form of commodity values, all labour is expressed as equal human labour and therefore as labour of equal quality, by inspection from the form of value, because Greek society was founded on the labour of slaves, hence had as its natural basis the inequality of men and their labour-powers.

The secret of the expression of value, namely the equality and equivalence of all kinds of labour because and in so far as they are human labour in general, could not be deciphered until the concept of human equality had already acquired the permanence of a fixed popular opinion. This however becomes possible only in a society where the commodity-form is the universal form of the product of labour, hence the dominant social relation is the relation between men as possessors of commodities. (1977:151-152)

Another way of stating Marx's point is to say that under conditions of generalized commodity production no 'non-economic' standard is permitted to regulate the interchange between different products of labor. Where the social form of the product of labor is the commodity-form, the product is judged solely on the basis of its comparability to other products as embodiments of definite quantities of equal human labor-power. A given expenditure of labor-power might be evaluated as technically sub-standard, but no labor-power is regarded as sub-standard simply because of the 'inferior' social station of its expender. As I.I. Rubin observes: 'The equality of commodities in exchange is the material expression of the basic production relation of contemporary society: the connection among commodity producers as equal, autonomous and independent economic subjects'(1973:88). Rubin goes on to note that, in his discussion of Aristotle, 'Marx is not dealing with an ethical postulate of equality, but with the equality of commodity producers as a basic social fact of the commodity economy. We repeat, not equality in the sense of equal distribution of material goods, but in the sense of independence and

autonomy among economic agents who organize production'(1973:89).

The abstract equality of human labor in commodity-producing society is thus founded on the equal rights of economic subjects to obtain and dispose of private property in the means of production and consumption. Indeed, the characteristics of the commodity are dependent on the 'will' of their 'guardians' (or possessors) to maintain specific relations amongst themselves:

Commodities cannot themselves go to market and perform exchanges in their own right. We must, therefore, have recourse to their guardians, who are the possessors of commodities. Commodities are things, and therefore lack the power to resist man. If they are unwilling, he can use force; in other words, he can take possession of them. In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another as persons whose will resides in those objects, and must behave in such a way that each does not appropriate the commodity of the other, and alienate his own, except through an act to which both parties consent. The guardians must therefore recognize each other as owners of private property. This juridical relation, whose form is the contract, whether as part of a developed legal system or not, is a relation between two wills which mirrors the economic relation. The content of this juridical relation (or relation of two wills) is itself determined by the economic relation. (1977:178)

Marx's use of the terms 'will' and 'consent' in this passage should be especially noted, together with the notion that 'as things' commodities are powerless. Commodities are endowed with 'power' when 'their guardians...place themselves in relation to one another as persons whose will resides in those objects'. All this needs to be underscored because Marx follows this up with a statement which has been used to support a strongly 'anti-humanist', structuralist interpretation of his

meaning: 'Here [i.e. within the 'economic relation'] the persons exist for one another merely as representatives and hence owners of commodities. As we proceed to develop our investigation, we shall find, in general, that the characters who appear on the economic stage are merely personifications of economic relations; it is as the bearers of these economic relations that they come into contact with each other'(1977:178-179). The point, however, is that they do so through mutual consent, through a decision (arrived at either consciously or tacitly) to relate to one another 'economically' through the commodities they exchange; to permit their mutual equality as property owners to express itself through the equality of their products of labor. Having 'voluntarily' placed themselves in such a network of relations with one another, however, human beings relinquish their ability to maintain conscious control over many economic processes and, inter alia, over many other social processes affected by the 'economic relation' in question. Indeed, it is only by dissolving this 'economic relation' (i.e. exchange as the social form of reproduction) that collective humanity can regain such control.

We turn now to a brief consideration of the elementary quantitative aspects of Marx's theory of value, preliminary to a further discussion of the 'value-form'.

As we have seen, the substance of value under capitalism is 'abstract labor', i.e. labor abstracted from its concrete,

utility-shaping characteristics and conceived as units of a homogeneous mass of social labor entering into the production of commodities. The measure of this value-creating substance is socially-necessary labor time, which Marx defines as 'the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society'(1977:129). It follows from this that: 'The value of a commodity is related to the value of any other commodity as the labour-time necessary for the production of the one is related to the labour-time necessary for the production of the other'(1977:130). Note that Marx speaks here of the value of commodities, not their exchange-values. There is nothing in this statement, nor in any of Marx's other statements in Capital, to suggest that the quantitative ratios (or proportions) in which commodities actually exchange is determined solely by the way in which commodities relate to one another as embodiments of abstract socially-necessary labor time.

The concept of socially-necessary labor stands in contrast to the concrete and individual labors expended under varying conditions of technical efficiency in different productive enterprises. Just as a given commodity is produced through an expenditure of concrete labor which is also an allocation of abstract social labor, so the individual labor time expended

in the production of a given commodity stands in a particular relation to the socially-necessary labor time associated with the production of that commodity. In measuring the value represented by a particular commodity, then, it is necessary to approach this measurement at the social -- or, at least, the industry-wide -- level, not at the individual level. The labor-time actually expended on the production of a commodity is not determinant of its value, except insofar as that labor-time enters into the determination of the 'average' conditions of production of all such commodities. Variations in levels of technical efficiency and labor productivity will be reflected in divergencies between individual embodiments of labor-time and socially-necessary embodiments of labor-time as these are manifested within one and the same individual commodity. In Marx's words: 'The value of a commodity...varies directly as the quantity, and inversely as the productivity, of the labour which finds its realization within the commodity'(1977:131).

Having derived the concept of value from that of exchange-value and having defined both the substance and magnitude of value in terms of abstract labor and socially-necessary labor time, Marx proceeds to a demonstration of how value gives rise to its various forms of appearance. It should first be noted that the term 'value-form' may be used in two senses. The first pertains to value as a specific historical form of social labor; within this framework, value is treated as a social form

distinguishable from a particular content. It is the second sense, however, with which we will be concerned here. In this second distinct sense, value is conceived as an objectification or materialization of abstract labor and as the content of exchange-value (the value-form). Accordingly, our concern at this point is not with how value comes to be a form of representation of social labor in history, but with how value itself is represented through its forms of appearance.

Since value has a purely social existence, its form can only appear in the mutual relations existing between commodities. This form is identified by Marx at the outset of his analysis, prior to his derivation of it. It is the 'money-form', which is known by all to be the 'common value-form' of commodities 'which contrasts in the most striking manner with the motley natural forms of their use-values'(1977:139). The problem is: what is the origin of the money-form, and how does it develop as 'the expression of value'? The necessity of the money-form, Marx seeks to show, is implied by even the simplest expression of the value 'contained in the value relation of commodities'.

Marx begins by considering 'the simple, isolated, or accidental form of value', in which x units of commodity A are equal to or worth y units of commodity B. In this expression, commodity A plays an 'active role' while commodity B plays a 'passive' one. 'The value of the first commodity is represented as relative value, in other words the commodity is in the rela-

tive form of value. The second commodity fulfils the function of equivalent, in other words it is in the equivalent form'(1977:139). What this means is that the value of commodity A finds expression in commodity B, while commodity B is the standard by which the value of commodity A is expressed. 'Whether a commodity is in the relative form or in its opposite, the equivalent form, entirely depends on its actual position in the expression of value. That is, it depends on whether it is the commodity whose value is being expressed, or the commodity in which value is being expressed'(1977:140).

A more detailed consideration of the 'relative form' reveals that while commodity B is a material representation of A's value, they are equated not by virtue of their natural forms as products of concrete labor, but rather because commodity A's value must possess an existence distinct from its status as a product of concrete labor. Accordingly, the physical form of commodity B becomes the value form of commodity A, or 'the physical body of commodity B becomes a mirror for the value of commodity A'(1977:144). But this is possible only because commodity A has entered into 'a relation with commodity B as an object of value, as a materialization of human labor' (1977:144). The expression of equivalence between physically distinct commodities thereby discloses the specific character of abstract labor as value-creating labor. It also reveals that it is the process of exchange which reduces all individual,

utility-shaping labors as these are 'embedded' in commodities to their common aspect as instances of social labor in general.

Moving on, Marx considers the three peculiarities of the equivalent form of value as these have emerged from the preceding analysis. First, 'use-value becomes the form of appearance of its opposite, value'(1977:148). The physical body of commodity B expresses the value of commodity A and is the objectification of commodity A's abstract labor content. It follows from this that the concrete labor that went into the production of commodity B's physical body stands in a relation of equivalence to the abstract labor embodied in commodity A: 'The equivalent form therefore possesses a second peculiarity: in it, concrete labour becomes the form of manifestation of its opposite, abstract human labour'(1977:150). This leads directly on to a third peculiarity, namely that the equivalent form demonstrates that 'private labour takes the form of its opposite, namely labour in its directly social form'(1977:151). This follows from the fact that while the labor which produced commodity B is the labor of private commodity producers, it 'possesses the characteristic of being identical with other kinds of labour'(1977:150). Indeed, 'it is precisely for this reason that it presents itself to us in the shape of a product which is directly exchangeable with other commodities'(1977:150).

These considerations are of central importance to Marx's theory of value. Within value relations, Marx asserts, use value appears as value, concrete labor as abstract labor,

and private labor as social labor. The commodity is a unity of use-value and value, but this dual character of the commodity is only expressed when its value has a form of appearance distinct from its natural (use-value) form. This form of appearance is its exchange-value. It is through exchange that the internal opposition of use-value and value is given external expression. One might say that exchange-value furnishes a ground of unity between value and use-value, just as exchange relations provide the framework for a resolution of the contradictions arising from the value/use-value opposition.

The next stage of Marx's analysis of the value-form is the development of the 'total or expanded form of value' out of the simple form. Marx observes that commodity A exchanges not only with commodity B, i.e. with one other commodity, but with a whose series of other commodities whose individual identities are irrelevant to their role as equivalent forms of value. The expanded relative form of value, unlike the simple form, reveals that the relations existing between commodities are not contingent or accidental. Since the individual commodity is now perceived as a 'citizen' of the whole world of commodities, its value appears unaltered in magnitude 'whether expressed in coats, coffee, or iron, or in innumerable different commodities belonging to as many different owners'(1977:156).

Despite its advantages over the simple form, the expanded relative form of value reveals a serious defect: 'the relative form of value of each commodity is an endless series of express-

ions of value which are all different from the relative form of value of every other commodity'(1977:156). This places in question the possibility of a 'single, unified form of appearance' of the abstract human labor constituting the commodity's value.

This problem is resolved, however, when Marx inverts the total or expanded form of value and in this way derives the 'general form of value'. Since the value of commodity A is expressed in an innumerable series of other commodities, it follows that these latter commodities also express their value in commodity A. Thus, it is possible for a single commodity, here commodity A, to be set aside to represent the value of all other commodities. The generic name for such a commodity is the 'universal equivalent', and its 'natural form is the form assumed in common by the values of all commodities'. Since this commodity is directly exchangeable with all other commodities, the 'physical form [it assumes] counts as the visible incarnation, the social chrysalis state, of all human labour'(1977:159).

It is theoretically conceivable for any commodity to assume the universal equivalent form of value; however, 'a commodity is only to be found in the universal equivalent form...if, and in so far as, it is excluded from the ranks of all other commodities, as being their equivalent'(1977:162). Once a particular commodity is so excluded it becomes the money commodity in 'the money form of value'. This completes the separation of the commodity's expression of value from the commodity itself.

Marx notes that 'the only difficulty in the concept of the money form is that of grasping the universal equivalent form, and hence the general form of value as such'(1977:163). Any derivation of the money form of value which does not begin with the simple form and demonstrate its transformtaion into the general form of value must proceed ahistorically, through an idealist dialectic of concepts. Thus, Marx's 'manner of presentation' of the money form in Capital differs from that of the Grundrisse in that in the former work greater care is made to provide an historical as well as a logical derivation of the categories of analysis. Nevertheless, the following passage from the Grundrisse serves to clarify the conclusions of Marx's derivation of the money form from his analysis of value:

[Each commodity's] value must...have an existence which is qualitatively distinguishable from it, and in actual exchange this separability must become a real separation, because the natural distinctness of commodities must come into contradiction with their economic equivalence, and because both can exist together only if the commodity achieves a double existence, not only a natural but also a purely economic existence, in which the latter is a mere symbol, a cipher for a relation of production, a mere symbol of its own value. (1973:141)

The development of commodity production and exchange through history is also the development of the money form of value. With the advent of capitalism ('generalized commodity production'), money becomes the singular form of expression of value. Value never finds expression in terms of its substance, abstract labor, nor in terms of its measure, socially necessary labor time. Value appears only in the form of the money commodity and its measure. Marx makes this point unequivocally

in Capital: 'Money as the measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time'(1977:188).

Before considering how Marx develops the law of value on the analytical foundation described above, it is important to consider why it was that Marx followed up his analysis of the value-form in Capital with the famous section on 'The Fetishism of the Commodity and Its Secret'. This section contains at least part of the explanation for Marx's insistence upon founding his analysis of the capitalist mode of production on a specific 'labor theory of value'.

It is by no means 'obvious' that commodities contain 'value' in the specific sense that Marx attaches to this concept. Indeed, the forms of appearance of value lead us away from the recognition that commodities both reflect and give expression to definite social production relations existing between commodity producers. The value-form, in this sense, contributes to a false understanding of the realities of commodity-producing societies and of the social relations existing within such societies.

The 'mysterious' or 'enigmatic' character of the commodity-form of the product of labor stems fundamentally from the fact that 'the commodity reflects the social characteristics of men's own labour as objective characteristics of the products of labour themselves, as the socio-natural properties of these things'(1977:164-165). The consequence is that the commodity-

form 'reflects the social relation of the producers to the sum total of labour as a social relation between objects, a relation which exists apart from and outside the producers'(1977: 165). But in what sense are these 'reflections' amenable to an analysis informed by the idea of 'fetishism'? As Marx himself notes, fetishism refers to a situation in which 'the products of the human brain appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race'(1977:165). In the 'misty realm of religion', such figures are purely illusory products of the human imagination, their relations both with each other and with human beings wholly fantastic projections. Yet in analogizing the 'world of commodities' to this mystical religious realm, Marx asserts that '[the commodity-form] is nothing but the definite social relations between men themselves which assumes here, for them, the fantastic form of a relation between things'(1977:165). This can easily be interpreted to mean that it is a 'fantasy' to believe that social relations between people can be reduced to a relation between things. But commodity fetishism is not linked to such a 'belief'; just the contrary: it is linked to the denial that a relation between things can express social relations between people, and that the products of labor 'relate' to one another as they do because they are 'bearers' of definite social production relations.

When Marx refers to the 'socio-natural properties' of commodities, he means to suggest that the commodity-form of the product of labor, as a thing, renders obscure the distinction between the natural content and the social form of the commodity. Indeed, prior to rigorous scientific investigation, the social and natural characteristics of the commodity are indistinguishable, and they present an amalgamated face in the natural form of the commodity as a thing. Thus, the most salient feature of the fetishism which attaches to commodities is the denial of the 'sociality' of commodities -- not the denial that social relations are reduced to relations between things (commodities) under conditions of commodity production and exchange. The social dimension of commodities, for those bewitched by commodity fetishism, appears to have nothing to do with their production but only with their exchange relations. As a result of such a (mis)perception, the 'value' of the individual commodity appears to be externally related to its status as a product of labor (just as the process of exchange appears to be externally associated to the process of production). The upshot of all this is explained by Marx in an important passage which, unfortunately, has received insufficient attention:

Objects of utility become commodities only because they are the products of the labour of private individuals who work independently of each other. The sum total of the labour of all these private individuals forms the aggregate

labour of society. Since the producers do not come into social contact until they exchange the products of their labour, the specific social characteristics of their private labours appear only within this exchange. In other words, the labour of the private individual manifests itself as an element of the total labour of society only through the relations which the act of exchange establishes between the products, and, through their mediation, between the producers. To the producers, therefore, the social relations between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material [dinglich] relations between persons and social relations between things. (1977:165-166, emphasis added)

Marx's basic proposition in this passage is that value relations refer to the indirect relations established between private producers through the act of commodity exchange. Within these relations, social production relations are manifested in fact through the relations established between commodities. Under conditions of commodity production and exchange, 'private labours appear...as material [dinglich] relations between persons and social relations between things'. But this appearance is not 'illusory'; indeed, private labours appear here 'as what they are'. The mediation between private labours and the aggregate labor of society is provided by the exchange of privately-produced commodities; and consequently, as producers, persons relate to one another through the mediation afforded by 'things'.

Yet as commodity producers, persons stand in a relation of formal equality to one another; their social production relations are predicated on the actuality of their socially-equal status. This point too bears stressing: the 'free' exchanges

characterizing commodity exchange are the basis for 'the products of labour [acquiring] a socially uniform objectivity as values, which is distinct from their sensuously varied objectivity as articles of utility'(1977:166). This 'social uniformity' is a function not of the 'equality' of concrete labors, for concrete labors are only exceptionally 'equal'; it is a function of the 'equality' of independent and socially-equal producers whose labor is concretely or 'technically' heterogeneous, but socially homogeneous. As Marx insists: 'Equality in the full sense between different kinds of labour can be arrived at only if we abstract from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour-power, of human labour in the abstract'(1977:166). Such a reduction is inconceivable, however, except where exchanges are conducted on the assumption of the equality of the private producers.

It is in light of these considerations that we can make better sense of the following well-known passage: 'Men do not therefore bring the products of their labour into relation with each other as values because they see these objects merely as the material integuments of homogeneous human labour. The reverse is true: by equating their different products to each other in exchange as values, they equate their different kinds of labour as human labour. They do this without being aware of it. Value, therefore, does not have its description branded on

its forehead; it rather transforms every product of labour into a social hieroglyphic' (1977:166-167). Note what Marx is asserting here: it is because people equate their products as values through the act of exchange that they unconsciously equate their different kinds of labor as well. Exchange, as the social form of commodity production, both gives expression to and conceals the regulative role of labor in the determination of commodity values. It gives expression to it in the sense that free exchange is the institutional precondition of commodity production and valuation; it conceals it by permitting quantitative variance between a commodity's value and its exchange-value. Marx sums up these themes as follows:

The value character of the products of labour becomes firmly established only when they act as magnitudes of value. These magnitudes vary continually, independently of the will, foreknowledge and actions of the exchangers. Their own movement within society has for them the form of a movement made by things, and these things, far from being under their control, in fact control them. The production of commodities must be fully developed before the scientific conviction emerges, from experience itself, that all the different kinds of private labour (which are carried on independently of each other, and yet, as spontaneously developed branches of the social division of labour, are in a situation of all-round dependence on each other) are continually being reduced to the quantitative proportions in which society requires them. The reason for this reduction is that in the midst of the accidental and ever-fluctuating exchange relations between the products, the labour-time socially-necessary to produce them asserts itself as a regulative law of nature...The determination of the magnitude of value by labour-time is therefore a secret hidden under the apparent movements in the relative values of commodities. Its discovery destroys the semblance of the merely accidental determination of the value of the products of labour, but by no means abolishes that determination's material form. (1977:167-168)

And further:

The forms which stamp products as commodities and which are therefore the preliminary requirements for the circulation of commodities, already possess the fixed quality of natural forms of social life before man seeks to give an account, not of their historical character, for in his eyes they are immutable, but of their content and meaning. Consequently, it was solely the analysis of the prices of commodities which led to the determination of the magnitude of value, and solely the common expression of all commodities in money which led to the establishment of their character as values. It is however precisely this finished form of the world of commodities -- the money form -- which conceals the social character of private labour and the social relations between the individual workers, by making those relations appear as relations between material objects, instead of revealing them plainly. (1977:168)

This latter passage contains significant elements of Marx's explanation for classical political economy's elaboration of a labor theory of value, as well as clarifying his own specific approach to this theory. Whereas classical political economy was concerned with the magnitude of labor-value as this helped to elucidate the formation of money-prices, Marx was concerned with the 'content and meaning' of 'the forms which stamp products as commodities'. But this content and meaning, pertaining to 'the social character of private labour and the social relations between the individual workers', is obscured (concealed) by the forms assumed by value, particularly the 'finished' money form. Unlike the classical political economists, therefore, Marx does not proceed from the magnitude of value as labor-time to the money-price of commodities; instead, he attempts to provide the keys to explaining the differentiation between the individual commodity's value and final exchange-

value (money-price), while establishing value theory as a theory of the economic laws of motion of the commodity economy in aggregate. The point of Marx's value theory, then, is not to explain the mechanisms of individual price formation (as it was for Ricardo, among others), but to disclose the macro-economic and macro-sociological processes issuing from the contradictions of the commodity form. The relevance of such an investigation, however, can only be grasped by those who are prepared to accept that commodity production is but one (perishable and transcendable) form of production -- in other words, by those prepared to dispell the mystifying influences of commodity fetishism: 'The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour on the basis of commodity production, vanishes therefore as soon as we come to other forms of production'(1977:169).

Marx elaborates his critique of classical political economy on this basis more fully at the end of Chapter One of Capital:

Political economy has indeed analyzed value and its magnitude, however incompletely, and has uncovered the content concealed within these forms. But it has never once asked the question why this content has assumed that particular form, that is to say, why labour is expressed in value, and why the measurement of labour by its duration is expressed in the magnitude of the value of the product. These formulas, which bear the unmistakable stamp of belonging to a social formation in which the process of production has mastery over man, instead of the opposite, appear to the political economists' bourgeois consciousness to be as much a self-evident and nature-imposed necessity as productive labour itself. (1977:173-175)

* * *

Before considering those aspects of Marx's theory of capital and profit which are germane to the way in which he develops the law of value, we should briefly summarize what has already been established about this law. The law of value, as Marx conceived of it, is not, in the first instance, about the determinants of individual acts of exchange; it is therefore somewhat misleading to describe the law of value as a 'law of exchange'. Rather the law of value refers to the law of the distribution and division of social labor where the social form of the production process is that of exchange and where the labor expended in production is treated as 'socially homogeneous' -- that is, undifferentiated with respect to 'social rank' and formally, though not technically, equal. It is extremely important to be clear on this point: commodity-producing labor is labor that has assumed a socially-equal form even though its 'content' is incommensurable, heterogeneous and unequal with respect to its various utility-shaping manifestations. Viewed in this light it need not follow that two commodities embodying the same labor-value content will exchange with each other in a 1:1 proportion; indeed, they will only do so if the sole factor bearing on their exchange relationship is their joint status as products of socially-equalized labor -- i.e. where quantitative exchangeability is exclusively determined by the equality of commodity producers and where all other social production

relations found in commodity economies are either inoperative or operating in 'perfect equilibrium'.

This conclusion may be startling to those who have accepted the wide-spread notion that Marx's theory of value is committed to 'the exchange of equivalents' and, on this account, have proceeded to the conclusion that Marx's theory is inconsistent on the grounds that this supposed 'premise' is belied by his 'admission', in the third volume of Capital, that a distinct source of determination of a commodity's exchange-value (price) is to be found in the processes of inter-capitalist competition and the tendency of the rate of profit to equalize between capitals. The point, however, is that the law of value is not reducible to a single, discrete principle derived from a consideration of merely one social production relation characteristic of commodity-producing economies.

In Marx's thought the law of value refers to the governing or 'regulating' principles of labor and resource allocation as this occurs where the social form of the reproduction process is exchange. Accordingly, in delineating these regulative principles, it is necessary to consider the ensemble of social production relations bearing on commodity production and exchange. In a fully-developed capitalist economy, this means taking into account the social production relations existing not only between abstract 'commodity producers' (more exactly, between socially-equalized commodity-producing firms or enterprises), but also between wage-laborers and capitalists and between

different groups of capitalists in competition with one another.¹

It follows that to adequately specify the operations of the law of value in a capitalist economy, it is necessary to develop a theory of capital and profit; and this is precisely the way Marx proceeds. Marx develops his theory of capital and profit on the basis of his theory of value and then integrates the insights of the former into the latter. In this way, his theoretical analysis reflects a dynamic reality in which the categories of value and capital are mutually conditioning, even if capital is (ultimately) only a specific form or phenomenal representation of value.

Capital and Exploitation

In approaching Marx's concept of capital, it is helpful to recognize from the outset that for Marx capital is both a form of value and an expression of social production relations that are unique to this form of value. As a form of value, capital embodies, as a social production relation, the equality of commodity producers and of commodities. As a transformed form of value, however, capital also embodies and expresses two other social production relations characteristic of capitalist societies: an exploitative relation between capitalists and workers, and a competitive relation between different groups of capitalists.

In stating this, we are already anticipating an important objection to Marx's theory of value. Many of its critics have labelled the theory as 'internally contradictory' on the grounds

that it advances apparently contradictory propositions about the operation of the law of value in capitalist economies. Arguably, however, these contradictory propositions do not arise from logical inadequacies in Marx's analysis, but instead from Marx's attempt to articulate a satisfactory theoretical account of what for him was a highly contradictory social reality. Without pursuing this issue any further at this point, it is useful to entertain the following question while seeking a passage through Marx's increasingly complex theoretical structure: Should theory recognize, reflect and attempt to account for contradictions existing in social reality, or should theory conform to the rules of a logical parlor game in which contradictions are banished from thought and from the objects of thought? Methodologically a great deal hinges on the answer to this question: for if one rejects the very notion of the existence of 'real contradictions', it becomes impossible to understand or accept the way in which Marx elaborates his theory of value.

By stating that Marx sees the category of capital as encompassing (at least) three social production relations (between commodity producers as citizens of a free and egalitarian marketplace, between owners of capital and wage-laborers, and between competing individual capitals), we are also elucidating the profound difference between Marx's concept of capital and that to be found in non-Marxian economics. Against those who defined capital as a 'factor of production', as a stock of

privately-owned producer goods, or as an investable fund of monetary wealth, Marx insisted that capital is a social relation 'in process'. Two passages from Capital serve to clarify this notion:

capital is not a thing, it is a definite social relation of production pertaining to a particular historical social formation, which simply takes the form of a thing and gives this thing a specific social character. Capital is not the sum of the material and produced means of production. Capital is the means of production as transformed into capital, these being no more capital in themselves than gold or silver are money. It is the means of production monopolized by a particular section of society, the products and conditions of activity of labour-power, which are rendered autonomous vis-a-vis this living labour-power and are personified in capital through this antithesis. It is not only the workers' products which are transformed into independent powers, the products as masters and buyers of their producers, but the social powers and interconnecting form of this labour also confront them as properties of their product. Here we therefore have one factor of a historically produced social production process in a definite social form, and at first sight a very mysterious form. (1981b:953-954)

[in capitalist circulation] value suddenly presents itself as a self-moving substance which passes through a process of its own, and for which commodities and money are both mere forms...Value therefore now becomes value in process, money in process, and, as such, capital. (1977:256)

Marx's definition of capital as 'value in process' represents the culmination of his discussion of the 'general formula' for capital, where he considers the transformation of money into capital. Denoting commodities by C and money by M, Marx contrasts two possible series of transactions that can occur within the sphere of circulation: the sale of commodities with the aim of purchasing different one (C-M-C), and the buying of commodities with the aim of realizing an enlarged magnitude of

money through sales (M-C-M'). According to Marx, M-C-M' is 'the general formula for capital, in the form in which it appears directly in the sphere of circulation'(1977:257). But this formula appears to embody a contradiction: How is it possible to purchase commodities and then resell them at a price permitting an increment on the original money-capital investment? A number of possible explanations present themselves -- the presence of trade monopolies, a non-universalized market, etc. -- but each of these appeals to a 'suspension' or 'adulteration' of the normal operation of the law of value. The law of value is not inconsistent with the idea of a 'redistribution' of value among commodities, such that individual commodities will be sold at prices diverging from their (abstract) labor-value; but it is most certainly inconsistent with the idea that 'value' can be created in the act of exchange. 'Buying cheap and selling dear' -- the watchword of merchant capital and mercantilist economics -- is predicated either on 'unequal exchange' within an international market, or on the possibility of individual commodities being sold 'above their value' while others are sold below value. Assuming equal exchange in the aggregate (i.e. the 'conservation' of value in exchange), it is impossible to see how -- through exchange alone -- a net increase in value can be realized in the form of M'. Yet the existence of this 'surplus-value', which Marx initially defines as the difference between M' and M, is the only possible value-theoretical explanation for the realization

of profits, interest, and other readily-observable phenomenal forms of augmented value.

Marx explains the origin of this surplus-value in the unique ability of one particular commodity to create more value than it embodies. This commodity is labor power. The money-price of labor power is the wage paid to its seller, the worker. But the value of the commodities produced by this worker will normally exceed the value of all inputs. Thus, the value of output commodities exceed the value of input commodities, the reason being that one of the input commodities -- labor power -- imparts more value to the output commodities than it has.

Thus, the apparent contradiction contained in the formula M-C-M' is resolved by establishing that this circuit encompasses a phase of production, without which surplus-value could not be produced and the circuit could not be successfully completed. Within this circuit, commodities are not bought with the aim of resale at a higher price, but with the purpose of producing new commodities embodying a greater amount of value than the capitalist began with. The centrality of production to the process of creating surplus-value is expressed in the following more-elaborate general formula for capital:

$$M-C \begin{matrix} \swarrow LP \\ \searrow MP \end{matrix} \dots P \dots C' - M',$$

where LP denotes labor-power, MP the means of production, P the productive process which transforms input commodities C into output commodities embodying greater value C', and M and M' money capital as before. The key point in this expanded

description of the circuit of capital is that, through the purchase of commodities constituting inputs to production, money capital is transformed into productive capital capable of yielding the commodity capital C' . The realization of the value embodied in C' involves the transformation of C' into M' through the selling of the output commodities. Thus, the circuit of capital embraces two overlapping phases of activity: the circulation of money and commodity capital, and the process of production, which transforms inputs into new outputs and also imparts to these outputs a quantity of new value derived from living labor.

The status of the C-M-C circuit has been subject to varying interpretations among Marxist economists. According to one interpretation, the C-M-C series is descriptive of the transactions characteristic of simple commodity production. Less controversially, the C-M-C series provides a good depiction of what transpires with the sale of the commodity labor-power. Here money is not playing the role of capital, since the worker takes the money-wage paid him for the use of his labor-power and purchases (output) commodities necessary to the reproduction of his ability to work. Within this circuit, unlike M-C-M', the significance of the sale of commodities concerns the worker's ability to secure the means of consumption. The circuit ends in 'use' rather than in the augmentation of value (profit). Yet the circuit C-M-C, insofar as it applies to labor-power sold for a wage, is a presupposition of the circuit M-C-M'.

Unless the commodity labor-power is sold for a money-wage which is used to purchase articles of consumption, it is not possible for money capital to be transformed into the productive capital necessary for its own expansion. This is why the distinction which Marx makes between labor-power (as a commodity) and labor (as a value-creating activity) is so central to his analysis. It is this distinction which renders intelligible not only the compatibility of C-M-C and M-C-M', but also the decisive dependence of the latter on the former. It is also this distinction which makes it possible for Marx to theoretically reconcile two seemingly antithetical social relations of production as these exist under capitalism: the equality of commodity producers and commodities, and the exploitation of labor by capital.

The key point to grasp in all this is that the commodity labor-power has an altogether unique status as an 'input' to production: it is neither the product of a capitalist production process, nor is it a commodity with a 'fixed' or 'constant' influence on the valorization (value-expanding) process of capitalist production. Unlike other commodity inputs to production, labor-power expresses a social relation of production between owners of the means of production and non-owners. This is why Marx's characterization of capital as 'the means of production monopolized by a particular section of society' is so important to his analysis. For it is the

class inequality inherent in this monopolization of the means of production which makes it possible to understand how relations of exploitation can 'interpenetrate' relations of equal exchange. It is only when we abstract from production, and focus solely on the sphere of circulation, that the principle of equality among commodity producers appears to predominate within capitalist society. The formal equality of the marketplace cannot and does not obviate the social inequalities and exploitation inherent in a situation where the means of production are owned and controlled by a tiny minority while the direct producers are dispossessed of means of production and compelled on pain of starvation to sell their ability to work to the highest bidder. It is the class inequality between workers and capitalists which compels workers to sell their labor-power at a price reflecting its cost of reproduction rather than at a price reflecting the actual contribution of their labor to the value of the newly-produced commodities.

The sale and purchase of labor-power, Marx points out, occurs entirely within the sphere of circulation and commodity exchange. The consumption of labor-power, however, occurs within production, where it is put to use by the capitalist in the creation of new value, i.e. of products embodying surplus-value together with the value represented by the workers' wages. The 'equality' of the sphere of commodity-exchange is succeeded by the 'despotism' of the sphere of production; relations of formal equality are displaced by relations of ex-

ploitation. None of this involves a 'logical' contradiction, merely the depiction of a contradictory reality in which the law of value comes to lend a particular and historically-specific form to class inequality and to the extraction of a social surplus product from the direct producers.

In its incarnation as capital, value is sometimes referred to as 'self-expanding' or 'self-valorizing'. This is the burden of the idea that capital is value in process: capital is an exploitative relation of production operating through value relations. Under capitalism, exchange is not only the social form of the reproduction of the material content of society but also of the exploitative relation between a class of appropriators and a class of direct producers. Thus the capitalist form of the appropriated social surplus product is surplus value. Herein lies a major part of the secret of the dynamism of capitalist production: capitalist production is not only, or even principally, 'production for use' (a labor process), but also 'production for profit' (a value-expanding, or 'valorization', process).

Capital analyzed from the point of view of its relation to wage-labor is termed the 'social capital' or 'capital in general' by Marx, and it is through the analysis of this relation that Marx develops the fundamental categories of his 'economics': the constituent categories of value comprising the commodity, and the basic quantitative relationships accounting for the capitalist economy's 'laws of motion'.

Let us consider the 'total value' of a given commodity. In the process of its production, the commodity receives value from both 'living' and 'dead' sources: from living labor, on the one hand, and from various elements of the means of production, on the other. In furnishing these sources of value, both of which are required for the unified labor-valorization process, capital appears in two forms: as constant capital and as variable capital. Within production, constant capital takes the material form of means of production -- for example, machinery, raw materials and fuel. The value embodied in these 'objective' elements of the process of production is a function of past, accumulated labor; it is 'objectified value', the magnitude of which changes only in relation to the productivity of labor, i.e. according to the changing standard of socially necessary labor time required for the production of these means of production. The crucial point is that constant capital can impart to the new commodity product no more value than it contains (or 'represents'); hence, the contribution of the various elements of constant capital to the 'valorization' of the new commodity is essentially 'constant'. The elements of constant capital can only transfer previously-existing value to the commodity, not create new value.

The role of creating new value is assigned by Marx to the variable capital 'invested' in the acquisition of labor-power. Labor-power is the only commodity input to production which releases living labor, the sole source of new value, and the

magnitude of this value will vary according to the duration, intensity and productivity of the labor expended. The new value created by living labor within the production process is considered by Marx to account for both the value embodied in the wages received by productive workers (variable capital is thereby revealed to be a peculiar 'investment', since wages are paid only after the work has been performed and the value embodied in the wage newly created, if not yet necessarily realized through the sale of the commodity) and the surplus-value created by these workers during the 'unpaid' portion of their working day.

The total value of the commodity product may therefore be represented as $P = c + v + s$, where c represents the value objectified in those embodiments of 'dead labor' that contribute 'indirectly' to the valorization process (i.e. through a transfer of value effected by living labor), v represents the value embodied in the wage bill of productive workers (whose labor power, itself, assumes the social form of 'variable capital' within production), and s represents the surplus-value created by the surplus labor of productive workers, surplus-labor being the difference between the length of the working day and the labor time necessary for the production of the value embodied in v .

By dividing the working day into two periods -- the period during which the worker creates the value necessary for the reproduction of the ability to work and the period during which

surplus-value is created -- Marx provides a useful way of considering the first of his fundamental quantitative relationships or ratios: the rate of surplus-value (or exploitation). Marx represents this relationship as s/v , the ratio of surplus-value to variable capital (the wage-bill).

The primary way in which the rate of surplus-value exerts its influence within a capitalist economy is through its impact on the rate of profit, which may be defined as the rate of valorization of the total capital 'advanced' for the purpose of capitalist production, or, more simply and conventionally, as the rate of return on invested capital. The rate of profit may be represented in a number of ways consistent with Marx's meaning, but it is usually defined as $s/c+v$, i.e. as the ratio of surplus-value to 'total capital', for simple illustrative purposes. This ratio occupies a central place in Marx's analysis because it acts as the decisive regulator of capitalist accumulation and growth.

As should be apparent, the rate of profit is determined not only by the rate of surplus-value, but also by the 'composition' of the advanced capital: the relationship between the 'living' and 'dead' labor employed in production, i.e. the ratio of c to v and of c to $s+v$. The greater the value of the constant portion of the total capital is in relation to the variable portion, the greater the rate of surplus-value must be to maintain the rate of profit at an equilibrium level.

Marx provides a clear explanation of this point in the Grundrisse:

[The] rate of profit never expresses the real rate at which capital exploits labour, but always a much smaller relation ...The rate of profit is determined, then, not only by the relation of surplus-labour to necessary labour...but by the overall relation of living labour employed to objective labour; by the portion of capital exchanged for living labour relative to the part which participates in the production process as objectified labour. (1973:762 & 764)

The composition of capital may be expressed in a number of ways, and there is some controversy surrounding the theoretical status of these different expressions (a matter which will be briefly surveyed in Part IV). For the moment, however, the composition of capital will be represented as the ratio c/v -- the ratio which Marx himself uses in his discussion of the 'transformation' of commodity values into prices of production.

To summarize: capital is 'value in search of an increment' -- an increment which is privately appropriated by capitalists for the purpose of reinvestment and further valorization, not primarily for personal consumption. Accordingly, capital is an exploitative social relation of production between capitalists and workers operating through the 'equalitarian' value relation which enforces the social equality of commodity-producing labor. As a social relation of production, capital depends both on the production of commodities for the purpose of realizing a profit (i.e. a production process involving the creation of surplus-value) and on the continuous reproduction and availability of a commodity which is sold for the purpose of acquiring articles of consumption (or 'means of subsistence') -- the commodity labor-power. The difference

between 'labor power' and 'means of production' as inputs to production is two-fold: on the one hand, labor-power is not the product of a capitalist production process whereas (typically) other input commodities are; on the other hand, labor-power is alone capable of furnishing the living labor which is the sole source of new value. What is crucial, therefore, to the existence of capital as 'self-expanding value' is the exploitation of living labor by capital, this being fundamental to the capitalist socio-economic reality.

What remains to be considered is the third social relation of production encompassed by capital: the competitive relation existing between the many 'individual capitals' comprising the social capital as a whole.

Value, Competition and the Equalization of the Rates of Profit

The question of just how central the competitive relation between capitalists is as a defining characteristic of capitalism has been the subject of considerable (often politically-motivated) debate among Marxists. For example, Roman Rosdolsky -- a theorist who defended the position that the Soviet Union is a 'state capitalist' formation -- argued, and not altogether without foundation, that the whole of Marx's analysis in the first volume of Capital was carried out in abstraction from the concept of competition (Rosdolsky 1977). Rosdolsky maintained that competition only becomes a significant organizing concept of Marx's analysis in Capital III because it forms

part of the tangible 'appearances' of capitalist reality; but as we have already noted in earlier discussions of Marx's method, 'appearances' are a component (albeit a potentially 'misleading' component) of a single reality. The forms of appearance and the actual content of appearances are indelibly related. So, if competition is a form of appearance of an underlying (and partially concealed) reality, it behooves us to enquire as to the content of that reality.

Precisely in this connection Marx speaks of:

the way in which the immanent laws of capitalist production manifest themselves in the external movements of the individual capitals, assert themselves as the coercive laws of competition, and therefore enter into the consciousness of the individual capitalist as the motives which drive him forward...[A] scientific analysis of competition is possible only if we can grasp the inner nature of capital, just as the apparent motions of the heavenly bodies are intelligible only to someone who is acquainted with their real motions, which are not perceptible to the senses. (1977:433)

We have already gone some distance towards recapitulating Marx's understanding of the 'inner nature of capital'. However, in defining capital as an exploitative social relation of production operating through value relations, we have so far stressed the 'exploitative' nature of capital while slighting the issue of what it means to say that it operates through value relations. Implicit in the notion of 'value relations' is the existence of many private commodity-producers supplying a marketplace and seeking to make a living through the sale of their commodities. Not surprisingly, then, Marx states (to the chagrin of all exponents of the theory of state capital-

ism) that 'Capital exists and can only exist as many capitals' and that consequently 'competition is nothing other than the inner nature of capital, its essential character, appearing in and realized as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity'(1973:414).

The competitive interactions of many individual capitals upon one another points to the unarguable fact that these capitals do not face uniform prospects of an accretion of their value. Owing to a host of factors, individual capitals enjoy different profit margins and rates of profit. Yet capitals earning less than the average rate of profit cannot be expected to survive indefinitely; hence, there exists a very strong impetus for all capitals to seek out the most favorable possible conditions of valorization. This presupposes that capital is mobile: that it can move from one sector of the economy to another in search of higher profits. Capital mobility -- which is never 'perfect' owing to the difficulty of speedily transforming productive and commodity capital into the more easily investable money form -- plays an extremely important role in capitalist economies because of its role in promoting the tendency of the rate of profit to equalize. (It goes without saying that this is not an 'absolute' tendency, free of counter-vailing influences. Indeed, the tendency of profit rates to equalize actually presupposes the continuous reappearance of inequality between profit rates of different capitals and branches of production.)

The tendency of the rates of profit to equalize -- which Marx appears to regard as stronger than the counter-tendency of the rates of profit to differentiate -- entails the appearance of a (tendential) general or uniform rate of profit. The assumption of such a general rate of profit is one which Marx shares with neoclassical economics as well as the classical school. Moreover it is the tendency for a general rate of profit to appear which underlies a crucial transformation of the value form: the transformation of commodity values into (tendentially uniform) prices of production.

Prices of production are not 'market prices', so we are not considering the transformation of values into 'final' exchange values but into an intermediate form. The specificity of this form pertains to the influence of a single mechanism on the process of price formation: the mechanism of the 'transfer' or 'redistribution' of surplus-value which is effected through commodities as a result of the equalization of the rates of profit.

In Marx's theory individual capitalists do not directly appropriate the surplus-value produced by 'their own workers'. Rather, the appropriation of surplus-value is conceived as a process of collective class exploitation, while the distribution of the aggregate (social) surplus-value among capitals is seen as the effect of inter-capitalist competition in the sphere of circulation. Schematically it might be said that surplus-value is created in the sphere of production through the exploitation of all workers by all capitalists, and that

the division of this surplus-value among competing capitals occurs through a 'realization' process in the sphere of circulation. Put simply, capitalists maintain 'class unity' vis à vis workers in production, while competing with one another for profits in the marketplace.

With this borne in mind, it should be apparent that the equalization of the rates of profit will tend to produce a divergence between the surplus-value embodied in a particular commodity and the actual profit that can be realized through the sale of that commodity. While at the aggregate social level total profit must equal total surplus-value (and total commodity values must equal total prices of production) if the law of value is to be maintained, the differing conditions of production of different commodities will mean that a divergence between value and production price will be the norm for individual commodities. But what do we mean by 'different conditions of production' in this context?

As we have already seen, different capitals have varying compositions, i.e. they are heterogeneous with respect to their ratios of dead to living labor. Although the variable portion of the capital is exclusively responsible for the creation of surplus-value, it is apparent that those branches of production which invest a relatively greater portion of their capital in labor-power rather than in objectified means of production will not automatically realize more surplus-value than those that are more 'capital-intensive'. Instead, a portion of the

socially-produced aggregate surplus-value will become a constituent of the realizable price of a given commodity in the form of profit and in proportion to the capital invested in its production. Marx explains this as follows:

The various different capitals here are in the position of shareholders in a joint-stock company, in which the dividends are evenly distributed for each 100 units, and hence are distinguished, as far as the individual capitalists are concerned, only according to the size of the capital that each of them has put in the common enterprise, according to his relative participation in this common enterprise, according to the number of his shares. (1981b:258)

Accordingly, the individual capitalist will tend to receive as an increment to his invested capital -- not the surplus-value produced by his own workers -- but the profit which is due in accordance with the general rate of profit calculated on the capital investment. (It might be noted, in passing, that this is consistent with the treatment of all commodity-producing labor as socially equal -- in this case whether that labor is 'living' or 'dead'!) Hence, price of production is calculated as the sum of cost price ($c + v$ consumed per unit of output) and average profit, i.e. $Pr = c + v + p$.

Marx provides no exact 'mathematical formula' for the transformation of commodity values into prices of production, and it is doubtful that he even sought one. Nevertheless, he did attempt to illustrate the process of transformation with an example involving five unrelated capitals operating at uniform rates of profit and surplus-value, but with different ratios of constant to variable capital (compositions). The

illustration concludes tidily with total values equaling total production prices (negative deviations of value from price being cancelled out by positive deviations) and total profit equaling total surplus-value. Thus this illustration sustains the theoretical formula for the transformation process given by Marx:

When a capitalist sells his commodities at their price of production, he recovers money in proportion to the value of the capital consumed in their production and secures profit in proportion to his advanced capital as the aliquot part of the total social capital. (1978:159)

Both the adequacy of Marx's 'solution' to the transformation problem and the consistency of the production price theory with the theory of value have been disputed by a long list of critics, including many who are otherwise sympathetic to Marx's theoretical project. In the next two sections, the 'traditional' criticisms of Marx's value theory will be considered, together with various 'alternative' solutions to the transformation problem.

7.2 Traditional Criticisms and 'Orthodox' Responses

As suggested previously, the controversy surrounding Marx's theory of value may be conveniently divided into two temporal time-frames corresponding to two quite distinct attempts to refute, dismiss or supplant the fundamentals of Marx's economic system. The first phase of the controversy, characterized principally by a confrontation between neo-classical marginalism and the 'orthodox' understanding of Marx's Capital prevalent among the 'classical' Social Democratic theorists, took the form of a clear-cut Marxist/anti-Marxist cleavage. While 'perfect unanimity' never existed among the neo-classical critics of Marx's value theory, nor among the Social-Democratic guardians of Marxist orthodoxy, the 'terms of debate' between the two camps were relatively straight-forward, as were the class and political loyalties of virtually all of the participants in the debate. This makes the task of summarizing the first phase of the controversy a comparatively simple and unproblematic one; it becomes necessary only to locate and consider some of the more important and characteristic contributions on each side in order to adequately grasp the key issues as these presented themselves in this 'original' round of debate.

With the publication of the third volume of Marx's Capital in 1894, the floodgates of debate between Marx's neo-classical critics and his defenders were fully opened. True, many criticisms of Marx's theory of value had already been produced in

the 1870's and 1880's following the publication of Capital I; indeed, Marx had himself had occasion to respond at length to one of them (Adolph Wagner's polemic) shortly before his death in 1883. Two circumstances, however, served to stay the hand of the critics. First, most professional economists were, during the quarter of a century between the publication of the first and third volumes of Capital, attempting to put their own house in order by establishing a solid theoretical framework which could stand as a genuine 'scientific' alternative to the 'literary economics', the 'historical economics' and the 'classical economics' which had proven to be of such little value in 'refuting' Marx's theories. Second, the professional economists most concerned with answering Marx's 'critique of political economy' had been frustrated by the unavailability of the long-awaited 'conclusion' to Marx's analysis contained in Capital III. With justification it was widely believed that no critique of Marx's theoretical system could be definitive unless it wrestled with the entirety of that system.

Among the many critiques of Capital that appeared after 1894 Eugen von Boehm-Bawerk's Karl Marx and the Close of His System has unquestionably been the most influential. Most of the substantive criticisms of Marx's theory of value advanced by Loria, Wicksteed, Pareto, Croce, Schumpeter and other representatives of neo-classical economics and early modern sociology find expression there, and, just as importantly, in a cogent, systematic and comprehensive fashion. It is on account of the influential, characteristic and comprehensive

character of Boehm-Bawerk's critique that it remains a touchstone of debate even today, as do the strengths and weaknesses of the responses that it elicited from Marxist theorists in the early years of the twentieth century. For all of these reasons it merits careful consideration as an important (and perhaps 'definitive') statement of the neo-classical position on Marx's value theory and, as such, as a powerful formative influence on the 'terms of debate' surrounding that theory as that debate has unfolded over the past ninety years.

Boehm-Bawerk's critique proceeds as follows. He first considers the substantive theses of Marx's theory of value as these appear in the first volume of Capital. On his interpretation, Marx's law of value 'states, and must state, after what has gone before, that commodities are exchanged in proportion to the socially-necessary working time incorporated in them'. Boehm-Bawerk then presents Marx's ideas concerning the uniform rate of profit as these appear in the third volume of Capital, and argues that these ideas are logically incompatible with what he regards as the fundamental postulate of the law of value stated above. This 'contradiction' in Marx's system now exposed, Boehm-Bawerk proceeds to a detailed critical re-examination of Marx's reasoning in Capital I and locates the 'original' error in Marx's system in the theory of value.

Boehm-Bawerk's critique is therefore two-pronged: to first establish a 'contradiction' in Marx's analysis and then to show that this contradiction arises from a confrontation between

a palpably real phenomenon (the general rate of profit and the influence of this rate of profit on exchange ratios between commodities) and a false theory regarding the determination of commodity prices (the 'great law of value' which is supposed to assert that commodities exchange in proportion to their socially-necessary labor content).

The most celebrated and influential Marxist response to Boehm-Bawerk, that by Rudolf Hilferding, deals with Marx's theory and with Boehm-Bawerk's critique in the reverse order. Hilferding argues that Boehm-Bawerk has fundamentally misconstrued Marx's argument in the first volume of Capital and that the question of a possible 'contradiction' between the first and third volumes of Capital can only be approached on the basis of a sound understanding of the actual theses of Marx's value theory. Hilferding's strategy in responding to Boehm-Bawerk is undoubtedly correct; but since we have already summarized the elements of Marx's theory of value in a way which closes the door to a Boehm-Bawerkian style interpretation of that theory as a theory of price formation, it is perhaps simpler for us to consider Boehm-Bawerk's critical remarks in their original order.

In seeking support for the existence of a 'contradiction' between Marx's theory of value and Marx's theory of uniform rates of return to capitals of different compositions, Boehm-Bawerk refers to the following passage from Capital III:

We have shown...that in different branches of industry unequal profit rates prevail, corresponding to the different organic compositions of capital, and, within the indicated limits, corresponding also to their different turnover times; so that at a given rate of surplus-value it is only for capitals of the same organic composition -- assuming equal turnover times -- that the law holds good, as a general tendency, that profits stand in direct proportion to the amount of capital, and that capitals of equal size yield equal profits in the same period of time. The above argument is true on the same basis as our while investigation so far: that commodities are sold at their values. There is no doubt, however, that in actual fact, ignoring inessential, accidental circumstances that cancel each other out, no such variation in the average rate of profit exists between branches of industry, and it could not exist without abolishing the entire system of capitalist production. The theory of value thus appears incompatible with the actual movement, incompatible with the actual phenomena of production, and it might seem that we must abandon all hope of understanding these phenomena. (1981b:252)

Having 'established' on the basis of this passage that Marx himself evidently perceived a contradiction in his theoretical system, Boehm-Bawerk comments on how Marx sought to 'solve' this contradiction: 'To speak plainly his solution is obtained at the cost of the assumption from which Marx has hitherto started, that commodities exchange according to their values. This assumption Marx now simply drops'(1975:21).

Boehm-Bawerk's 'exposure' of the contradiction in Marx's theoretical system proceeds from a simple sleight-of-hand which can be disposed of quite easily. The 'assumption' that 'commodities are sold at their values' is just that: an assumption which Marx uses at different points in his discussion in all three volumes of Capital in order to lay bare certain features of the capitalist mode of production. It is an assumption which is adopted as part of a procedure of theoretical abstraction from certain other features of the

capitalist mode of production which are in no way regarded by Marx as 'inessential' or unimportant to a concrete theoretical reconstruction of the capitalist totality. What this assumption most emphatically is not is a necessary, permanent or defining postulate of Marx's theory of value. Why then, it could be asked, does Marx speak of an apparent 'incompatibility' between the 'theory of value' on the one side and 'the actual phenomena of production' on the other?

The answer to this question must begin with a proper methodological appreciation of Marx's notion of 'appearances'. As we have already seen, capitalist reality for Marx expresses a contradictory unity of three social production relations: between independent and socially-equal commodity producers, between capitalists and workers, and between different competing capitals. The 'appearance' of an incompatibility between the theory of value and the equalization of the rate of profit between capitals of different composition corresponds to a 'real contradiction' in capitalist social reality. But this contradiction has nothing to do with the notion that commodities exchange at their values from one perspective and that they exchange at their prices of production from a different perspective: nothing to do then with the 'contradiction' perceived by Boehm-Bawerk. Rather, this 'contradiction' arises from the fact that the theory of value maintains, on the one hand, that living labor is the sole source of new value, and that empirical observation conclusively discloses, on the other hand, that capital invested in 'dead labor' can establish

the same rate of profit as capital invested in 'living labor'. The 'assumption' that 'commodities are sold at their values' is a conceptual tool for illuminating this apparent contradiction; it is not an element of the incompatibility to which Marx refers. It is a 'limiting condition' which throws into sharp relief the implications of one-sidedly deducing a given capital's profit rate from its composition alone (uniform rates of turnover and exploitation being assumed).

The 'real contradiction' which gives rise to the 'apparent incompatibility' between the law that only living labor can produce surplus-value and the observable tendency towards uniform rates of profit between capitals of different compositions is this: within capitalist society, capital simultaneously expresses an exploitative relation between social classes and an equalitarian relation between independent and competing individual capitals. The production of surplus-value presents itself as a process of class exploitation operating through value relations, while the realization of profits appears as a life and death struggle between individual socially-equalized capitals for their 'rightful' share of total profits (a struggle also occurring within the framework of value relations).

By bringing into the picture the real-life tendency towards uniform rates of profit by capitals of different compositions, Marx points to the fact that the social production relations of capitalist society inevitably result in a real contradiction between the valorization process and the realization process,

a contradiction which is 'resolved' in reality through the tendency of capitals of equal magnitude to realize equal profits, regardless of their compositions. As I suggested in the previous section of this chapter, this 'resolution' might be interpretable in terms of the 'equal' status enjoyed by all commodity-producing labor in the sphere of realization, regardless of whether that labor contributes directly to the valorization process (as is the case with productive living labor) or indirectly (as is the case with the 'dead labor' embodied in the physical means of production). But the fact that the 'apparent incompatibility' is resolved in this way does not entail a renunciation on Marx's part of the real postulate of his theory of value: namely that living labor is the sole source of all the new value, including the surplus-value, which is created through production. As for the 'assumption' that 'commodities exchange according to their values', this can now be dropped entirely, as the focus of analysis shifts from the exploitative class relation between capital and labor manifest in the sphere of production to the competitive relation between individual capitals manifest in the sphere of circulation (realization).

To further underline the point: the 'withdrawal' of the assumption of commodities exchanging according to their values in no way entails the abandonment of the 'value postulate' shared by the first and third volumes of Capital, namely that, irrespective of how the exchange ratios of commodities are concretely determined and irrespective of how the aggregate social

surplus-value is 'shared out' to individual capitals in the form of profit, the magnitude of this surplus-value is decisively determined by the socially-necessary labor time expended by productive living workers. It is the significance of this postulate of Marx's value theory, its 'macroeconomic' implications, which Boehm-Bawerk totally misses, and which he could not help missing so long as his attention was exclusively fixed on individual price formation.

Hilferding makes much the same sort of argument in his response to Boehm-Bawerk's complaint that the Marxist idea that total values and total production prices must equal is a mere tautology:

[Boehm-Bawerk's] entire train of reasoning is utterly beside the point. Marx is inquiring about the total value, and his critic complains because he is not inquiring about the value of the individual commodity. Boehm-Bawerk fails to see what Marx is aiming at in this demonstration. It is important to show that the sum total of the prices of production is identical with the sum total of the values, because thereby, first of all, it is shown that the total price of production cannot be greater than the total value; but, inasmuch as the process of production of value is effected solely within the sphere of production, this signifies that all profit originates from production and not from circulation, not from any addition to the finished product subsequently effected by the capitalist. Secondly, we learn that, since the total price is equal to the total value, the total profit cannot be anything else than the total surplus value. The total profit is thereby quantitatively determined, and solely on the basis of this determination does it become possible to calculate the magnitude of the rate of profit. (1975:158-159)

It need only be added that Boehm-Bawerk's accusation of tautological reasoning could only occur to someone who regards the notions of value and price (or exchange-value) as interchangeable, and for whom the notion of 'the production of value'

is unfathomable. Indeed, the idea of 'total value' is simply incomprehensible to an economist who reduces the idea of value to an exchange relation between discrete commodities. As Hilferding observes: 'Boehm-Bawerk overlooks the fact that value in the Marxist sense is an objective, quantitatively determined magnitude. He overlooks it because in reality the concept of value as determined by the marginal utility theory lacks this quantitative definiteness' (1975:159-160).

There are several other facets of Boehm-Bawerk's argument concerning the 'contradiction' between the first and third volumes of *Capital* that could be addressed; but each of them can be shown to stem from his fundamental misapprehension of the real content of Marx's theory of value. For the most part, Hilferding does an able job in correcting Boehm-Bawerk's errors of interpretation, and in so doing disposing of his more detailed criticisms.² What still requires examination, however, is Boehm-Bawerk's dissection of the fundamental 'error' in the Marxist theory of value as he sees this occurring in Capital I, for this is the real heart and soul of the Austrian marginalist's critique.

Boehm-Bawerk's first and probably most familiar argument against Marx's concept of value concerns certain 'arbitrary' aspects of Marx's procedure in logically demonstrating that 'labor' is the common factor underlying the exchange-values of different commodities. According to Boehm-Bawerk, 'Marx searches for the "common factor" which is the characteristic of exchange value in the following way: He passes in review

the various properties possessed by the objects made equal in exchange, and according to the method of exclusion separates all those which cannot stand the test, until at last only one property remains, that of being the product of labor. This, therefore, must be the sought-for common property'(1975:69).

Marx's supposed 'method*exclusion' is considered by Boehm-Bawerk to be 'singular', but not in itself objectionable. It does, however, carry with it the danger that certain things might be left out of the 'logical sieve'. In Boehm-Bawerk's opinion, this is precisely the problem with Marx's 'logical proof' of the proposition that (abstract) labor is the substance of value; having been unable to positively demonstrate the truth of this proposition, Marx employed a negative 'method of exclusion' which Boehm-Bawerk wishes to show was insufficiently rigorous.

Boehm-Bawerk's first point is that Marx deliberately excluded exchangeable goods that are not products of labor from his analysis, even going so far as to consider such goods as 'non-commodities'. These 'gifts of nature', however, constitute 'important objects of property and commerce', and it is preposterous to simply assume that the prices attaching to these goods are always established arbitrarily or by accident. What good is Marx's labor theory of value if it cannot account for the determination of the exchange-values of this undeniably important class of economic goods in the same non-arbitrary fashion that it promises for the products of labor?

*of

This latter question compels us to consider some other possible candidates for the designation of 'common factor', and Boehm-Bawerk presses the point with what appears to be irresistible logic: 'If Marx had not confined his research, at this decisive point, but had sought for the common factor in the exchangeable gifts of nature as well, it would have become obvious that work cannot be the common factor'(1975:73). What then is the common factor shared by 'all' commodities? In Boehm-Bawerk's view there are a number of common properties possessed by all exchangeable goods, products of labor as well as 'gifts of nature', among them: scarcity in relation to demand, the circumstance of being subject to supply and demand, the fact that they are 'natural' products and are apportioned, and the fact that they cause expense to their producers. What all of these properties point back to, however, is the concrete utility of all exchangeable goods. Thus, for Boehm-Bawerk, a leading proponent of the theory of marginal utility, the 'common factor' shared by all exchangeable goods and accounting for their value in exchange is the circumstance that they all possess a use.

Responding to Boehm-Bawerk's argument, Hilferding reminds us first that Marx derives his concept of value not through a formal logical process of 'eliminating' everything but labor as the substance of value, but rather by starting with the material form assumed by labor in capitalist society: the individual commodity. The real object of Marx's investigation

is not the determinants of price (exchange-value) in a commodity-capitalist economy, but social labor -- its forms of appearance and modes of distribution and apportionment under conditions of commodity exchange. Thus, in Hilferding's words:

[Marx] starts from labor in its significance as the constitutive element in human society, as the element whose development determines in the final analysis the development of society. In his principle of value he thus grasps the factor by whose quality and quantity, by whose organization and productive energy, social life is causally controlled. The fundamental economic idea is consequently identical with the fundamental idea of the materialistic conception of history... To the extent that labor in its social form becomes the measure of value, economics is established as a social and historical science. Therewith the purview of economic science is restricted to the definite epoch of social evolution wherein the good becomes a commodity. In other words, it is restricted to the epoch wherein labor and the power which controls labor have not been consciously elevated to the rank of a regulative principle of social metabolism and social predominance, but wherein this principle unconsciously and automatically establishes itself as a material quality of things -- inasmuch as, as the outcome of the peculiar form which social metabolism has assumed in exchange, it results that private labors acquire validity only insofar as they are social labors. Society has, as it were, assigned to each of its members the quota of labor necessary to society; has specified to each individual how much labor he must expend. And these individuals have forgotten what their quota was, and rediscover it only in the process of social life.

It is therefore because labor is the social bond uniting an atomized society, and not because labor is the matter most technically relevant, that labor is the principle of value and that the law of value is endowed with reality.(1975:133-134)

It is useful to consider Hilferding's own words at length, not only because they furnish the necessary conceptual basis for understanding the Marxist response to Boehm-Bawerk, but also because they reveal just how 'modern' this aspect of Hilferding's 'defense of orthodoxy' really was. The above passage demonstrates, unmistakably in my opinion, that the 'orthodox

Marxism' of the turn of the century was not entirely blind to what is today referred to as Marx's 'value theory of labor'. Indeed, in Hilferding's conceptualization, this latter theory was nothing less than the true starting-point of Marx's theory of value, though not by any means its terminus.

How then does Hilferding answer Boehm-Bawerk's objection concerning the exchange-values of exchangeable gifts of nature? Hilferding points out that for Marx a good becomes a commodity only to the extent that it becomes a 'bearer of social labor' and the 'material expression' of a social relationship of production. By the same token, however, goods that are not products of labor can acquire the character of commodities 'as the expression of derivative relationships of production'(1975: 134). The gifts of nature can have exchange-value, then, to the extent that they are subsumed under the dominant relations of production of capitalist society. An illustration of this is the changing status of land in history and the process whereby 'it acquires the characteristics of a commodity as a condition requisite to the production of commodities'(1975:135).

Ernest Mandel makes a similar point by affirming that nature's gifts can have no 'value' in Marx's sense, but can nevertheless have a price which 'results from the establishment of an artificial monopoly of a social kind, restricting ownership of them' (1968 II:711). Here, the institution of private property and the possibility of a market monopoly serve to define the 'derivative' relations of production conferring on soil the 'character' of a commodity.

More recently, Geoffrey Kay, in a contribution influenced by the debates of the 1970's, has argued this same point in quite 'traditional terms:

For the gifts of nature to enter the market alongside commodities requires the existence of the market and the system of property relations associated with it. The apparent plausibility of Bohm-Bawerk's criticism begins to melt away at this point. Consider land and its 'price', money-rent, which is the most important economic transaction involving gifts of nature. Historically the emergence of money-rent, the exchange of the use of land for money, followed the development of commodity production; that is to say, it happened only after a decisive proportion of agricultural production had taken the form of commodities. But what is even more to the point here is that not only is rent subsequent to commodity production, but it is also dependent upon it; Ricardo demonstrated this in detail and we have here one of the few parts of classical political economy that was assimilated into the neo-classical theory. The magnitude of rent does not determine the prices of commodities; on the contrary, it is determined by these prices...This part of Bohm-Bawerk's criticism, so plausible at first sight, collapses completely when confronted with the theory of rent and the logic of Marx's position that we can only analyze the exchange of non-commodities once we have analyzed commodities stands its ground with ease. (1979:49-50)

The second aspect of Boehm-Bawerk's criticism -- concerning the status of labor as the 'common factor' underlying commodity values -- is no stronger than the first. As Mandel points out: 'Marx nowhere...declares that the only property common to commodities is that they are products of human labour'(1968:711). Moreover it is in no way essential to Marx's analysis to 'prove' that labor is such a singular property of commodities. The relevance of Marx's discussion concerning labor as the relevant common factor underlying the exchange of commodities is that it points to the need for 'a social property which makes it possible to weave a fabric of relationships between all these producers'(Mandel 1968:712). Such factors as 'scar-

city' or 'individual utility' simply do not provide the 'social substance' required to render incommensurable objects of utility quantitatively comparable in exchange. As Kay observes: 'Marx's argument is not that commodity exchange arises on the basis of a common factor shared by all commodities. It is more substantial and straight-forward: that in exchange, labour is the common property that regulates the terms of trade. Boehm-Bawerk does not challenge this. He merely misrepresents Marx's argument as formalist'(1979:51). All of these points reinforce Hilferding's fundamental observation: Boehm-Bawerk's catalogue of 'common properties' shared by all commodities 'continually confuses the natural and the social'(1975:135).

Boehm-Bawerk's attempts to expose the logical inadequacies and arbitrary qualities of Marx's purported 'proof' of his value theory are not convincing in themselves; however, they acquire a certain power when they are joined with his attempt to demonstrate the superiority of the marginalist approach to value. Indeed, it can be argued that without this alternative theory of value Boehm-Bawerk's critique of Marx lacks all cogency and persuasive force. So it is to Boehm-Bawerk's confrontation of marginal utility theory to Marx's theory of value that we must finally turn.

Boehm-Bawerk's argument on this terrain proceeds as follows:

Labor and value in use have a qualitative side and a quantitative side. As the value in use is different qualitatively as table, house, or yarn, so is labor as carpentry, masonry, or spinning. And just as one can compare different

kinds of labor according to their quantity, so one can compare values in use of different kinds according to the amount of value in use. It is quite impossible to understand why the very same evidence should result in the one competitor being excluded and in the other getting the crown and the prize. If Marx had chanced to reverse the order of the examination, the same reasoning which led to the exclusion of value in use would have excluded labor; and then the reasoning which resulted in the crowning of labor might have led him to declare the value in use to be the only property left, and therefore to be the sought-for common property, and value to be 'the cellular tissue of value in use'. (1975:76-77)

Hilferding's response to this aspect of Boehm-Bawerk's critique is to the point, albeit less thorough than might have been hoped. He makes the correct point that Boehm-Bawerk proceeds from a methodologically individualist stance which involves 'the error of attempting from the subjective individual relationship, wherefrom subjective estimates of value are properly deducible, to deduce an objective social measure'(1975:133). This follows inexorably from a theory of value which, by starting with use-value -- with the natural qualities of commodities, focuses upon 'the individual relationship between a thing and a human being instead of starting from the social relationships of human beings with one another'(1975:133).

A somewhat more satisfying rejoinder to Boehm-Bawerk has been offered by Kay, a rejoinder which draws attention to the fundamental importance of Marx's analysis of the value-form. After discussing the methodological differences between Boehm-Bawerk's positivist and formal logical approach and Marx's materialist dialectic, Kay establishes quite clearly

that the 'logical structure' of Marx's argument could in no way accomodate the simple substitution of the concept of utility for that of labor as the 'sought-for common property' rendering different commodities comparable in exchange:

[Boehm-Bawerk] does not understand that Marx dismissed the idea of use-value in general not on logical grounds, but because it has no reality. For Marx it is precisely the fact that use-value can only exist in specific forms that provides the reason for exchange in its most basic form of one commodity for another: i.e. because use-value is specific, commodities differ from each other as use-values and this provides a reason for exchanging them. To insist with Bohm-Bawerk that use-value is not only the reason for exchange in this sense, but also its basis and its measure, posits among other things the category of general utility. But as such a category is incapable by its nature of achieving any form of **existence**, it is doomed to unreality, and any theory based upon it must be a contentless abstraction. (1979:53)

But cannot the same argument be made against the category of 'abstract labor', i.e. 'social labor in general'? Certainly, if concrete labor is conceived as the sole form of appearance of abstract labor (an interpretation common to Boehm-Bawerk and many Marxists), then Marx's theory may well be faced with some serious difficulties. For, as Kay notes: 'If abstract labour exists only as concrete labour, if it can have no mode of existence apart from concrete labour in all its various forms; then how is it any different from general utility that can only exist as specific use-values?' (1979:54)

Furthermore, 'if we constitute abstract labour as the common property of concrete labour -- the expenditure of muscles, brains, etc. -- we are inventing a mental abstraction and not discovering the real abstraction that Marx was after...

[A]bstract labour defined simply as the common property of

concrete labour is not distinguishable at all. It can no more be distinguished from concrete labour than the quality of being a mammal can be distinguished from the feline body of a cat or the canine body of a dog. It cannot be distinguished quite simply because there is nothing to distinguish, because it does not exist'(1979:55).

So in what sense can we speak of 'abstract labor' existing independently of the concrete manifestations of human labor? If concrete labor is not the necessary form of appearance of abstract labor, what is?

Kay reminds us that the answer to these questions is to be found in Marx's analysis of the value-form, an analysis which is entirely ignored by Boehm-Bawerk and, unfortunately, by Hilferding as well. As Kay puts it, 'in searching for the form of existence of abstract labor we are merely looking for the value-form'(1979:57). The concluding phase of Marx's discussion of the value-form is all that needs to be recalled as this is summarized by Kay:

In its role of universal equivalent, money shows not only that all commodities do in fact have a common property, it acts as this common property. As the medium of circulation it is the means through which the particular individual concrete labour embodied in any one commodity can become transformed into any, and every, other type of labour. That is to say, it is the medium through which concrete labour becomes abstract labour. In a word it is money that is the form of existence of abstract labor. (1979:58)

The principal weakness of Kay's response to Boehm-Bawerk is implicit in this very argument. Undoubtedly Kay is correct to perceive that Marx's analysis of the value-form provides

the key to unravelling the mystery of how abstract labor can have a real existence independently of individual concrete manifestations of human labor. But by simply positing Marx's own solution to the problem, he does not succeed in demonstrating the adequacy of that solution. In fact, several difficult issues of an ontological nature are raised by this solution, issues which require careful consideration. Discussion of these issues, however, should follow a critical survey of the main points of contention in the contemporary value controversy, and will therefore be postponed to the last chapter of Part III.

One of the most striking features of Boehm-Bawerk's critique of Marx is the extent to which methodological questions are avoided. True, Boehm-Bawerk makes a number of rather contemptuous references to Marx's dialectical method; but, in the end, he is unable to grasp that Marx actually is working with a method at odds with formal logic and positivism. An illustration of this is his curious reference to Marx's procedure as a 'purely logical proof, a dialectic deduction from the very nature of exchange' (1975:68). To conflate a 'dialectic deduction' (whatever that may be) with 'pure logic' betrays a breathtaking ignorance of the materialist dialectic as a method. But, even more than that, it reveals that for Boehm-Bawerk Marx's analysis must be judged by the standards of the 'one true' scientific method: the formalist and positivist method Boehm-Bawerk himself follows.

It is equally curious, however, that the early responses of Marxist orthodoxy to Boehm-Bawerk's critique tended to downplay or to inadequately define the scope of the methodological differences involved. Indeed, to the extent that methodological differences were cited at all, they were almost always regarded as a function of different 'social outlooks'. This general pattern finds expression in Sweezy's introduction to the Boehm-Bawerk/Hilferding volume:

From Bohm-Bawerk's unhistorical and unsocial standpoint there is only one possible way of regarding economic phenomena. [Hence] he takes it for granted that Marx must be trying to do the same things that, Bohm-Bawerk, is trying to do. On the other hand, from Hilferding's historical and social standpoint it is quite natural that the defenders of capitalism should look at the system which they consider to be the only possible system, differently from its critics who proceed on the assumption that all social systems have a transitory character...Bohm-Bawerk regards Marxian theory as simply wrong, while Hilferding regards Bohm-Bawerkian theory as irrelevant to the crucial developmental tendencies of the capitalist system. (1975:xxii)

The point is that while Hilferding and Sweezy are quite correct to point to Boehm-Bawerk's 'subjectivist outlook' as a real obstacle to his properly comprehending Marx's theory, this does not constitute a full or adequate treatment of the methodological differences dividing the marginalist and Marxist theories of value. Such an observation helps no one, Marxists or non-Marxists, to gain an adequate appreciation of the distinctiveness of Marx's method.

The methodological 'blind spots' of Social-Democratic Orthodoxy are even more in evidence in Nikolai Bukharin's Economic Theory of the Leisure Class, a work which aimed at a comprehensive theoretical and methodological critique of

Austrian marginalism. Bukharin begins by considering the 'social psychology' of the rentier stratum of the bourgeoisie, whose social outlook, he contends, finds theoretical reflection in marginalist economics. Parasitic, divorced from productive activity of any sort, fearful of change and averse to 'any treatment of social themes' because these appear 'eo ipso as "inartistic," "coarse," "tendencious"', the rentier stratum is inclined towards a particularly pronounced individualism (1972:27). By adopting this outlook or 'social psychology', the marginalist school committed itself to an economics which starts from individual consumption rather than social production.

Bukharin's thesis that marginalism directly reflects the 'special interests' of the rentier stratum of the bourgeoisie is certainly arguable; however, he did succeed in demonstrating a definite affinity between the 'rentier outlook' and Austrian marginalist theory. On this basis he formulates a methodological contrast between Boehm-Bawerk and Marx: 'The methodological difference between Karl Marx and Bohm-Bawerk may be summarized concisely as follows: objectivism-subjectivism, a historical standpoint - an unhistorical standpoint, the point of view of production - the point of view of consumption' (1972:32). Bukharin's contrast is germane as far as it goes, but does this really constitute an adequate 'concise summary' of the methodological differences dividing Marxism and marginalism? Can the difference between formal and dialectical logic be subsumed under this 'summary', or the difference between a nominalist and a realist ontology, or the difference between an individualistic and a holistic relational approach? It seems doubtful,

and our suspicions on this score are only strenghtned if we recall that the orthodox theory of the Second International attempted, in numerous ways, to accomodate itself to the prevailing positivism of the era.

Still, limited as Hilferding and Bukharin's methodological critiques of Boehm-Bawerk were, they were not altogether without value. Bukharin's critique of Menger's and Boehm-Bawerk's 'methodological atomism', for example, is instructive and important, as is his larger argument that a scientific analysis of economic phenomena should begin with economic subjects as these appear as members of a 'social economic system', not as isolated individuals.³ At the same time, however, it must be recognized that the defense of orthodoxy undertaken by the leading theoreticians of the Second International was incomplete to the extent that it failed to specify the distinctive features of Marx's method. Consequently, their defenses left many important issues unexplored, many significant questions unanswered, and many opportunities open for a 'reconstruction' of Marx's political economy in ways perfectly consistent with their limited and quite general methodological strictures, yet inconsistent with the more demanding, if often elusive, methodological procedures of Marx himself.

7.3 The Controversy Surrounding the 'Transformation Problem'

The on-going controversy surrounding the nature of Marx's problematic in transforming commodity values into prices of production and the technical ('mathematical') adequacy of the 'solution' he proffered in this connection overlaps both of the phases of the larger value controversy as these have been specified. At the 'qualitative' level, Marx's transformation procedure was regarded, as we have already seen, by his neo-classical critics as the 'Waterloo' of his theoretical system: the inevitable and fateful consequence of a head-on collision between Marx's supposed labor theory of price and the palpable facts of profit rate equalization. The 'quantitative' aspect of Marx's procedure provoked little commentary from this quarter, its 'critique', no doubt, being considered superfluous to the central task of exposing the now-obvious contradiction between the theories of value espoused in the first and third volumes of Capital.

The most significant critique of Marx's transformation procedure forthcoming during this 'first phase' of the value controversy were two articles by the Prussian statistician and Ricardian economist Ladislaus von Bortkiewicz, a critique which lies to a significant degree outside the terms of debate between Marxism and neo-classical marginalism.⁴ The 'quantitative', 'mathematical', or 'technical' character of von Bortkiewicz's critique anticipated much of the debate surrounding the transformation problem and related issues as this debate

was to unfold among Marxist economists. Paradoxically, it was this Ricardian's sympathetic criticisms of Marx's transformation procedure that were to contribute more to a dissensus among Marxist economists than any of the hostile polemics emanating from the ranks of neo-classical economics. Indeed, it was von Bortkiewicz's relative proximity to Marx's own problematic which made his critique and alternative solution to Marx's transformation a significant pole of attraction for a number of academically-trained Marxist economists.

This 'relative proximity' has been well described by Paul Sweezy, the modern Marxist who has done the most to rescue von Bortkiewicz from the obscurity attending his contributions at the time they were first published and who has also done the most to popularize and legitimize these contributions among Marxist economists:

Bortkiewicz's attitude toward Marx had four facets. Where Marx agreed with Ricardo, Bortkiewicz tended to approve. Where Marx disagreed with Ricardo, Bortkiewicz tended to defend Ricardo. Where Marx departed altogether from Ricardo, as in the whole theory of capitalist development, Bortkiewicz was either uninterested or uncomprehending. And finally, where Marx pushed further along trails where Ricardo had blazed, Bortkiewicz was a sympathetic and constructive critic. It is in this last connection that Bortkiewicz took up the problem of value and price in the Marxian system. (1975:xxvi)

Sweezy's popularization of von Bortkiewicz's writings on the transformation problem began with the publication of The Theory of Capitalist Development in the early 1940's, a book which was to have a profound impact on a whole generation's understanding of Marxist political economy, and was followed

up by his editorship in the late 1940's of a volume containing Boehm-Bawerk's critique of Marx, Hilferding's response, and von Bortkiewicz's article 'On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of Capital'.

Before considering von Bortkiewicz's 'correction' of Marx, it should be noted that this correction reflects a commitment to Ricardo's theory of value, not to Marx's. Moreover, the fact that Sweezy could have endorsed von Bortkiewicz's approach to the transformation problem so uncritically attests to the prevailing tendency among Marxist economists of his generation to underestimate the significance of Marx's break with Ricardo. This is an issue of considerable importance within the contemporary value controversy and should therefore be borne in mind as we consider this 'first phase' of the debate surrounding the transformation problem.

For reasons which should become clear shortly, it is useful to approach Marx's transformation procedure as this is illustrated by his example involving three capitals (branches of production) rather than the five-capital model found earlier in the chapter on the 'Formation of a General Rate of Profit (Average Rate of Profit) and Transformation of the Values of Commodities into Prices of Production' (Chapter IX, Capital, volume 3).

Once again, the individual value of a commodity is calculated as the sum of c (constant capital) + v (variable capital) + s (surplus value), while the commodity's price of

production is calculated as the sum of cost price ($c + v = k$) and profit (p), where p is calculated as the product of k multiplied by the rate of profit (p'). Marx's three-branch example is represented in Table I below.

TABLE I

	c	v	s	p'	Value	P.of P.	Value-PP Deviation
I	80	20	20	20%	120	120	0
II	90	10	10	20%	110	120	+10
III	<u>70</u>	<u>30</u>	<u>30</u>	<u>20%</u>	<u>130</u>	<u>120</u>	<u>-10</u>
	240	60	60	20%	360	360	0

From: Karl Marx, Capital Volume Three, 1981b:264

Like his earlier example, Marx's illustration as reproduced in Table One leads us to conclude that the phenomenon of profit rate equalization between branches of production with different compositions (ratios of c to v) poses no special problem for the two equalities that his theories of value and exploitation jointly posit: the equality of values and prices of production (in aggregate) and the equality of profits and surplus-value (in aggregate). Like his earlier five-capital example, therefore, this three-branch illustration of the transformation process sustains the theoretical formula referred to earlier: 'When a capitalist sells his commodities at their price of production, he recovers money in proportion to the value of the capital consumed in their production and secures profit in

proportion to his advanced capital as the aliquot part of the total social capital'(1978:159).

Von Bortkiewicz's point of departure is that Marx failed to properly consider how his theoretical formula for the transformation of commodity values into prices of production can be reconciled with the model of 'simple reproduction' which Marx outlines in the second volume of Capital.⁵ Assuming the existence of three 'departments of production' which together encompass the entirety of the social capital in a given economy, von Bortkiewicz 'reconstructs' Marx's transformation scheme in terms of a series of equations that posit the conditions of simple reproduction. The three departments of production are defined as: Department I, producing means of production (the elements of constant capital), Department II, producing workers' consumption goods, and Department III, producing capitalists' consumption ('luxury') goods. The conditions of simple reproduction in such a three-department model appear in the system of equations appearing below:

$$(1) \quad c_1 + v_1 + s_1 = c_1 + c_2 + c_3 = \text{Total Value, Dep't I}$$

$$(2) \quad c_2 + v_2 + s_2 = v_1 + v_2 + v_3 = \text{Total Value, Dep't II}$$

$$(3) \quad c_3 + v_3 + s_3 = s_1 + s_2 + s_3 = \text{Total Value, Dep't III,}$$

where the numerical subscripts refer to the three departments of production, and where it is assumed that demand equals supply.

For von Bortkiewicz the challenge is now to transform this 'value' expression of the conditions of simple reproduction into a 'production price' expression, while simultaneously maintaining the equality of the social aggregates at the heart of Marx's theory (i.e. $s = p$, and Total Value = Total Production Price) and conforming to 'the law of the equal rate of profit'. Marx's own solution to this problem is considered unacceptable by von Bortkiewicz because 'it excludes the constant and variable capitals from the transformation process, whereas the principle of the equal profit rate...must involve these elements' (1975:201). To 'correctly' transform commodity values into prices of production, the values of the input commodities c and v need to be transformed along with the surplus-value magnitude produced.

The reason this correction appears called for is ascertainable once Marx's own mathematical illustrations are replaced by an illustration reflecting the conditions of simple reproduction. For example, Sweezy divides a hypothetical capitalist economy into three departments of production, each with its own unique capital composition. When he applies Marx's transformation procedure to this model, he finds that a discrepancy arises between the quantity of constant capital produced in Department I and the total quantity of constant capital consumed in production by all three departments. A similar discrepancy arises with respect to the variable

capital produced and consumed. Thus, assuming variance in capital compositions as between departments of production, Marx's solution to the transformation problem appears to be inconsistent with an equilibrium model of simple reproduction.

The 'correction' of Marx's transformation procedure as presented by von Bortkiewicz and Sweezy proceeds in two steps. First, as we have already noted, it is asserted that the general rate of profit should be applied to c and v as well as s . If this is done, and if the 'unit of account' of both value and production price is unity, then a result is obtained in which a direct correspondence between the output of each department (expressed in price terms) and the income of each department (also expressed in price terms) is achieved. As Sweezy puts it: 'The output of Department I equals the constant capital used up; the production of Department II equals wages paid out; and the output of Department III is sufficient to absorb the total surplus-value accruing to the capitalists' (1968:120). This procedure also results in a situation in which total value equals total prices, and total surplus value equals total profit. (A mathematical example of this is furnished by Sweezy, but not by von Bortkiewicz.)

All appears well until the assumption that the unit of account of the price and value expressions will be the same is dropped. Sweezy's example of the 'corrected' transformation procedure then turns out to be a 'special case', not the rule. In general, gold, as the 'common measure' of value

and price, will not have the same price and value. That is to say, the price of gold and the value of gold (as the 'money commodity') will deviate from one another whenever the capital composition of the gold industry rises higher or falls below the composition of the social capital as a whole (the socially-average capital composition). The consequence will be that the accounting measure of both value and production price will no longer be equal to '1' in both the value and price schemes, which means that the specific capital composition of the gold industry will unavoidably affect the entire transformation process. Sweezy spells this out as follows:

if all other commodities are expressed in gold, their total price must be less than their total value [whenever the price of gold is greater than its value owing to a higher-than-average capital composition in the gold industry]. This can be put otherwise as follows: since ex hypothesi the price and the value of a unit of gold are both numerically equal to one, the fact that its price is 'higher' than its value can be expressed only by the fact that the average price of all other commodities is lower than their average value...The same reasoning applies, mutatis mutandis, to the case where the organic composition of capital in the gold industry is relatively low. In this case total price will be greater than total value. (1968:121-122)

The upshot is that the Bortkiewicz/Sweezy alternative to Marx's transformation procedure restores the conditions of simple reproduction (equilibrium), allows for the identity of total surplus-value and total profit, but requires that total value deviate from total price (at least whenever the capital composition of the gold industry deviates from that of the social capital as a whole).

To appreciate the differences between Marx's transformation procedure and that of Bortkiewicz/Sweezy is our first task. First, it should be noted that Sweezy does not use Marx's own three-capital illustration of the transformation process, but constructs his own. The data in Table One above cannot be reconciled with a model of simple reproduction even if Bortkiewicz's 'method' of transforming cost price along with surplus-value is applied; and the reason is straight-forward: Marx's own mathematical illustrations of the transformation process never assume the conditions of simple reproduction (or inter-departmental equilibrium). Marx is concerned with establishing the effects of variant capital compositions as these impact on individual production prices, not as these variant compositions would impact on whole departments of production. Thus, at no time did Marx attempt to confront his transformation procedure with the model of simple reproduction outlined in Capital II.

Bortkiewicz and Sweezy, however, start by assuming simple reproduction and then make the crucial further assumption that the problem of different capital compositions should be applied not only to individual capitals or individual branches of production, but to Marx's 'departments of production'. Should Marx have allowed for this latter assumption? We know Bortkiewicz's and Sweezy's opinion, but we are at no time provided by them with a theoretical rationale for the postulate of variant capital compositions as between whole

departments of production. (It should also be noted that Marx's own model of simple reproduction assumes two great departments of production, not three, calling into question the likelihood of an inter-departmental variance in capital compositions in Marx's version of simple reproduction.)

One (rather 'empirical') rejoinder to Bortkiewicz and Sweezy on this question has been to suggest that departments of production, as conceived by Marx, will likely mirror the composition of the social capital as a whole. Since the assumption of inter-departmental divergence of capital compositions is the foundation of the Bortkiewicz critique of Marx's transformation procedure, this line of argument is not at all an irrelevant one; however, it is not likely to produce a conclusive response to the Bortkiewicz-Sweezy criticism since it cannot be demonstrated theoretically that Marx's departments of production must have the same capital composition. One thing seems clear, however: it is quite likely at least as 'arbitrary' to assume unequal compositions between departments of production as it is to assume equal compositions. This point has been well made by Mage:

[To] assert the existence of a characteristic difference between the organic compositions of Departments I and II involves the implicit assumption of a substantial correlation, positive or negative, between organic composition in an industry and the percentage of its output sold to individual final consumers. The existence in reality of such a correlation is most improbable, since it is evident that even among industries entirely within Department I there are to be found whole groups with relatively labor-

intensive technology (machine-tool production, for instance), alongside extremely capital-intensive sections like primary metallurgy. There is thus every reason to make the opposite assumption, that of a zero correlation between organic composition and departmental classification. (1963:238)

Another possible line of response to the Bortkiewicz-Sweezy 'correction' came from J. Winternitz. He argued that it was arbitrary to hold the ratio of prices and values in Department III equal to 1 in order to ensure the equivalence of gold's price and value expressions. To select this as the 'invariance postulate' could only lead to the conclusion that values and prices of production will, in general, diverge, just as soon as this postulate is relaxed. (It might also be pointed out that the equality of values and prices of production in Department III as a whole is not a sufficient condition for ensuring that the price and value of a unit of gold are both equal to 1.) Winternitz maintained that a different invariance postulate should be selected, one which was more consistent with Marx's fundamental theoretical framework. Accordingly, he recommended the addition of a further equation to the transformation formula, one ensuring the equality of aggregate values and aggregate production prices. The result -- once 'cost price' was transformed following the Bortkiewicz method -- was a discrepancy between the magnitude of total profit and the magnitude of total surplus-value (see Winternitz 1948:276-280).

Winternitz's 'challenge' to Bortkiewicz was of a genus which was to be repeatedly attempted by those interested in the transformation problem. For some considerable period of time Bortkiewicz's 'correction' of Marx was challenged primarily on Bortkiewicz's own terrain of formal mathematical models, with only his 'secondary' premises receiving the sort of scrutiny that should have met his more fundamental assumptions. Consequently the debate tended to bog down in arguments concerning the 'plausibility' of assorted invariance postulates and their unique effects on a model which seemed to be congenitally resistant to allowing a solution congenial to maintaining both of Marx's 'aggregate equalities' and an equilibrium model of simple reproduction. All of which only underscores the pertinence of Seton's observation: 'There does not seem to be an objective basis for choosing any particular invariance postulate in preference to all the others, and to that extent the transformation problem may be said to fall short of complete determinacy' (1957:153).

Rather than quarrel about which invariance postulate is most appropriately 'plugged into' a Bortkiewicz-type model, it is probably more fruitful to undertake a critical re-examination of the fundamental presuppositions of that model: the need for 'simultaneous valuation' of cost-price and surplus-value, and the appropriateness of seeking to establish a theoretical space in which the problem of simple reproduction

(relating to the turnover of the total social capital)
encounters the problem of the transformation of commodity values into prices of production (which concerns the results of the interactions of many individual capitals). Since such an examination leads us back to some of the fundamental issues of Marx's theory of value, and since the transformation problem continues to figure so prominently in the contemporary value controversy, I shall forgo further discussion of these issues till the next chapter.

The Value Controversy and Social Theory:
An Inquiry into Marx's 'Labor Theory of Value'

Volume Two:
Chapters Eight-Fourteen

Chapter Eight: The Contemporary Value Controversy

The origins of the current controversy surrounding Marx's theory of value are not at all difficult to specify. On the one hand, the critique of mainstream economic theory undertaken by the 'Cambridge School', beginning (tentatively) in the 1920's and culminating in the publication of Sraffa's Production of Commodities by Means of Commodities in 1960, allowed for a serious challenge to the dominance of marginalist thinking within the economics profession and for the 'rehabilitation' of some characteristic concerns of classical and Marxian political economy (in particular, the problem of the source, measurement and distribution of an 'economic surplus' for which marginalist theory provided no framework of analysis).⁶ The surprising rise to prominence of the Cambridge School (also known as the Anglo-Italian, neo-Ricardian, or post-Keynesian school) was based on a remarkable effort to disclose the internal inconsistencies of marginal productivity theory and the 'aggregate production function'. However its most decisive blow to marginalist theory was struck on the basis of an economic model (constructed by Sraffa) which appeared to possess significant implications for addressing -- and possibly 'resolving' -- a number of persistent problems within Marxian political economy (the transformation problem, the status of luxury goods in social reproduction, etc.).

On the other hand, at the same time the neo-Ricardian challenge to mainstream economic thought was gaining ground (during the late 1960's and early 1970's), a resurgence of interest in Marx's thought was occurring: at first among 'New Left' student radicals captivated by the philosophical perspectives of the young Marx on such questions as alienation, but soon extending to the possible relevance of Marx's critique of political economy for the analysis of the dislocations then beginning to appear in the world capitalist economy and signalling the end of the so-called 'post-war boom'. Were the 'crisis tendencies' manifested in the reorganization of the international monetary system, in the relative decline of British capitalism, in falling rates of profit, and, especially, in the world-wide recession of 1974-75 explicable on the basis of Marx's theories? Could it at least be said that Marx's ideas provided a more fruitful framework for understanding many of these problems than did the framework of mainstream economics, which, in its dominant Keynesian version, had long denied the possibility of the specific features of the emerging economic crisis (as summarized for a time in the notion of 'stagflation')? These questions were the impetus for a serious re-examination of Marx's economic thought, sometimes from the standpoint of redressing some of the 'deficiencies' of the neo-classical synthesis, sometimes from the standpoint of reviving a neo-Ricardian approach, and sometimes from the standpoint of

advancing Marxism as an 'integrated' theoretical-political project.

It was the confluence of these two developments -- the neo-Ricardian challenge to marginalism, and the revival of a Marxist intellectual culture in the West -- which constituted the backdrop to the contemporary value controversy. A detailed historical and political 'mapping' of the controversy would undoubtedly serve to illuminate a number of its features; but this is well beyond the scope of the present study. By way of introduction to the controversy, however, a brief exploration of each of its main 'camps' and their relationship to one another is perhaps mandatory.

The 'neo-Ricardian' current encompasses both a 'left wing' which considers itself 'Marxist' in some circumscribed sense and a right wing which is primarily concerned with what Sergio Latouche has aptly referred to as the 'reswitching of dominant ideologies' within the 'economics profession'.⁷ Our concern here will be with the former: that is, with the varied attempts of Marxist or 'neo-Marxist' economists to either reconcile Sraffian and Marxian political economy or to substantially revise the latter in light of the former.

This last characterization of 'neo-Ricardian Marxism' already suggests a certain cleavage within its ambit which it is important to note. Neo-Ricardian Marxism began as an attempt to use Sraffa's system to resuscitate a rather moribund 'orthodox' understanding of Marx's political economy.

To Ronald Meek and Maurice Dobb, the two stalwarts of this orthodoxy during the darkest days of British Marxism, Sraffa's system was not so much a threat to Marx's ideas as a welcome ally in the project of 'rehabilitating' classical political economy and the analysis of economic phenomena (in particular, the distribution of net income, including a 'surplus') from a standpoint which recognizes the economic importance of the existence of an antagonistic class structure. However, the fact that both of these eminent Marxists ended up touting the potential superiority of Sraffa's framework over Marx's attests to more than an understandable demoralization stemming from a weariness in upholding a logically untenable orthodoxy; it also suggests both of these men -- in common with many of their 'orthodox' colleagues -- may have had an essentially Ricardian appreciation of Marx's economics from the outset. Hence, it might legitimately be said that one of the streams leading into modern 'neo-Ricardian Marxism' is a certain tradition of Marxist orthodoxy itself.⁸ The 'collapse' of the old orthodoxy as this was represented in Marxist academic circles in Britain was, indeed, an important formative influence on the development of this school.

If Meek and Dobb emphasized the importance of an 'encounter' between Sraffian and Marxian economics, and initially limited their enthusiasm for Sraffa's work to an appreciation of it as an extension of the 'Ricardo-Marx' tradition, a younger generation of radical economists sought to substan-

tially overhaul Marxian political economy through a critical dissection of Marx's value theory inspired by the Sraffian model. Indeed, it was the Sraffa-based critique of Marx's value theory launched by Ian Steedman and Geoff Hodgson, among others, which came to define the neo-Ricardian position within the contemporary value controversy; and it is this position with which we will be concerned in what follows.

The second position within the value controversy is that identified with what I call the 'neo-orthodox' school. Far more than the neo-Ricardians, the neo-orthodox theorists encompass a substantively heterogeneous range of opinion; yet they are united by a strong emphasis on 'value-form' analysis and by a commitment to specifying the distinctive methodological underpinnings of Marx's economics. The general indifference of the neo-orthodox theorists to the analysis of value as a 'magnitude'; their understanding of Marx's project as far more a critique of political economy than a critical development of classical political economy; and their rejection of the 'labor theory of value' as this was understood by the old Marxist orthodoxy invites a characterization of them as a 'sociologizing' or even a 'philosophizing' current within the value controversy. However the fact that many of this school's leading representatives apply Marx's theory of value in the analysis of concrete economic phenomena (crises, inflation, credit, etc.) limits the usefulness of such a characterization.

In part the neo-orthodox school is a reaction to the collapse of the old orthodoxy and the rise of neo-Ricardianism; in part a relatively autonomous development owing its origins to an encounter between the 'philosophical' pre-occupations of the early New Left (Hegelian Marxism à la Lukacs and Marcuse; alienation theory, etc.) and Marx's critique of political economy as elaborated pre-eminently in the first volume of Capital. The theoretical result of this encounter -- a commitment to the analysis of the value-form and to the reassertion of Marx's doctrine of fetishism as fundamental to his critical project -- has led (justifiably so) to the identification of this school with the work of I.I. Rubin.

The affinity of the neo-orthodox school with Rubin's work is not, however, sufficient warrant to attach Rubin's name to the school as a whole, tempting though this might be. To the degree that this school's interpretation of Marx is distinctive, it is not due exclusively to the influence of Rubin's work. At the same time, a strong argument can be made that Rubin's interpretation of Marx is just as consistent with the 'fundamentalist' school as it is with the positions of the neo-orthodox school.

A word of explanation is probably called for concerning the name I have given this school. While the term 'neo-orthodox' has unfortunate connotations and may have misleading implications, I have settled for it because it captures a certain reality within the terms of reference of the value controversy (which is, after all, a controversy primarily

amongst Marxist academics): the adherents of this position now probably constitute a majority of the engaged participants in this debate, and the distinctive positions defended by them are now emerging as a dominant 'paradigm' among those who have followed the debate and who continue to regard themselves as Marxists. Of course, I am not suggesting that the ideas of this school have displaced the 'old orthodoxy' still adhered to by virtually all of the old Communist parties; merely that they are now in the ascendancy over neo-Ricardianism, the 'old orthodoxy' and the still-nascent fundamentalist school among Marxist intellectuals.

This brings us to the third camp within the controversy: the still-inchoate and somewhat amorphous group of Marxist theorists that I will designate as 'fundamentalist'. I should first of all note that while this label has been current within the controversy over at least the past ten years, it has often had a broader connotation than that which I mean to suggest. In particular, the term 'fundamentalist' has often be used to refer to all adherents of 'orthodoxy' within Marxian economics -- i.e. to those who defend 'the letter' of Marx's analysis in all three volumes of Capital. I prefer to distinguish between the dogmatic 'old orthodoxy' associated with the rigid formulations of Stalinist political economy, and a rather newer 'fundamentalist' current concerned more with the over-all coherence of Marx's critique of political economy than with 'the letter' of Marx's analysis. In my view, the

fundamentalist project involves a commitment to reviving interest in Marx's analysis of the value-form in order to enrich the analysis of the 'magnitude of value', rather than to abandon it as the neo-orthodox theorists have tended to do. Such a project decisively distinguishes the fundamentalists from the old orthodoxy which was, as the neo-orthodox theorists have shown, almost exclusively concerned with the 'magnitude of value' and indifferent to its 'form'. The term 'fundamentalist' seems appropriate in that it indicates a return to both aspects of Marx's fundamental theoretical programme: the analysis of the 'form' and the 'magnitude' of value.

As should be evident from this brief conspectus of the three principal 'schools' within the current value controversy, a substantial range of opinion exists within as well as between these schools. Some theorists do not fit clearly into any one of the schools, while some others have switched allegiances as the debate has unfolded. It would be an enormous task to 'catalogue' the individual positions that have been enunciated by the growing number of participants in the debate. The more modest goal of what follows is to highlight some of the more distinctive theoretical and methodological positions of each of the schools by drawing on the work of a number of theorists who tend to typify the different approaches and to give expression to these positions by dealing forthrightly with issues that are of central importance to the controversy as a whole.

8.1 The Neo-Ricardian Challenge

There are very substantial reasons for labelling the ostensibly Marxist followers of Sraffa's economics as 'neo-Ricardians' (although the term 'post-Sraffians' would probably do just as well). These reasons have less to do with the specific positions defended by Ricardo and the neo-Ricardians respectively as with certain methodological and theoretical considerations pertaining to a broadly-common 'problematic' -- a problematic quite distinct from Marx's, yet one which has recurrently been suppressed and revived within the boundaries of bourgeois economics: the complex of issues surrounding the distribution of income conceived at least in part as a distribution of 'surplus'. Without anticipating too much of what should be discussed later, it might be observed that such a problematic differs from Marx's in two decisive respects: in its focus on the distribution rather than the production of a surplus, and in its disregard of the socio-historical form of surplus production and economic reproduction in general. These Ricardian features are very much in evidence both in Sraffa's work and in the neo-Ricardian Marxists' critique of Marx's value theory. We begin with a consideration of Sraffa's project as it relates indirectly to Marx's.

Sraffa and Marx

Whatever his followers might believe about the wider implications of Sraffa's analysis, it seems clear that Sraffa had a limited and well-defined objective in mind when he

wrote his short book on The Production of Commodities by Means of Commodities. His objective was not, of course, to undermine Marx's approach to the analysis of capitalism; rather it was to develop an 'internal' or 'immanent' critique of certain marginalist propositions which had long served as pillars of the neo-classical system, as well as to adumbrate some ideas suggestive of an 'external' critique of 'general equilibrium analysis' -- a body of neo-classical theory relatively autonomous from marginalist analysis. It has been the 'internal' critique which has drawn the most attention.

Sraffa develops his analysis on the basis of a series of models intended to demonstrate how 'prices of production' are constituted. Throughout his analysis he abstracts from the marginalist problem of 'demand-side' determination of market prices. His concern, as he makes clear, is with the influence of such distributional variables as the wage rate and the rate of profit on commodity prices as these commodities emerge from a production process in which they appear as the products of other commodities (namely, the commodities comprising the physical means of production and the commodities which make up the wage-bundle).

Sraffa constructs his central economic model by successively considering: 1) a 'subsistence economy' in which the same commodities appear as inputs and outputs, 2) a surplus-generating economy which obeys the principle of the equalization of profit rates, 3) an economy in which the wage varies according to

labor's 'share' of the surplus, and 4) the conditions of existence of a 'standard' or composite commodity which can be used as an analytical tool in the study of income distribution over a given period of time.

The central equation of Sraffa's 'standard system' is

$$r = R(1-w),$$

where r is the rate of profit; R , the ratio of net product (Sraffa's surplus) to the means of production; and w , the wage per unit of labor (or the wage component of national income). After demonstrating that the standard system is unique, Sraffa employs this equation for a variety of theoretical purposes. The underlying premise of all of these investigations is that if either of the distributional variables is fixed (i.e. either the wage or profit rate), then we can 'determine' (meaning 'calculate') both prices and the level of the other distributional variable. Accordingly, within Sraffa's system, either the wage rate or the profit rate can operate as the 'independent variable' for the system as a whole.

It would be tangential to our main discussion to explore the implications of Sraffa's economic model for the critique of marginalist theory. However it is important to identify some of the ways in which the Sraffa model diverges from Marx's conceptual apparatus:

1) The very title of Sraffa's work is suggestive of a fundamental divergence from Marx. Sraffa does not regard 'commodities' as socio-historically specific manifestations

of social labor (the commodity as a social form of the product of labor), but rather as things -- as physical inputs or outputs of a production process which is regarded solely from a 'technical' point of view. Accordingly, from Marx's standpoint, Sraffa's conception is fetishistic. Intimately related to this is the divergence between Sraffa's and Marx's respective objects of analysis. Marx is concerned with analyzing the role of social labor in generalized commodity production (i.e. with the production of commodities by means of labor), while Sraffa's economic model is given historical specificity only through his assumption of the operation of a 'uniform rate of profit' (an assumption which necessarily refers to the operations of a capitalist economy). Yet, in Sraffa's model of capitalism, labor is represented solely by the wage goods that enter into reproduction. Before proceeding, let us be clear on one point: the problem with Sraffa's model is not that it allows for the complete elimination of living labor from production (conceived as a technical process of producing goods); even Marx, after all, envisaged the possibility of a more-or-less completely automated production process. The problem is that such a possibility is present in a model which partakes of such phenomena as 'profits', 'wages', 'prices of production', and equalized rates of profit -- i.e., phenomena which, taken together, can only suggest the institutional presence of capitalist relations of production. From Marx's standpoint the presence of such

social relations demands that the production process be approached not only from its 'technical' or 'physical' aspects, but from its social aspects as well (i.e. production conceived as a 'valorization' process). But this Sraffa and the Sraffians deny by banishing all consideration of class relations to the sphere of distribution.

2) Sraffa's concept of the 'surplus' is a purely physical aggregate, the origins of which remains unspecified and the magnitude of which is co-extensive with Marx's 'net product' (the sum of variable capital and surplus-value expressed in use-values). In a very rough sense, this surplus refers to what is available for human consumption and reinvestment after the consumed material inputs have been 'replaced'. It is true that Sraffa acknowledges alternative ways of treating the wage. Indeed, in his simplest model, Sraffa treats the wage (or, more specifically, the bundle of wage goods) as a necessary input (subsistence for workers). The ideal method, according to Sraffa, would be to treat a portion of the wage as subsistence (a necessary input) and a portion as a share of surplus. But in order to abstract from the social determinants of 'subsistence', Sraffa ends up treating the entire wage as an element of the surplus.

By treating the wage as a component of the surplus, Sraffa places himself decisively at odds with Marx.

Implicitly this procedure denies that labor is a 'necessary' input to production in an economy based on generalized commodity production and oriented toward profit-maximization. The significance of labor and of labor's income, the wage, is reduced to its role in limiting capital's 'share' of the surplus within the realm of distribution. By definition, as it were, the role of labor in creating surplus value is denied. Again, the problem with this is not that in all-conceivable production systems or economies living labor is indispensable to the creation of a 'physical surplus'; the problem is that Sraffa's physical surplus can be and is expressed in terms of production prices divisible into profits and wages, and is therefore constitutive of a 'uniform rate of profit'. And, once again, this can only mean that Sraffa's physical surplus partakes of a particular (capitalist) social form. Sraffa moves directly from a surplus conceived as a physical aggregation to a 'price-form' (profits and wages) while effectively denying the necessary role of social labor in mediating this transformation.

As we shall soon see, some regard this latter 'move' as a positive advantage of Sraffa's system. However, in the Marxist view, whatever 'technical' advantage is gained through such a move is more than offset by the basically misleading implications of treating price as an immediate external form of 'physical products' rather than as the money-form of the social labor which entered into the production of those products.

To put the matter bluntly: the assumption built into Sraffa's system is that one can speak of prices, profits and wages without reference to social labor, whereas, in the Marxist view, these phenomena could have no existence whatsoever in an economy whose productive processes did not depend on the allocation of social labor. (It might be noted that these 'fetishistic' features of Sraffa's system are just as consistent with neo-classical notions as they are inconsistent with Marx's conceptions. Arguably, Sraffa can be excused for using them in his 'internal critique' of the neo-classical system; but there would seem to be altogether less justification for seeing his system as a ready-made basis for an 'internal critique' of Marx's theory. And yet this is precisely the way many neo-Ricardians have seen it.)

3) Although attempts have been made by some neo-Ricardians to develop a theory of exploitation consistent with Sraffa's system, the phenomenon of exploitation does not really belong to a world in which commodities are produced by 'things'. It is really incorrect to state that in Sraffa's system the phenomenon of exploitation belongs to the sphere of distribution rather than the sphere of production; the most that one can say is that if exploitation is a feature of Sraffa's system, it can only belong to the sphere of distribution (i.e. it is external to production). This follows from the fact that living labor is in no sense an essential ingredient of Sraffa's system, as well as from the fact that Marx's 'labor-power'

is not among the commodities which appear as 'means' of producing other commodities. This being the case, the production of the 'surplus' is in no way conceived as a result of exploitation. This is a significant point because it points to another decisive difference between Marx's and Sraffa's respective conceptions of 'surplus'. For Sraffa, a surplus-generating economic system is one experiencing what Marx might have called 'expanded reproduction'; but for Marx, the existence of a surplus must be understood in social as well as physical terms. 'Expanded reproduction' can occur with or without exploitation; but, under capitalism, a surplus product can only result from the coercive extraction of surplus labor within the sphere of production. Furthermore, the appropriation of surplus-labor under capitalism, as an exchange economy, must take the form of the appropriation of surplus-value. None of this is captured in Sraffa's system; but none of it becomes 'redundant' or 'inessential' on that account either.

In light of these considerations, it is quite remarkable that the once-orthodox Marxist economist Ronald Meek could have concluded his discussion of Sraffa in the introduction to the second edition of his Studies in the Labor Theory of Value in the following way:

our Sraffa-type sequence of models does essentially the same set of jobs which the Marxian labour theory was designed to do; it starts, as Marx's system did, with a 'prior concrete magnitude' which limits the level of class incomes; it is based on the same view about the order and direction of determination of the variables as Marx's was; it is just as well suited to the application

of a 'logical-historical' method of approach; and it has the great additional advantage that it contains a built-in solution of the 'transformation problem'. And on the qualitative side, it is at least arguable that Sraffa's procedure reflects the basic idea which Marx was trying to express in his labour theory -- the idea that prices and incomes are ultimately determined by the relations of production -- more clearly and effectively than Marx's own procedure did. (nd:xlii)

The idea that Sraffa's system 'contains a built-in solution of the "transformation problem"' certainly explains much of its appeal for Marxists exasperated with this latter issue. However it should be clearly understood that Sraffa does not furnish a solution to Marx's transformation problem except by supposedly 'demonstrating' that value and surplus-value can be ignored -- or treated as 'redundant' -- in the derivation of prices of production and profits from 'physical data'.

This is the starting-point of Steedman's influential critique of Marx, to which we shall now turn.

Steedman's 'Sraffa-Based' Critique of Marx

Steedman ends his critical dissection of Marx's theory of value on an unequivocally self-confident note: 'It can scarcely be over-emphasized that the project of providing a materialist account of capitalist societies is dependent on Marx's value magnitude analysis only in the negative sense that continued adherence to the latter is a major fetter on the development of the former' (1981:207). It might be noted that Steedman refers to Marx's value magnitude analysis, not to Marx's theory of value as a whole. Apparently Steedman was unwilling to dismiss the relevance of the so-called 'qualitative side' of Marx's value analysis -- the 'value-form' issues then oc-

cupying many of the neo-orthodox theorists in and around the British Conference of Socialist Economists. But he believed that the 'quantitative' issues posed by Marx's value theory (the analysis of the 'magnitude of value') had been definitively dealt with in his 'Sraffa-based critique'; and the attempt to keep these issues alive through the invocation of the 'value-form' was, in his view, not merely inadmissible but 'obscurantist'.

The starting-point of Steedman's study is the traditional one: the transformation problem. His handling of this issue, however, is far from traditional. After reaffirming the standard criticism of Marx's transformation procedure advanced by von Bortkiewicz (namely, that Marx failed to transform the 'price of inputs'), Steedman presses a somewhat different criticism: that Marx's solution of the transformation problem 'is internally incoherent, even when input prices are transformed'(1981:35). This assertion rests upon what is a central proposition of Steedman's critique, namely that Marx's value magnitudes are 'redundant', and, to the degree that they deviate from their price correlatives, 'irrelevant'. Steedman argues, correctly, that in Marx's own theory the value rate of profit and the money rate of profit must diverge once prices diverge from values. But if this is so, the question then becomes: which of these 'distinct' rates of profit is the 'relevant' one? It is no good to say that each has relevance at 'different levels'. For Steedman, only one of them can affect the concrete micro-economic decisions of real capitalists

(the money rate), and therefore only the money rates of profit will affect capital mobility, evince a tendency toward equalization, and constitute a uniform rate of profit. Consequently, it is the uniform money rate of profit which is the 'significant' rate of profit in a capitalist economy.

Steedman's apparent 'realism' in this argument constitutes something of a smokescreen, even though he does raise some important questions. The argument requires response at two levels. First, it can be seen that Steedman accepts the notion that an 'abstraction' -- the uniform rate of profit whether conceived in value or money terms -- can have a real bearing on the micro-economic decisions of actual capitalists; it's just that in his view it is the money rate of profit which will exercise the real influence. But it can be argued that capitalists do not calculate either a money or a value rate of profit, at any rate not on a 'uniform' basis. The uniform rate of profit is a tendential phenomenon which exerts its influence not as a calculable guide to wise investment decisions on a micro-economic basis, but as a 'limiting' factor on the amount of profit a given capital can be expected to earn.⁹

Second, it can be shown that Steedman's understanding of the relationship between the value and money rates of profit is problematic. The way that Steedman has specified this relationship owes much more to Ricardo than it does to Marx since it is based on a rather crude understanding of value as embodied labor.

The real heart of Steedman's book, however, is not a demonstration of the supposed 'inconsistency' or 'incoherence' of Marx's analysis. Rather it concerns Steedman's thesis that Marx's 'value magnitude' analysis is redundant to the Sraffian method of deriving price phenomena from 'physical' factors and that it cannot meet the challenge posed by the problem of 'joint production' -- the same problem that Sraffa used to such effect in his critique of neo-classical capital theory.

At this point, we will confine ourselves to the substance of Steedman's critique, leaving some of the responses it has elicited to subsequent sections.

Steedman begins his 'redundancy argument' by reconsidering Marx's theory of 'value, price and profit' with the aid of a simple mathematical example which incorporates the major categories of Marx's analysis (constant capital, variable capital, surplus-value, total value, and their money-price correlatives). In this example, abstraction is made from the problem of 'fixed capital'; all of the constant capital takes the form of 'raw materials' that are entirely consumed in the course of a single production period. Before proceeding to a 'value' representation of this process, however, Steedman argues that Marx assumed that the relevant value magnitudes are themselves 'determined' by two things that may be assumed to be 'given' in a given capitalist economy at a given time. These two 'different' things are: a) 'the existing conditions of production, both technical and social, which defined the relation between inputs and outputs in the productive process',

and b) 'the division of the net product between workers and capitalists in that society' (1981:38). On this conceptual basis, which Steedman takes to be consistent with Marx's own views, Steedman postpones the 'value quantity representation of the economy' till after a 'physical' description of the economy has been made.

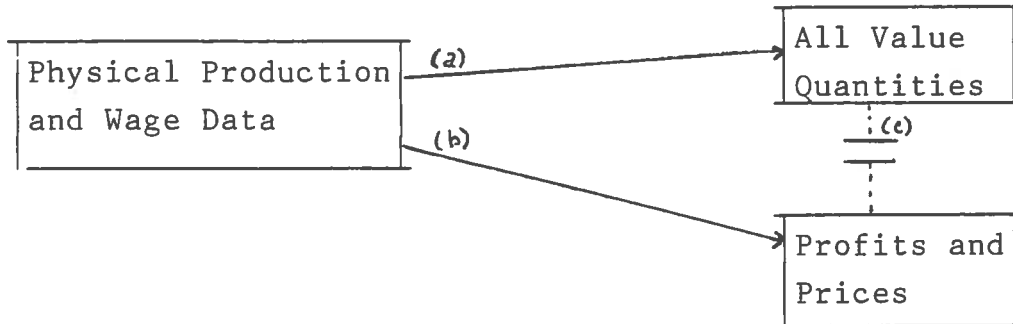
It is unnecessary to reproduce Steedman's own example in detail. It is sufficient merely to note that Steedman's Sraffa-like 'physical' depiction of a simple capitalist economy is rendered in terms of 'units' of labor and of such raw materials as iron, gold and corn, and that this 'physical data' is the basis for specifying the same economy in terms of value (by which Steedman means the 'socially-necessary labor' directly and indirectly consumed in production). The upshot is that 'from knowledge of the physical conditions of production and the real wage, one can determine values, the value of labour power and surplus-value', as well as such quantitative relationships as the rate of surplus-value (1981:41-42).

What is the point of 'deriving' the value magnitudes from physical quantities in this way? Steedman explains that 'it is always worthwhile to analyze concepts into underlying concepts' and that, because physical conditions of production and real wages are 'subject to different forces and trends of change', it is 'much better to study them separately, even if one's final objective is to study change in, say, V or S ' (1981:42). Of course, Steedman cannot claim that this is

really his objective! In fact, he immediately proceeds to recapitulate his earlier arguments concerning the inadequacy and incoherence of Marx's solution of the transformation problem, now drawing upon his own arithmetical example to prove that even if inputs are transformed along with outputs, the method of transformation must lead to an unsatisfactory result. And this leads to Steedman's real conclusion: 'If we are to explain profits and prices adequately we must leave the value schema and return to the physical quantities description of the economy. This is why we started with the latter' (1981: 44-45). Steedman then returns to the 'physical data' framework and shows that not only is it possible to build a theory of prices and profits around the physical schema, but that this (and not the value schema) is the only coherent basis for doing so.

Steedman's argument can be summarized as follows. It is the 'physical data' of an economy which 'determines' both 'value magnitudes' and 'price magnitudes'. But since value magnitudes are generally inconsistent with price magnitudes (as the debate around the transformation problem has presumably conclusively established), calculation in 'value' terms is redundant and irrelevant. One does not need to specify economic phenomena in value terms in order to derive (calculate) prices and profits. The argument is illustrated in the following figure:

Figure 1



Steedman's Illustration of the 'redundancy' of values

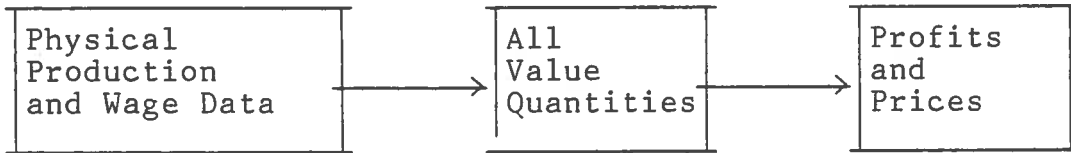
Steedman explains this figure as follows:

The solid arrow labelled (a) shows that from the physical data all the value quantities can be explained...Arrow (b) shows that from the same data one can explain profits and prices, etc....The dashed and 'blocked off' arrow (c) represents the fact that one cannot, in general, explain profits and prices from value quantities as set out in the usual value schema, that $S/(C+V)$ is not the rate of profit, etc.

We thus have to picture our theoretical structure as having a 'fork-like' character, with a 'value prong' arrow (a), and a 'profit-price prong', arrow (b). There is, in general, no way from one prong to the other. (1981:49)

Although Steedman furnishes no comparable figure to represent what he understands to be Marx's theoretical structure, it seems safe to conclude that Figure Two below captures the essence of Marx's model of price and profit determination as this has been specified by Steedman:

Figure 2



An Illustration of Steedman's Account of Marx's Theory

At this point we need only note that much of the cogency of Steedman's 'redundancy' argument depends on the adequacy of such an account of Marx's theory of price and profit determination.

Steedman further elaborates his argument concerning the 'redundancy' of value calculations on the basis of a more complex economic model involving fixed capital (which sustains the same essential conclusions as the non-fixed capital case), and then proceeds to a discussion of the 'dated labor analysis' (which he regards as useful, if still only 'derivative' of the physical data analysis). The fundamentals of Steedman's critique, however, are set out above, and all 'refinements' to it rest upon a common set of theoretical assumptions. This is important because, as Steedman has himself averred, if one wishes to contest what is essentially an 'argument in logic', one must do so 'either by finding a logical flaw in the argument or by rejecting explicitly and coherently one or more of the assumptions upon which it is based' (1981:49).

The second pillar of Steedman's critique of Marx concerns the compatibility of Marx's theory of value with the 'real-world' problem of 'joint-production'. Steedman's aim is to demonstrate that in cases where some production processes produce joint products (e.g. mutton and wool), commodity values, calculated as quantities of embodied labor-time, may well be indeterminate. Further, Steedman suggests that such cases can give rise, when values are determinable, to situations in which negative values and negative surplus-value appear alongside positive prices and a positive rate of profit. Both of these claims, particularly the second one, appear to strike a fatal blow to the analytical usefulness and integrity of any 'labor-value' theory of price and profit determination. This argument can be most usefully further considered in the context of a discussion of the responses that it has elicited.

The Neo-Ricardian Challenge to Marx in Perspective

It has now been over ten years since the publication of Steedman's Marx After Sraffa. Contrary to the expectation of many of its most enthusiastic reviewers, however, this work failed in its stated purpose: to end the debate around Marx's 'value magnitude' analysis and the transformation problem, and to redirect the energies of Marxists to the task of constructing a new materialist political economy on a post-Sraffian basis.

It did, however, mark the end of a particular phase of the value controversy by clearly establishing the full implications of adopting Sraffa's 'physical quantities' approach. It was henceforth no longer a question of 'reconciling' Sraffa and Marx, or of 'reading' Sraffa in such a way as to see his approach as 'complementary' to Marx's; it was a question of choosing between them. Whether Steedman's critique of Marx holds up or not, it was his great achievement to have sharpened the 'lines of demarcation' within the value controversy and forced its participants to further clarify their positions.

While Steedman's critique had the appearance of originality, it was largely an extremely able and concise rehash of old complaints about Marx's treatment of a number of controversial issues (the transformation problem, the reduction of 'heterogeneous labor' to 'simple labor', etc.) as seen through the eyes of a follower of Sraffa. Despite Steedman's avowal that he was aware of the 'qualitative' or 'value-form' aspects of Marx's theory, it may be doubted that he allowed his appreciation of these issues to influence (he might say 'confuse') his portrayal of Marx's analysis in its quantitative dimensions. The Marx portrayed by Steedman is a Marx methodologically and theoretically very close to David Ricardo, a Marx whose analysis in the third volume of Capital appears, at best, as unrelated to his analysis in the first volume.

This raises an important consideration in relation to the 'periodization' of the controversy. Up to the mid-1970's students of Marx's Capital tended to focus their attention on either the 'value-form' analysis of Capital I or the 'value-magnitude' analyses of Capital III. Neo-Ricardians like Steedman, Hodgson, Morishima and others tended to engage a range of issues in Marxist political economy as these had been represented by the 'orthodox' tradition associated with Dobb, Sweezy, Meek, etc. What the orthodox tradition had in common with neo-Ricardianism, as already indicated, was a preoccupation with value-magnitude analysis: with the mathematical quantification and modelling of Marx's value categories in the interests of dealing with a number of narrowly-conceived 'economic' problems. Most of the Marxist economists who distanced themselves from the old orthodoxy and neo-Ricardianism were otherwise occupied; they were concerned in the main with the qualitative aspects of Marx's value theory as these appeared primarily in Chapter One of Capital I: the 'value-form' analyses.

Between these two currents of 'Marxian political economy' there was little real communication. As Ben Fine has aptly observed: 'each strand subscribed to a different method, each addressed a different problem, making little if any contribution to that of the other side, and each engaged on textual terrains that were not only distinct but which were also separated by the vast majority of both Volumes I and II of Capital.

At the same time, the situation was described as a dialogue of the deaf (even if it was hardly a dialogue of the dumb)' (1986:7). This general configuration of theoretical interests and analytical partisanship appeared to shift with the successive contributions of Yaffe (1975), Gerstein (1976) and Shaikh (1977) to the discussion of Marx's transformation problem. Despite their differences, each of these pieces was characterized by an attempt to engage the 'value magnitude' issues on the basis of a more sophisticated and 'truer' appreciation of Marx's concept of value than that recapitulated in Steedman's notion of value as 'embodied socially-necessary labor time'.

8.2 Neo-Orthodoxy and the Rediscovery of the 'Value-Form'

Although the modern neo-orthodox school took shape in part as a reaction to the post-Sraffian critique of Marx, it is important to recognize that this (quite heterogeneous) school began to take form in the early 1970's as a response to what was seen as the 'Ricardian' reading of Marx by such prominent Marxist economists as Dobb, Meek and Sweezy. From its earliest days, the school has taken a quite consistent stand with respect to what has traditionally been the central issue of the value controversy: Marx's transformation procedure. The neo-orthodox tack on this question has been (a) to deny that this is a real 'problem' for Marx's theoretical construction, once this is properly understood, and (b) to affirm the 'correctness' of Ricardian or neo-Ricardian criticisms of the 'orthodox' understanding of Marx's handling of the transformation of values into prices of production. Thus, Gerstein (1976), in a seminal neo-orthodox article, concedes that 'the point made by Bortkiewicz [concerning the transformation of inputs] is valid (although his conclusions from it are not) and must be confronted' (1986:72), while Elson, writing in a later stage of the controversy, avers that 'There is no doubt that within its own terms [Steedman's] critique of the theory of value, as an explanation of equilibrium prices in terms of labour quantities, is quite correct' (1979:121).

Concessions of this sort may seem to be an odd way to 'defend' Marx's theory of value, but they need to be understood as one element of the neo-orthodox school's effort to redefine the central issue of the value controversy. The neo-orthodox project has been to challenge the notion that Marx subscribed to a Ricardo-style theory of value as embodied labor and to substantiate the thesis that Marx's concept of abstract labor is inconsistent with any such theory. From this standpoint, the traditional debates surrounding the 'transformation problem' can be dismissed as substantially irrelevant to any theoretical development within Marx's theory of value and as germane only to those trapped within the (mistaken) framework of an embodied labor theory of value.

The clarity with which the neo-orthodox project has been defined in the literature has varied considerably. Earlier contributions, like those of Pilling (1972) and Gerstein, while methodologically distinctive, were often tentative in their attempts to redefine the parameters of debate. Gerstein, in particular, can be read not only for his 'value-form' insights, but also for his useful summation of the literature surrounding the transformation problem as well as for his own 'solution' to it. Moreover, it should be emphasized that there is a substantial range of opinion within the neo-orthodox school, such that many of its adherents appear close to the boundaries of other schools on particular issues.¹⁰ The fact that the school, as I conceive it, encompasses both

an Anglo-American department and a French one (the Marxist remnants of the 'regulationist' approach) further complicates the picture.

The most distinctive features of the neo-orthodox approach to the theory of value can be disclosed by examining four interrelated sets of questions: the neo-orthodox critique of the 'old orthodoxy', the neo-orthodox opposition of abstract to 'embodied' labor, the neo-orthodox response to neo-Ricardianism, and the neo-orthodox handling of the 'historical transformation problem'.

Critique of the Old Orthodoxy

1972-73 was something of a watershed for the modern value controversy. The period saw the publication in English of Rubin's Essays in Marx's Theory of Value for the first time, as well as the publication of Geoffrey Pilling's seminal article on 'The Law of Value in Ricardo and Marx'. As we have seen, Rubin's work constituted an early attempt to specify the relationship between Marx's theory of value and historical materialism in general. Pilling's aim was similar, though more narrowly focussed: he sought to clearly distinguish Marx's and Ricardo's problematics while demonstrating that many influential Marxist economists had developed an unacknowledged Ricardian appreciation of Marx's work. Dobb was a case in point. According to Pilling, Dobb's view that 'Marxism is superior in an "operational" sense in that "labour"

provides...a constant to which all the other entities in his model can be reduced' betrayed an elementary misunderstanding of Marx's project. Not only was Marx's methodology inconsistent with such a notion of sociological or economic 'model-building', it was not reductionist in the way suggested by Dobb:

The task of Marx's critique of political economy was not one which involved him finding a 'constant' in terms of which everything could be quantified but of establishing the laws of mediation through which the 'essence' of phenomena manifested itself as 'appearance'. 'Hence law is not beyond Appearance, but is immediately present in it; the realm of laws is the quiescent counterfeit of the existing or appearing world'(Hegel). (1986:21)

Ricardo had regarded 'labor' as a numeraire for the measurement of social wealth (including the 'value' of individual commodities). But, says Pilling, Marx's theory of value was guided by a different method and a different purpose:

All Ricardo's weaknesses reflect [an] empiricism and resolve themselves into this: that while he starts correctly from the law of value he attempts immediately to deal with all the phenomena which conflict with this law. Hence Marx's reference to the 'faulty architectonics' of his work. What is lacking in the Principles is any treatment of the process of mediation by which the 'forms of appearance' in bourgeois society are connected to the source of their origin, the law of value.(1986:30-31)

This 'process of mediation', in Marx's view, served both to express and obscure the relationship between commodity-producing labor and the price structure constituting the immediate regulating mechanism of economic reproduction.

Starting from an Althusserian rather than a Hegelian-Marxist perspective, Gerstein further concretized a distinctive theme of the emerging school: that the 'old orthodoxy' had tended to identify the value of a commodity with the concrete labor which produced the commodity, while failing to grasp the real significance of Marx's concept of 'abstract labor'. While 'vulgar Marxism' entertained essentially Ricardian preoccupations, Marx himself regarded the value-creating aspect of labor as abstract labor and 'emphasizes that it has a purely social reality' (1986:51). This leads directly to a contrast with Ricardo's 'labor theory of price':

The reason that Marx's theory of value is not a theory of price is that there is no way to reduce observable concrete labor to social abstract labor in advance, outside of the market which actually effects the reduction. This observation is the central feature of Marx's concept of value. (1986:52)

As for the measurement of value, this cannot be done by analyzing the conditions of production (a reckoning of units of socially-necessary labor time); abstract labor, as the substance of value, 'can be "measured" only when it takes the independent form of money, a form that poses it against the bodily form of the commodity in which it is embodied' (1986:53).

Gerstein's emphasis on the money-form as the only possible measure of abstract labor and value is a recurring theme of the neo-orthodox school; but his reference to the abstract labor 'embodied' in a commodity is not. Increasingly,

neo-orthodox theorists have argued that the concept of abstract labor should be regarded as wholly incompatible with any 'embodied labor' theory of value, a question to which we shall now turn.

Abstract Labor Versus 'Embodied Labor'

The starting-point of the neo-orthodox attempt to counterpose 'abstract labor' and 'embodied labor' is a critical re-examination of Marx's own handling of 'value-creating labor'. Neo-orthodox writers perceive at best an equivocation and at worst a contradiction in Marx's argument. Much of the problem hinges on the following passage from Chapter One of Capital I:

On the one hand, all labour is an expenditure of human labour-power, in the physiological sense, and it is in this quality of being equal, or abstract, human labour that it forms the value of commodities. On the other hand, all labour is an expenditure of human labour-power in a particular form and with a definite aim, and it is in this quality of being concrete useful labour that it produces use-values. (1977:137)

Elsewhere in his discussion of the 'dual character' of commodity-producing labor, Marx refers to concrete or 'useful' labors as 'qualitatively different productive activities' that share in common the fact that they are 'a productive expenditure of human brains, muscles, nerves, hands, etc.', suggesting that this is what is meant by 'human labour in general' (1977:134-135).

Such a 'physiological' conceptualization of abstract labor, however, appears to be at odds with Marx's insistence (at the beginning of his discussion of the value-form) that 'not an

atom of matter enters into the objectivity of commodities as values'(1977:138). Indeed, Marx goes on to assert that 'commodities possess an objective character as values only in so far as they are all expressions of an identical social substance, human labour, that their objective character as values is therefore purely social' (1977:138-139).

It is important to note that neo-orthodox theorists have tended to associate the notion of a 'physiological expenditure of human labor' exclusively with 'concrete labor'. In their view, the actual expenditure of labor on a commodity can only bear on that commodity's concrete characteristics as a use-value. Abstract labor, on the other hand, is creative of 'social values', but not of physical use-values. Accordingly, concrete labor lends itself to the notion of finding 'embodiment' within a commodity, while abstract labor does not. One can speak of 'embodied concrete labor', but not of 'embodied abstract labor'.

The basic problem with the idea of 'embodied abstract labor' has been well-stated by the fundamentalist theorist Anwar Shaikh:

The total output of a particular commodity represents the expenditure of a certain amount of abstract labor-time which under existing conditions is required for its production. (The term 'represents' is used here rather than the more common term 'embodied'. It is clear in Marx, for instance, that it is not the historical cost of a commodity in labor time, but rather its current cost of reproduction, which determines the magnitude of a commodity's Value. As such, it is not a question of the labor-time 'embodied' in a commodity but of the social cost which the current production of the commodity entails). (1977:113)

Evidently, what Marx had in mind with abstract labor 'embodied' is substantially similar to what Shaikh means by abstract labor 'represented'. Are we, then, simply involved in an arid terminological dispute? The answer is probably yes -- up to a point, at least. However, when Shaikh refers to the 'abstract labor-time' required for the production of a given output, he sides with Marx on a substantive theoretical point which many neo-orthodox theorists appear to have great difficulty with: the idea that value is created entirely within the sphere of production through the expenditure of labor which, under conditions of commodity production, is both abstract and concrete.

Let us consider the influential neo-orthodox argument of Himmelweit and Mohun:

The process of the theoretical discovery of abstract labour is not merely a process of mental generalization, but has a real existence in the reality of the exchange process. The equalization of products of labour on the market occurs every day, standardized by money, the universal equivalent of value. Since individuals alienate their products as commodities in exchange, so too do they alienate the labour producing those commodities. Abstract labour is a real activity, a social reality, whereby individuals alienate their labour-power from themselves. (1981:235)

Several things in this passage should be noted. First, Himmelweit and Mohun correctly underscore the point that 'abstract labor' refers to a real activity inserted within a specific socio-historical dimension -- an activity pertaining to production for exchange. Second, and more prob-

lematically, the 'real activity' of abstract labor does not appear in this passage as an activity grounded in production; indeed, it appears to involve market exchange at least as much as it involves the actual production of commodities. The 'real abstraction' underlying abstract labor is identified with the activities of individuals in alienating 'their products as commodities in exchange'. Accordingly, 'abstract labor' has a solely 'social' existence. It is not conceived as an 'aspect' of labor under conditions of commodity production (the other 'aspect' being the concrete one). Instead, it is conceived as a 'social reality' springing from the act of commodity exchange -- or, at least, from the interaction of production and exchange.

Himmelweit and Mohun are certainly right to suggest that Marx's concept of abstract labor is a real abstraction, while the Ricardian notion of commensurable embodied concrete labor is an 'anomalous assumption'. However, by following Rubin in identifying a 'physiological expenditure of labor' only with the concrete aspect of labor, they effectively sever the concept of abstract labor from its real basis in the production of commodities. The tendency becomes then to associate concrete labor with the production process and to associate abstract labor with the exchange process. Since abstract labor is conceived as both the creator and the substance of value, such reasoning can only attenuate the proposition

basic to Marx's value theory that value is created in production. Yet one does not need to deny that values are 'purely social' or that 'not an atom of matter enters into the objectivity of commodities as values' in order to affirm that a 'physiological' expenditure of human labor is value-creating provided that this expenditure is subject to a process of real abstraction, occurring in production but framed and conditioned by exchange. It is precisely because exchange effects a process of 'equalization of products of labour on the market' (i.e. involves a real abstraction) that production oriented towards exchange must take account of the fact that 'physiological labor' is both utility-shaping and value-creating -- i.e., both concrete and abstract at one and the same time. To deny this is to invite De Vroey's peculiar thesis that value is created 'not in production but at the articulation of production and circulation' (1981:173) -- a notion replete with circular reasoning and requiring the most robust of mental gymnastics.

The Transformation Problem and the Response to the Neo-Ricardians

Himmelweit and Mohun's rather 'indeterminate' conception of abstract labor represents one possible direction of a value-form analysis: one which submerges the problem of the 'magnitude of value' by seeing money as the only possible measure of abstract labor. No doubt, the appeal of this approach is amplified by the apparent ease with which its expon-

ents are able to stave off the neo-Ricardian assault on Marx's value theory. By throwing over the 'value-magnitude' analysis they believe they have not only preserved the essential core of Marx's theory, but further 'developed' it by freeing it from the mistaken conceptual baggage (and terminology) of Marx himself.

Speaking of the flaws in Marx's 'reconstruction of the concrete-in-thought' Dostaler has sounded a familiar neo-orthodox refrain by avering that 'these flaws are numerous in the third volume (written first), are less numerous in the second, and are minimal -- in the first volume (the only one that Marx completed for publication)' (1982:85). What is really being said here is that Marx's value-magnitude analysis is most prominent in the third volume of Capital, and that this is indeed vulnerable to the wilting criticisms of the neo-Ricardians. At the same time, the value-magnitude formulations of the first volume can be read (after the fashion of Himmelweit and Mohun) as incidental aberrations to the real project of the first chapter of Capital I: the analysis of the value-form. In this way, the 'value-form analysis' (or what Elson calls the 'value theory of labor') becomes a refuge from the formidable theoretical challenge of articulating the relationship between the qualitative and the quantitative aspects of Marx's value theory.

The problem with all this is that once it is accepted that 'abstract associated labour has no substantial existence apart from the value form, money' (Eldred 1984:136), then commodity

values appear to be entirely severed from any determination in the conditions of their production, and the way is paved for an effective identification of value and price (a result which obviously draws the neo-orthodox theorist as close to neo-classicism as the 'embodied-labor' concept draws the 'vulgar Marxist' to Ricardianism and neo-Ricardianism). The ultimate 'banality' of a 'value theory of labor' which denies the exclusive role of productive labor in the creation of values (conceived as distinct from and regulative of production prices and market prices) is well stated by Gleicher:

When stripped of its Hegelian garb, the [value theory of labor] reduces to the assertion...that the allocation of labour between industries is determined in the context of generalized commodity circulation by the formation of market prices. As such, however, neither the Sraffian, classical Marxist or for that matter neo-classical theorists would deny the validity of this assertion. On the other hand, to the extent that this is taken to define a distinctively Marxist position, [this] approach invites the fundamental criticism, made by Sraffians and neo-classical economists alike, that the selection of a value theory of labour is arbitrary, since generalized commodity circulation implies the allocation of all productive resources (including raw materials and instruments of production) through the formation of market prices.(1985:152)

In my view the valid insights of the 'value-form analysis' or of a 'value theory of labor' can be preserved and can play a useful role in the development of Marx's value theory only so long as these insights are not presented in a fashion that is antithetical to Marx's 'labor theory of value'. Yet it is precisely this theory that many neo-orthodox theorists have abandoned due to a one-sided development of the 'value-form' analysis, a development best explained in terms of the con-

viction of many of these theorists that the neo-Ricardian challenge cannot be met on the traditional terrain of the value-magnitude analysis.

Let us examine in turn the responses given by the neo-orthodox school to the transformation problem and to Steedman's criticisms. Gerstein approaches the transformation problem as follows:

The theory of value belongs to the level of production, considered in abstraction, and the general rate of profit to the level of the complex unity of production and circulation. The question then is not how to reconcile the two sides of a contradiction, but how to move or 'transform' from one level of analysis to another. (1986:67)

And further:

The transformation from Volume I to Volume III is not a transformation from value to price, but from value and price considered purely from the point of view of production to value and price as modified by circulation and capitalist competition. (1986:68)

The notion that not only the forms of value but values themselves are 'modified' by circulation and competition should be especially noted since it anticipates the 'indeterminacy' which characterizes the neoorthodox school when it deals with the sources of value. However Gerstein also addresses the traditional debates surrounding the transformation problem on the basis of the form-analytic insights. In other words, Gerstein wrestles with the transformation problem and seeks to 'solve' it in a way consistent with 'forms-analysis' while providing himself with an escape route from the value-magnitude analysis.

Appearing later, the approach of Himmelweit and Mohun is less equivocal. They identify the central problem in Marx's solution to the transformation problem as his treatment of it as a problem of surplus-value 'redistribution':

Surplus-value is not redistributed between capitals so as to equalize the rate of profit, because there is no state from which this redistribution occurs. At no stage in the circuit of capital is surplus-value attributed to capitals in proportion to the labour-power they consume. A parable of the sale of the commodity leading to a redistribution until each capital's share of surplus-value is proportional to the total capital advanced is as misleading as parables of redistribution through history. Redistribution is meaningful only if one can specify a state from which it occurs and a state prevailing after the redistribution. (1981:240-241)

Once the notion of 'redistribution' is dropped then the traditional frame of reference for discussion of the transformation problem is itself transformed. It is no longer a question of developing a mathematical model which assumes a process of redistribution (as all of the traditional 'solutions' and 'corrections' do), but rather a question of recognizing the real contradictions of capitalism and giving them a theoretical reflection: 'The transformation "problem" is therefore a necessary result of the contradictory nature of capitalist production relations: it is a contradiction in reality, and not at all a problem with Marx's theory, which simply conceptualizes this reality' (1981:241). Not a problem, at any rate, for the value-form analysis of Capital I, even if it is a problem for Marx's attempt to solve the 'Ricardian' dilemma of reconciling an embodied-labor theory of value with

the process of profit rate equalization! Once again, if one begins with the premise that value is formed in exchange and is only vaguely related to the activity of productive labor within the sphere of production, then one does not need to concern oneself with value transfers or redistributions between different firms or branches of production. The transformation issue becomes a purely 'qualitative' problem of specifying the ways in which the value-form is influenced by circulation and capitalist competition. Thus:

Marx's account of the formation of a general rate of profit in competition, his transformation procedure, is precisely the transition from the 'inner but concealed essential pattern' to the 'pattern of economic relations as seen on the surface'. It is a movement, a procedure of transformation, required between abstractions of different orders of conception...Of course, competition distributes aggregate surplus-value according to total capital advanced, but there is no redistribution.(1981:248)

It is curious that Himmelweit and Mohun speak at one point of the need to conceive 'the value produced in production first in abstraction from competition, and second while allowing for the effects of competition'(1981:248). For, if value is 'produced in production', it must be produced at particular sites and in definite magnitudes. This would seem to necessitate the introduction of some notion of 'redistribution' in order to explain the mechanism whereby particular capitals are able to 'realize' values that have been produced by other capitals. By rejecting the notion of redistribution, Himmelweit and Mohun are forced to either adopt a

'parable' according to which capitals 'realize' only those values which they have produced (which effectively negates the role of competition and profit-rate equalization) or embrace the idea that values are 'produced in production' but 'formed' (or quantitatively determined) in exchange. We know, of course, that the latter is the real tendency of the neo-orthodox school. And we also know that such a position can only be construed as antithetical to the theoretical postulates that Marx was trying to sustain with his transformation procedure, in particular the idea that aggregate values are quantitatively determined by the application of living and objectified labor in production. This conclusion brings us back to an earlier point: that the neo-orthodox school's handling of the transformation problem reflects a typically neo-classical preoccupation with the value of the individual commodity (i.e., with the metamorphoses of the value-form as these pertain to micro-economic exchange relations).

It is in light of this last consideration that Himmelweit and Mohun's response to Steedman's post-Sraffian critique of Marx should be approached. With respect to Steedman's argument regarding the 'redundancy' of values, Himmelweit and Mohun concede that this argument holds provided 'values' are understood in terms of a 'labor-embodied' concept. The significance of value as a theoretical category does not relate to its utility in calculating what is more accurately calculated on

the basis of 'physical data' and a specified wage rate. Rather its significance concerns the 'specification of what is produced (the composition of output) and how (the technical coefficients of production)' in relation to 'the way in which the labour process is organized and from the way in which production, as a social activity through the market's universal commensuration of what is produced, determines both what is produced and how it is produced' (1981:255). Note that except for the obligatory references to the labor process and to production as a 'determining' social activity, most of this statement could be recast in terms quite acceptable to neo-classical marginalism. The real emphasis is on the role of the market in shaping 'what is produced and how it is produced', not on the role of labor in producing what is the sine qua non of capitalist production: surplus-value.

Himmelweit and Mohun also concede that Steedman is right to argue that the 'established methods of calculating values' lead to indeterminate or negative results in some cases. But, again, these results are deemed relevant only to the critique of an embodied-labor concept of value, not to a value concept properly defined in terms of abstract labor. Joint production and similar 'anomalous' cases appear as real contradictions because the law of value 'operates through the distorted form of capitalist competition' and 'the capital that set in motion some production processes which are "wasteful" of social labour may still be validated by that competition, and hence produce a portion of the total surplus-value' (1981:262-263).

Many of the 'qualitative' considerations adduced by Himmelweit and Mohun in their responses to Steedman are valid and important. But in advancing these considerations they offer up as a kind of sacrificial lamb to neo-Ricardianism all of the 'deterministic' elements in Marx's value theory which make it possible to coherently address the quantitative aspects of that theory. Moreover the excision of these elements is accomplished by equivocating on the key question of the relationship between production and exchange within Marx's theory, drawing dangerously close to neo-classicism by pointing to the effectively autonomous role of exchange in the determination of both value and price. Not only does this render a value-magnitude analysis impossible, it calls into question the primacy of production in an ontological sense.

The consequence of the neo-orthodox preoccupation with the 'form of value' over the 'magnitude of value' is a tendency to go beyond the correct perception that an interaction exists between production and the other 'moments' of the economic process to the conclusion that, under capitalism, exchange emerges as the predominant moment. This is the logic of much of Himmelweit and Mohun's argument, even if this logic is often contravened by orthodox references to 'value produced in production' and the like. Furthermore, it is very close to being the 'letter' of the argument in the writings of such neo-orthodox theorists as De Vroey, Eldred and Elson. In this connection, Lipietz's balance sheet of the French neo-orthodox

experience should be noted: the French school's 'failure to deal with the problem of magnitude [of value] had an unexpected result: they abandoned the pole of substance and slipped irresistibly towards a purely formal and subjectivist theory of value'(1985:158). Revealingly, the same thing appears to be happening to the Anglo-American school as it retreats from the notion of 'labor value' in the face of the neo-Ricardian challenge.

The Historical Transformation Problem

The emphasis accorded by the neo-orthodox school to exchange in 'validating' (read, 'forming') values has important implications for what is known as the 'historical transformation problem' -- a problem sketched in Part II. Most neo-orthodox theorists have sided with Rubin in his critique of Engels on this question, insisting that the 'law of value' has no application except under conditions of capitalist commodity production and that, accordingly, it is absurd to speak of 'labor-values' applying to simple commodity production, while prices of production apply to capitalist production. As we have already seen, this position has been taken to an extreme conclusion by John Weeks, who effectively identifies the law of value with processes that are present only under capitalism and who even denies that 'commodity production' occurs in pre-capitalist societies: 'To treat the exchange of products in precapitalist societies as evidence of commodity production is to presuppose the underlying social relations of the most

developed form of exchange, particularly the monetization of the means of production'(Weeks 1981:36).

Without recapitulating the critique of Weeks made earlier, it should be noted that the specific processes with which he associates the law of value (namely, the 'law of socially necessary labor time' and the 'law of the tendency of the rate of profit to equalize') are inconceivable outside of a 'developed form of exchange'. If one starts from the assumption that the formation of commodity-values is dependent on such processes, then one is led ineluctably to the conclusion that the law of value is inoperative and commodity-values non-existent even in those pre-capitalist societies in which some production is carried out for the purpose of exchange. At the same time the historical origin of capitalist production becomes a complete mystery.

It should be noted that not all neo-orthodox theorists subscribe to such an extreme view as Weeks'. Indeed, many follow Rubin in acknowledging the presence of 'elementary' forms of value under conditions of simple commodity production.¹¹ In general, however, the neo-orthodox school is resistant to the notion that 'the law of value' (or even 'a law of value') can operate under pre-capitalist conditions. Furthermore, the reason for this resistance seems plain: in the neo-orthodox view, the law of value is essentially a 'law of exchange' -- a law which is operative only where exchange not only conditions but actually dominates the other moments of economic

reproduction; and such a situation can only obtain where fully-fledged capitalist competition produces the 'developed form of exchange' to which Weeks refers.

In my view such a position is not the same as Rubin's thesis regarding exchange as the 'social form' of reproduction under conditions of commodity production. While Rubin's position can certainly be developed in this direction, and while some of Rubin's other arguments concerning the relationship between 'physiological labor' and 'abstract labor' lend themselves to such a development, there is an important difference between arguing that exchange 'leaves its mark' on the production process and effectively denying the ontological primacy of productive labor in the process of the economic reproduction of society. The neo-orthodox school goes beyond the notion that exchange is the 'social form' of the reproduction process in a commodity-producing economy to the rather stronger claim that values are 'formed' through exchange (even if they are 'created' in production). This amounts to giving exchange -- understood as a discrete moment of the economic process -- a far more determining role than Marx (or Rubin for that matter) ever allowed for.

The key point here is that exchange 'forms' or 'modifies' values only in the sense that exchange reflects or gives expression to changes occurring within the process of production. Certainly, the 'value' represented by individual commodities

will undergo alteration as a result of changes in the standard of socially-necessary labor time required for their (re)production; exchange mirrors such changes by bringing all commodities under its commensurating and 'equalizing' influence. But exchange does not itself 'cause' these changes, and it is therefore misleading to say that values are 'formed' or 'modified' through or in exchange, much less to argue that value is created at the 'articulation' of production and circulation. Rather the value 'represented' by a commodity (to use Shaikh's terminology) is created by the living and objectified labor applied within production and undergoes modification as a result of changes in the standards of socially necessary labor time as these are brought about within the production process. The 'autonomous role' of exchange in modifying or forming values appears much less autonomous once the focus of analysis shifts from the value formation of discrete commodities (whose values must be brought into correspondence with the values of similar commodities in the market) to the mechanisms of value creation conceived from the ontologically fundamental standpoint of the material-production process (from whence all commodities emerge and total value is defined).

8.3 Marxist Fundamentalism

In the last section it was argued that the neo-orthodox redefinition of value is the product of a one-sided concern with the 'form of value' at the expense of the source and magnitude of value, and that this one-sided approach was encouraged by the perception that Marx's value-magnitude analysis could not withstand the criticisms of the neo-Ricardian school. Paradoxically, by retreating from the 'Ricardianism' supposedly inherent in the value-magnitude analysis, the neo-orthodox school has come surprisingly close to the neo-classical identification of value and price.¹²

It would be a serious mistake, however, to regard the value-form analysis as necessarily counterposed to a value-magnitude analysis. Marx himself, after all, was concerned with both aspects of the problem and evidently regarded each as important to the satisfactory analysis of the other. What is distinctive about the 'fundamentalist school' as I define it is that the value-form analysis has become, in its hands, an important tool for refining the value-magnitude analysis in what might be termed a 'post-Ricardian' spirit. Like the neo-orthodox school, the fundamentalists recognize that the 'old orthodoxy' issued in the dead end of neo-Ricardianism because of its failure to come to terms with the profound theoretical and methodological differences between Marx's and Ricardo's respective legacies. But unlike that school, the fundamentalists have sought to develop a response to the

neo-Ricardians capable of preserving and further developing the value-magnitude analysis -- an analysis which they regard as indispensable to a scientific investigation of the 'laws of motion' of the capitalist mode of production.

Since it is capitalism's 'macroeconomic' laws which most concern the fundamentalists, it should not be surprising to find that this school has its roots in a tradition of Marxist political economy which was concerned with analyzing the 'crisis tendencies' of modern capitalism in 'value-theoretical' terms. Within Marx's oeuvre there appear to be a number of possible sources of capitalist economic crisis (underconsumptionist phenomena, a wage-push/profit-squeeze, departmental disproportions, etc.); but there is only one that is squarely based and dependent on Marx's theory of value: the tendency of the rate of profit to fall as a result of a rising 'organic composition of capital'. It is therefore no mere coincidence that most fundamentalist value theorists are also proponents of this particular -- and much contested -- element of Marx's theory of capitalist crisis and decline.

Like the other schools in the value controversy, the fundamentalist school is by no means homogeneous, even though it does exhibit a greater consistency in terms of method and theoretical focus. In what follows I will be principally concerned with the contributions of Anwar Shaikh, whose work is not only representative of some of the main themes of the school but is also, in my opinion, the most consistently provocative and interesting.

Fundamentalist Approaches to the Transformation Problem

An early fundamentalist attempt to dispute the Bortkiewicz-Sweezy contention of a 'logical inconsistency' in Marx's transformation procedure is one made by Shane Mage.

As we have seen the Bortkiewicz-Sweezy criticism is that Marx failed to 'transform' the inputs along with the outputs in his transformation model. Furthermore it is sometimes alleged that Marx was aware of this inconsistency, as the following passage from his discussion of prices of production appears to show:

It was originally assumed that the cost price of a commodity equalled the value of the commodities consumed in its production. But for the buyer of a commodity, it is the price of production that constitutes its cost price, and can thus enter into forming the price of another commodity. As the price of production can diverge from its value, so the cost price of a commodity, in which the price of production of other commodities is involved, can also stand above or below the portion of its total value that is formed by the value of the means of production going into it. It is necessary to bear in mind too that if the cost price of a commodity is equated with the value of the means of production used up in producing it, it is always possible to go wrong. (1981b:264-265, emphasis added)

Now, when Marx states that 'it is always possible to go wrong' when cost price is equated with the value of the means of production consumed, it would seem that he is contradicting what he says in his 'transformation formula': namely that '[the capitalist] recovers money in proportion to the value of the capital consumed'(1981b:259).

The starting point of Mage's response to the Ricardian criticism is that 'the value of the means of production

consumed' and 'the value of the capital consumed' are by no means interchangeable formulations. It is a fetishistic error to equate capital (even constant capital) with physical things, i.e. means of production. It follows from this that the value of the capital consumed in production is not necessarily the same as the value of the means of production consumed. Moreover this observation seems to be supported by what Marx says immediately following the passage quoted above:

The cost price of the commodity is a given precondition independent of his, the capitalist's production, while the result of his production is a commodity that contains surplus-value, and therefore an excess value over and above its cost price. (1981b:265)

As a 'given precondition' the cost-price of a given commodity input to a capitalist's production process should be regarded as a form of value which has already been subject to the transformation process. Since it is the value of the capital exchanged with input commodities that is consumed in production (and not just the physical commodities themselves), a value expression of cost price must take into account the status of means of production as commodities whose values are subject to transformation. In other words, input commodities have already been subject to the influence of the general rate of profit (and, for that matter, other sources of determination in the sphere of circulation) and have been purchased at a 'market price'. But this 'market price' corresponds to the value of the capital that has been exchanged with it for

the purpose of consuming that input commodity in production. The 'market price' of an input commodity finds a renewed value expression in the value of the money capital 'invested' in its purchase. As Mage puts it:

The difference between the value created by its production and its price of production has already been transferred to other capitalists through the average rate of profit... Accordingly, in the Marxian formulas $c + v + s$ and $c + v + p$, c and v are indeed value expressions: they express the value of the capital consumed. (1963:243)

Referring to the same passages from Marx, Mandel makes a similar point: 'the extract cited does not imply that prices of production of inputs should be calculated within the same time-span as prices of production of outputs'(1981b:22-23). If this is the case, then it is not valid to assume that Marx anticipated (but 'ignored') the so-called 'feedback problem' which the Bortkiewicz method of 'simultaneous transformation' tries to meet. For Mandel, 'inputs in current cycles of production are data, which are given at the start of that cycle, and do not have a feedback effect on the equalization of the rates of profit in various branches of production during that cycle. It is sufficient to assume they they are likewise calculated in price of production and not in values, but that these prices of production result from equalization of rates of profit during the previous cycle of production, for any inconsistency to disappear'(1981b:23). Operationally this has the same result as Mage's argument: inputs (whether conceived as values, prices of production, or market prices) should not

be transformed along with outputs; rather it should be assumed that these inputs have already been subject to the transformation process in a previous period. According to Mandel such an assumption has both a theoretical and an empirical foundation:

not only is Marx theoretically consistent when he assumes prices of production of inputs resulting from equalization movements in different time-spans (during different years) from prices of production of outputs. This also corresponds much more closely to the real, empirically verifiable operation of the capitalist system as we know it than does the opposite assumption of von Bortkiewicz and his followers. (1981b:25)

Carchedi arrives at a similar conclusion based on a considerably more complex line of argumentation: 'while c [the elements of constant capital] must be bought and sold at the same price, this price is at the same time its social value as an output...of the previous period and its individual (but not embodied) value as an input of the present period' (1986:229).

Shaikh has attempted a 'value-form' approach to the transformation problem from a somewhat different angle. He argues that Marx's transformation procedure does not literally concern the transformation of 'values' into prices of production, but rather 'transforming one form-of-Value, direct prices, into another form, prices of production'(1977:134). By 'direct price' Shaikh means a 'money price' equal to a commodity's value relative to the value of the unit of money; or, more simply put, a monetized expression of value which still allows

the assumption that exchange takes place in proportion to the value of commodities. Such a conception has the merit of underlining that commodity-values have undergone a form-change before they are subject to the transformation wrought by the equalization of profit rates. Unfortunately, this idea is systematically concealed in the traditional 'algebraic' attempts to find a 'correct solution' to Marx's transformation procedure. For this reason Shaikh eschews the use of linear equations in selecting a method with which to vindicate Marx's own (correct, if incomplete) procedure. Shaikh, building on an approach independently suggested by Morishima (1973), attempts an 'iterative' solution which demonstrates how Marx's 'perfectly general' procedure can be extended (or 'successively applied') to arrive at 'correct' prices of production.

What all of these fundamentalist contributions to the discussion of the transformation problem have in common is a desire to demonstrate that there is no 'inconsistency' in Marx's own procedure -- no 'error in logic'. But the problem is not simply one of understanding Marx's procedure/solution in its own terms (as important as this is); it is also a problem of dealing with its relationship to some notion of 'economic equilibrium'. As we have seen, all of the 'algebraic' attempts to solve the problem on the basis of a model involving three departments of production have had to rely on some sort of arbitrarily selected 'invariance postulate' or 'normalization condition' in general incompatible with one or the other

of the aggregate equalities posited by Marx. Even Shaikh's non-linear iterative solution (which assumes the standard three department model) does not allow for the simultaneous results: total prices = total values, and total profits = total surplus-value. (Yaffe has presented a 'solution' consistent with both equalities, but it represents a variation of the Winternitz solution, which does not assume simple reproduction.) The conclusion is plain: neither Marx's transformation procedure nor the alternative procedures based on the Bortkiewicz method of 'simultaneous transformation' can accommodate the two aggregate equalities without violating the conditions of simple reproduction.

In light of this, only two possibilities remain open to the fundamentalists: either to question the legitimacy of the attempt to 'reconcile' the transformation process with the idea of simple reproduction, or to redefine 'what is at stake' in the transformation process itself.

The first strategy has been most fully explored by Yaffe(1975) and Carchedi. Carchedi argues as follows:

[The reproduction] schemes concern themselves with 'the re-conversion of one portion of the value of the product into capital and the passing of another portion into the individual consumption of the capitalist, as well as the working class'[Marx, Capital II]. In other words, these schemes concern themselves with the redistribution of the social product (in terms of use and exchange value) after that product has been realized through sale, in such a way that the equilibrium conditions of simple (or expanded) reproduction are met...Both inputs and outputs are commodities whose value has already been produced and realized so that -- obviously -- a commodity must be sold (as output) and

bought (as input) at the same price (market price). To consider constant and variable capital as inputs in an input-output sense, means to have already left the transformation problem behind, to deal with already realized values; it means to disregard the interplay between the individual and social values of c and v both as inputs and as outputs. (1986:220-221)

The second fundamentalist strategy has been to call into question the necessity of sustaining both of the aggregate equalities. If the conservation of value through exchange is somehow built into the transformation procedure (by holding the price-value equality invariant), then it becomes a question of explaining how total profit can diverge from total surplus-value. Shaikh has offered a novel and compelling explanation for this, which will be considered later in connection with his response to Steedman.

One other possible rejoinder to the traditional critiques of Marx's transformation procedure has been articulated recently. This involves the abandonment of the 'uniform rate of profit' concept. Strictly speaking, this is inconsistent with a 'fundamentalist' position since it not only rejects the framework of Marx's critics, but of Marx himself. However, as the adherents of this position try to argue, the notion of a 'uniform rate of profit' plays a far less significant role in Marx's theoretical system than it does in neo-Ricardian and neo-classical economics. Moreover, for Marx, the uniform rate is more a 'tendential' phenomenon than a 'real' condition. We shall examine the implications of this line of argument at the end of the present section.

Shaikh's Critique of Neo-Ricardianism

In Section 8.1, Ian Steedman was quoted as saying that since his critique of Marx is essentially an 'argument in logic', it can only be answered 'by finding a logical flaw in the argument or rejecting explicitly and coherently one or more of the assumptions upon which it is based'. Although it is certainly legitimate to point out the profound differences between Marx's 'dialectical logic' and the formal logical method employed by Steedman, the defense of Marx's value theory is considerably strengthened by successful attempts to show that Steedman's results are indeed based on faulty assumptions. This is precisely the approach taken by Shaikh in his highly original critique of neo-Ricardianism. Shaikh throws down his gauntlet in the following terms:

The analysis of Marx is, I claim, vastly superior in its overall structure to anything imaginable within the flat conceptual space of the neo-Ricardians. Indeed, it is their vaunted algebra, on which they base so many of their claims to rigor, that is in fact their greatest weakness. This is so, as we shall see, precisely because their algebra goes hand in hand with a series of concepts taken directly from what Marx calls vulgar economy: equilibrium, profit as cost, and worst of all, perfect competition and all that it entails. It is not the algebra but rather these concepts, whose apologetic and ideological roots are well known, that generate the basic conclusions. This will become immediately apparent when it is shown that exactly the same algebra generates very different conclusions, once it is 'asked' different questions. And these questions, in turn, are different exactly because the method and the system of concepts in Marx, his scientific analysis of the law of value, is so unlike that of vulgar economy. (1981:268-269)

Shaikh begins with a lucid and concise presentation of his own interpretation of Marx's theory of value. The foundation of this theory is Marx's historical-materialist thesis that 'labour-time is fundamental to the regulation of the reproduction of society': the performance of labour produces both use-values and social relations; the performance of surplus labour reproduces both the surplus product and the class relation; and a particular distribution of the "social labour in definite proportions" results in the production of "the (specific) masses of products corresponding to the different needs" of society' (1981:270).

Under capitalism this principle of 'regulation through labour-time' is just as much in force as it is in every other class society. However, since capitalist production is 'based on generalized commodity production', 'the vast bulk of the products that constitute the material basis of social reproduction are produced without any direct connection to social needs' (1981:270). This means that production is for exchange and that the private independent labor processes making up the social division of labor need to be 'forcibly articulated' with one another. But it also means (and this is crucial to Shaikh's subsequent argument) that each one of these private independent labor processes is 'dominated by the profit motive' (1981:270). What all this suggests is that these production processes are informed and animated by the knowledge that their products must 'measure up' to certain social standards

if they are to be sold at all, and even more so if they are to be sold at a profit. This establishes a particular relation between production and exchange:

Exchange is the sphere in which the contradiction internal to production itself, the contradiction between private labour and the social division of labour, is made visible. It is here that each capitalist first gets the good or bad news, through the medium of prices and profits. But at the same time, because this contradiction is internal to the social division of labor itself, its resolution implies the domination of the outcome of exchange, of prices and profits, by social labour-time. The outcomes of exchange are 'the form in which this proportional distribution of labour asserts itself'[Marx to Kugelmann]. (1981:271)

It should be noted that Shaikh does not deny the 'relatively autonomous' role of exchange in economic reproduction; it is precisely because exchange is the sphere in which the contradictions of commodity production are both 'exposed and resolved' (to quote Marx) that the process of exchange 'reacts back' upon the sphere of production and lends a particular form to the results of a given 'proportional distribution of labor'. However, Shaikh refuses to lose sight of the fundamental historical-materialist principle that what transpires in exchange must be regulated and dominated by the way in which social-labor time has been allocated in the sphere of production. This permits him to see the concept of 'abstract labor' (the substance of value) as the reflection in thought of 'a real social process': not a process rooted in exchange (as it appears to be for many neo-orthodox theorists), but rather in the processes whereby commodities are produced for the purpose of sale and the realization of profit. Thus,

abstract labor and value are, for Shaikh, the results of commodity production; both must be created through the real activity of producing commodities before they can enter into the realm of exchange. Once in exchange, commodity-values must then be realized in money-form; but this process of realization is distinct from the 'creation', 'production' or 'formation' of values in much the same way that the sale of a commodity is conceptually distinct from its production.

By refusing to conflate the concepts of 'value production' and 'value realization' into a muddled notion of 'value formation' or 'value creation' in the manner of the neo-orthodox school, Shaikh preserves a fundamental distinction which is better understood, ironically, by the neo-Ricardians than it is by many of the neo-orthodox theorists. The distinction concerns the 'measurement' of value (or abstract labor). For the neo-orthodox school money is the sole measure of abstract labor. But since money is incapable of measuring 'labor-time', the 'abstract labor' it is measuring is far removed from any concept of the socially-necessary labor time required for the reproduction of a given commodity. The process of exchange is given full autonomy to 'determine' (in whatever manner) the aliquot share of the 'total abstract labor' that is to be assigned (in some 'social accounting' sense) to that commodity. While the structure of production might influence the exchange process in some measure, it is far from 'dominating' it in

Shaikh's sense.

Shaikh reinstates the notion of 'socially-necessary labor time' which is central to Ricardian and neo-Ricardian interpretations of Marx. At the same time, however, he links it to a concept of how commodities 'represent' value rather than 'embody' abstract socially-necessary labor, while recognizing the importance of the 'value-form' to Marx's analysis. Shaikh's formulations may not be as true to the 'letter' of Marx's discussion of the magnitude of value as Steedman's, but the notion of 'representation' is much closer to the real meaning of Marx's concept of commodity-values than the (Ricardian) 'embodied-labor' terminology that Marx sometimes uses. The main point, however, is that for Shaikh as well as for Marx, value and abstract labor can be 'measured' in two senses: at the level of exchange or circulation, money is the sole measure of value and abstract labor; but at the level of production, these concepts are conceptually apprehended ('measured') in terms of units of labor.

By denying that 'abstract labor' can be measured at the level of production in terms of 'socially necessary labor time', the neo-orthodox school simply renders consistent their theoretical revision according to which value is created -- if only in a 'final' sense -- in exchange. Shaikh overturns this revision by explaining how the 'form of value' and the 'magnitude of value' are contradictory only in the sense that

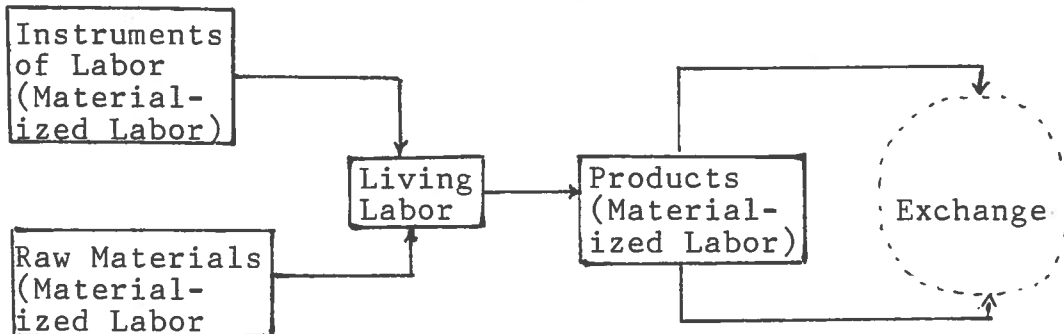
they are conceptual reflections of the real contradictions of commodity production:

[In the case of commodity production] the use-value is produced as a commodity, and indeed the whole nature of the production process is dominated by the fact that it is the exchange-value of this commodity that is central to the producer. In this case the use-value acquires its character as a commodity by virtue of the fact that this labor process exists within and through commodity relations, and not merely at the moment of exchange. This use-value is a commodity from its very conception, and the labour is both concrete and abstract from the very outset. Thus labour involved in the production of commodities produces value, while exchange merely realizes it in money-form. It is only because of this that Marx can distinguish between the amounts of value and surplus-value created in commodity production, and the generally different amounts realized through exchange. (1981:274)

Having summarized Shaikh's own distinctive understanding of Marx's theory of value, we may now consider his critique of Steedman.

Shaikh deals first with Steedman's argument concerning the 'redundancy' of a value analysis. I shall not dwell on this here because it is primarily concerned with some methodological issues already alluded to in our discussion of Steedman and to which I shall return in the next chapter. However, as an accompaniment to the figures used in the above discussion, it is useful to reproduce Shaikh's own diagrammatic conceptualization of Marx's account of the determination of economic reproduction through labor-values:

Figure 3



Marx's Account of Labor-Value Regulated Reproduction According to Shaikh

As can be readily seen by comparing Figure Three with Figure Two in section 8.1, Shaikh's conceptualization of the role of labor-values in economic reproduction is very different from the one that Steedman imputes to Marx. Indeed, Shaikh's figure captures the essential points of both his understanding of Marx and his critique of Steedman's redundancy argument:

It is human productive activity, the actual performance of labour, that transforms 'inputs' into 'outputs', and it is only when this labor is successful that we have any 'physical production data' at all. Moreover, if the labor process is a process of producing commodities, then it is one in which value is materialized in the form of use-values. Thus both 'inputs' and 'outputs' are the use-forms of materialized value, and we can then say that in the real process it is values that determine the 'physical production data'....it is values that also determine prices, in a double sense: prices are the forms taken by values in exchange, and the magnitudes of these values dominate and regulate the movements of their price forms. (1981:280)

It can scarcely be said that Shaikh and Steedman have an equal claim to a 'correct interpretation' of Marx's understand-

ing of the process. Although he does not explicitly acknowledge this, Shaikh has provided a faithful diagrammatic representation of one phase of the circuit of capital as this was presented by Marx in the formula:

$$M - C \dots P \dots C' - M'$$

By comparison Steedman's representation of Marx amounts to little more than a crude caricature.

Shaikh deals next with Steedman's argument that there is an irremediable inconsistency in Marx's analysis of prices of production and the transformation process. Shaikh starts by taking up from where his own treatment of the transformation problem had left off: 'The question is, given that circulation neither creates nor destroys values (assuming the whole product is sold), how is it that profits can differ from surplus-value?' (1981:283) His answer is based on Marx's distinction between the circuit of capital and the circuit of capitalist revenue. It should be recalled that most of the attempts to develop a 'correct' scheme of transformation of values into prices of production have sought to do so without violating the 'equilibrium' conditions of reproduction. But such schemes are concerned exclusively with the circuit of capital, and they cannot by their nature take into account the effects of value transfers between the circuit of capital and the circuit of capitalist revenue.

To see why this is significant, consider first what happens when there is a value-price divergence with respect to means of

production or workers' articles of consumption. In all such cases, the divergence can be explained in terms of a transfer of value within the circuit of capital: what one capitalist loses in capital values is gained by another, and in the end the value-transfers cancel one another out. Consider now what happens when there is a value-price divergence in capitalists' articles of consumption. Because the circuit of capitalist revenue originates in the circuit of capital, it might be expected that all of the value associated with this revenue will be 'fed back' into the circuit of capital once this revenue is expended by capitalists on articles of personal consumption. And indeed it will be. However, a 'social accounting' problem can appear as a result of a fall in the price of such commodities below their value. Such a fall will entail an equivalent loss of profit in relation to surplus-value, but 'the loss in capital-value due to profits being below surplus-value... appears as a gain in revenue-value to the capitalists who buy these articles of consumption' (1981:285). The result is that the loss in capital-value is compensated by an equivalent gain elsewhere, but this compensation 'disappears from the purview of the circuit of capital and is therefore not "charged" ...against the fall in profit' (1981:285). Put simply, the capitalists get to have their cake...and to complain about not having it too!

The relevance of all this to the transformation problem is succinctly summarized by Shaikh as follows: 'It is this transfer of value between the circuit of capital and the circuit of revenue, through the process of exchange, that explains why price-value deviations can give rise to deviations between the sum of profits and the sum of surplus-values, without violating the law of conservation of value through exchange'(1981:285). This idea, which Shaikh notes is entirely absent from most Marxist discussions, finds support from Marx himself: 'This phenomenon of the conversion of capital into revenue should be noted, because it creates the illusion that the amount of profit grows (or in the opposite case decreases) independently of the amount of surplus-value'(Theories of Surplus Value, Vol. 3, 1978:345). Or, as Shaikh puts it after some reflection on the form-of-value and the 'relative autonomy of the sphere of circulation': 'Profit...depends not only on the mass of surplus-value but also on its specific mode of circulation'(1981:286).

This argument is directly relevant to answering Steedman's general point that the value rate of profit and the money rate of profit cannot both have 'relevance' in a capitalist economy. Shaikh points out that such a conclusion is predicated on the correct observation that profit can diverge from surplus-value, but also on the incorrect notion that this divergence is not 'strictly limited'. Taking the concept of the relative autonomy of circulation from production as his starting point,

Shaikh proceeds to 'show how value categories themselves provide the limits to the variations in their money-expressions' (1981:286). The value rate of profit is a 'significant' rate of profit in the capitalist economy not because it is the basis upon which capitalists make calculated decisions, but because it is the axis around which the money rate of profit oscillates (just as value magnitudes are the 'centre of gravity' of production price magnitudes). Discrepancies arise between these two rate of profit as a result of a divergence between the mass of surplus-value and the mass of profit, a divergence determined by 'the extent to which the prices of capitalists' articles of consumption deviate from the values of these articles' and by 'the extent to which this surplus-value is consumed by capitalists as revenue' (1981:286-287). (This second point concerns the fact that, even when prices deviate from values for such articles of consumption, 'the size of any transfer from the circuit of capital to the circuit of revenue will also depend on the relative size of the circuit of revenue'[1981:287] -- i.e., the extent to which capitalists expend surplus-value on personal consumption rather than reinvestment in social reproduction.) None of this, however, vitiates the 'significance' of the value rate of profit; indeed, if anything, it underscores the importance of employing the 'value rate of profit' as a conceptual device in demystifying the money rate of profit.

The upshot of the discussion is this:

[In] the relatively autonomous mirror of circulation, the transformed rate of profit appears as a displaced image of the value rate of profit, essentially the same in determination but somewhat different in magnitude. The autonomy of the sphere of circulation is expressed in this displacement of magnitude; on the other hand, the limited nature of this autonomy manifests itself precisely through the fact that it is the structure of value categories (the pattern of organic compositions, and the proportion of surplus-value that is converted into revenue) that provides the limits to this displacement effect. The variations in the form of value are thus shown to be conditioned and limited by the very structure of value itself. (1981:290)

But what of Steedman's argument that a value rate of profit can have only a conceptual existence, while the uniform money rate of profit has a real and 'tangible' existence reflected in the real decisions and actions of capitalists? Clearly, a 'uniform' or 'general' rate of profit can only be conceptualized on the basis of processes of equalization of profit rates occurring within the sphere of circulation. A general value rate of profit can only exist 'through' its circulation form, the money rate. But it does not follow from this that the 'money rate' has primacy over the value rate. The value rate of profit has a real existence not as a calculable ratio influencing capitalists' decisions, but as a regulator and 'limiter' of the money rate of profit.

Shaikh makes the important point that Steedman's argument can be turned around and used against the 'concept' of the uniform money rate of profit, a concept integral to all Sraffian models, including his own. For capitalists do not 'calculate' a uniform rate of profit in order to price their commodities or transfer their capital. The uniform rate of profit is a

purely tendential phenomenon which operates behind their backs and imposes upon them certain decisions pertaining to price setting, profit 'mark-up' and capital investment. But this imposition is a mediated and indirect one; the uniform money rate of profit makes its influence felt only through the far more 'concrete' market prices, stock exchange indices and individual profit rates upon which capitalists base their actual decision-making. The uniform money rate of profit, then, is no less an 'abstraction' than the value rate of profit; moreover the status of the latter as a 'real abstraction' may be far more secure. Yet none of this means, according to Shaikh, that the concept of the uniform money rate of profit should be abandoned as 'insignificant'; it simply means that Steedman has arrogated the privilege of theoretical abstraction for himself while denying it to the proponents of Marx's value theory.

The matter does not end here, however. Shaikh is prepared to accept that the concept of the uniform money rate of profit is a useful device for the depiction of real processes. The trouble is that Steedman understands and applies the concept in a neo-classical 'equilibrium' vein rather than in terms of tendential regulation. This relates to the charge that several Marxists have brought against Steedman according to which his analysis is infused with 'harmonistic' notions. This 'harmonism' finds its clearest expression in Steedman's treatment of

prices of production and the uniform rate of profit as phenomena that 'obtain directly in circulation' -- a notion that could only be entertained by a theorist who 'assumes that there is no contradiction between private independently undertaken labors and the social division of labour'(1981:294).

As Shaikh concludes:

Once you replace the concept of tendential regulation with that of equilibrium, you have switched from abstraction as typification to abstraction as idealization. This is, of course, characteristic of vulgar economy, and is built into the basic mathematical foundations on which Steedman relies so heavily. (1981:294)

* * *

Before considering some of the fundamentalist responses to Steedman's analysis of 'joint production' and 'negative values', it is worthwhile to note that Shaikh's critique of neo-Ricardianism has not been confined to purely theoretical or qualitative methodological considerations. Implicit in his empirical work on the falling tendency of the rate of profit (to be reviewed in Part IV) is an attempt not only to vindicate Marx's own theory of the etiology of capitalist economic crisis, but also the law upon which this tendency is based: the law of value. However Shaikh has also undertaken an empirical investigation of price-value deviations which is directly related to some of the more narrowly-defined issues of the value controversy proper.

An important consequence of Shaikh's interpretation of the law of value is that variations in value should dominate vari-

ations in price. Shaikh sets out to empirically verify this expectation beginning with a theoretical and technical-mathematical consideration of the following questions:

First of all, as we move across industries during any given period of time, how do the inter-industry price variations compare to the corresponding variations in values? In other words, how close is the cross-sectional correlation between prices and values? Second, how do variations in prices over time compare to the corresponding variations in values? In other words, how strong is the inter-temporal correlation between prices and values? (1984:64)

Using the Marzi-Varri data for the Italian economy between 1959 and 1967, Shaikh undertakes a regression analysis which discloses that the 'cross-sectional variations in the calculated prices of production are entirely dominated by the corresponding variations in relative values, with between 87% and 92% of the former being explained by the latter' (1984:73). A similar closeness of inter-temporal correlation is also established. Shaikh concludes as follows:

the above result tells us that almost 92% of the changes in calculated prices of production are explained by changes in calculated values. This is Ricardo with a vengeance -- the very Ricardo scorned for over a century for having a so-called '93% theory' of prices of production! Of course, this particular aspect of Ricardo's analysis is carefully avoided by the neo-Ricardians. (1984:74)

Additional analysis of market price data presented by Leontief and of a statistical 'test' of business cycle data performed by the mathematician Jacob Schwartz also supports Shaikh's hypothesis that 'by far the major source of variations in relative prices over a period of several years will be the variations in the corresponding relative values' (1984:79).

Fundamentalist Responses to the 'Joint-Production' Argument

Steedman's demonstration of how cases of joint production render value magnitude analyses either indeterminate or flatly contradictory is based on a particular conception of how capitalists choose the techniques which they employ in production as well as on a mathematical example of the results of a joint-production model. We shall consider Shaikh's argument concerning the 'choice of technique' issue first, and then turn to Emmanuel Farjoun's critical dissection of Steedman's joint-production model.

Steedman's 'choice of technique' argument is predicated on the correct observation that capitalists in a given industry are often confronted with the need to choose amongst a number of possible methods of production. Naturally every capitalist wishes to choose the method which will yield the highest possible rate of return on capital invested. But a contentious point arises when we consider the question of how this wish can be transformed into a reality. Steedman assumes that the method chosen will be the one that yields the highest rate of profit, as this is determined on the basis of existing prices and wages. Significantly, however, these latter prices are assumed to be exactly equal to prices of production, and all prevailing rates of profit are deemed to be equal to the 'uniform rate of profit'. A situation of 'perfect competition' is supposed to obtain, and an ideal equilibrium is assumed to prevail. Hence, if a new method of production is to be adopted, it must introduce a profit rate higher than the capitalist's

existing rate of profit and therefore higher than the uniform rate. The logical conclusion is that new methods of production will only be adopted if they contribute to raising not only individual rates of profit but the uniform rate of profit as well.

Shaikh regards this argument (together with its implications for the 'logical ordering' of profit-rate determination and value-magnitude determination) as a 'resumé of the characteristic confusions of the neo-Ricardian school' (1981:295-296). First, Steedman does not consider the full significance of the fact that 'market prices and profit rates can never exactly equal prices of production and the uniform rate of profit'(1981:296). Because this is so and because calculations are not being made in terms of prices which 'embody' the uniform rate of profit, it is quite possible for a new technique of production in a particular industry to raise the industry's profit rate while also lowering the average rate of profit: 'A production method that yields a higher than average rate of profit at one set of prices need not do so at some other set' (1981:296). This argument is of course a simple extension of Shaikh's earlier debunking of the much-vaunted 'significance' of the uniform money rate of profit as compared with the value rate of profit. Again, Shaikh does not wish to throw out 'prices of production' or the 'uniform rate of profit' as analytical devices; he merely wishes to underline their necessarily abstract and tendential character while also exposing the misleading and down-right false conclusions that can be generated

with these concepts if they are employed in a different methodological spirit (one corresponding to notions of 'ideal equilibrium', etc.).

Emmanuel Farjoun, a charter member of the fundamentalist tendency which wishes to excise the notion of the 'uniform rate of profit' entirely from political economy, provides a detailed analysis of the conceptual assumptions and anomalous mathematical properties of Steedman's Sraffian model of joint production. However, while his attitude toward the uniform rate of profit concept is different from Shaikh's (and certainly more controversial), Farjoun's discussion of joint-production is not entirely dependent on the rejection of the 'uniform rate' concept.

Farjoun takes Steedman's own example of joint production (on p. 153 of Marx After Sraffa) and alters it only by suggesting that Steedman's 'commodity 1' be machines and 'commodity 2', cars. Following Steedman's, Farjoun's example is taken to represent an extremely simple capitalist economy with only two products (machines and cars). It is also assumed that there are two different industrial processes in use in the production of these two commodities, and that each of these processes produces both machines and cars jointly and simultaneously. The material flow of production for such an economy is summarized in Figure Four below:

Figure 4

	Machines	Cars	Labor Units	————>	Machines	Cars
Process I	25	0	5	————>	30	5
Process II	0	10	1	————>	3	12

Farjoun begins by noting that this appears to be a perfectly reasonable table and that, within the Sraffian framework, there is no reason to believe that such an economy could not function flawlessly. It is also quite apparent, after a little calculation, that if one tries to assign any reasonable numerical values to the concept of 'total socially-necessary labor time necessary to produce one machine' using the above table, then one cannot arrive at a positive solution. Some of the labor values will turn out to have negative numbers -- a patently unacceptable result. Thus, Steedman's indictment that cases of joint production can be inconsistent with 'positive values' and that positive profits can coincide with negative surplus-value appears to be vindicated.

Farjoun agrees that the example shows that labor values are not well defined under arbitrary circumstances. But the question for him is: does this constitute a drawback or an advantage to a value-informed analysis? Farjoun thinks the latter, the reason being that the situation depicted by Steedman is unreal -- not because it involves joint production, but because it posits two processes that could not co-exist

in a real capitalist economy.

Consider first that the economy depicted in Figure Four has a very peculiar characteristic: in Farjoun's words, 'If one stops using the first process altogether and applies only the second process then one can increase all the outputs while using a smaller amount of total social labour, i.e. using less than six units of labour' (1984:17). Consider also that Steedman's hypothetical economy is considered to be in a state of equilibrium guaranteed by perfect competition and that capitalists are motivated by the rational goal of selecting technical processes that can maximize their rates of profit. Given such conditions, Farjoun asks, 'what company can long survive in the market if it uses process I while a competitor uses process II?' (1984:17).

The problem with Steedman's example is that as a production table it is not 'on the frontier'. Farjoun elaborates:

using exactly the same techniques as are used by other firms, each firm which has shares in process I can increase its output while reducing its input by moving even a small amount of labour to process II. In fact, for each unit of labour moved from process I to process II, we shall get a net product free of charge of two machines and one car. In other words, by a reallocation of labour and without introducing any new production techniques, in Steedman's counter-example one can increase the total net output (the total net product at the end of each production process). (1984:17)

We can also compare the net output per unit of labor for each production process, and if this is done it becomes clear that process I allows for (5 machines + 5 cars)/ 5 units of labor = (1M + 1C)/1 unit labor, while process II allows for (3M + 2C)/ 1 unit labor. The upshot is that it is completely

unrealistic to assume that any rational capitalist would use process I. And yet this example -- involving such a patently unrealistic assumption -- is used by Steedman to judge the 'consistency' of a value-magnitude analysis with cases of joint production!

These considerations suffice to establish Farjoun's fundamental point as against Steedman: 'not every hypothetical production table is acceptable for economic matrix manipulations. Some tables must be regarded as either contradictory or incomplete' (1984:19-20). This certainly applies to the Figure Four table, and, for this reason, the argument it entails against the use of 'labor values' turns out to have no force whatever.

The combined effect of Shaikh's and Farjoun's critiques of Steedman is to expose how hidden theoretical assumptions can come to be disguised in apparently rigorous mathematical equations and reasonable-looking models. As Shaikh puts it, Steedman all too frequently 'takes refuge in algebra in order to obscure the profound silence on the question of method' (1981:290).

Should the 'Uniform Rate of Profit' Be Abandoned?

It is fitting to conclude the discussion of fundamentalist value theory with a brief consideration of a question now being entertained and debated within the fundamentalist camp: the appropriateness of maintaining the concept of the uniform rate of profit as a tool of analysis.

It should first be pointed out that this question acquires an especial urgency to the extent that the discussion of Marx's value theory is couched in terms of a debate with the neo-Ricardian followers of Sraffa. For if the concept of 'value' is fundamental to Marxist political economy, the notion of a uniform rate of profit is no less fundamental to the Sraffian analysis. In this connection we need only consider the testimony of Sraffa himself, who, after discussing a 'reasonable economy' which in his framework gives rise to infinite prices, remarks: 'It is perhaps as well to be reminded here that we are at all times concerned merely with the implication of the assumption of a uniform price [of production]...and a uniform rate of profits on all the means of production' (1960:91).

Farjoun is fully justified to note that in Sraffa's hands the concept of the uniform rate of profit has a purely formal significance and a rather weak relation to reality. Indeed, we have already noted Shaikh's argument that Steedman's use of the concept is similarly formal and strongly infused with neo-classical 'harmonist' notions. However there is an unfortunate tendency on Farjoun's part to identify the Sraffian (and neo-classical) conception of the uniform rate of profit with Marx's 'uniform', 'general', or 'average' rate of profit. Whereas Shaikh has sought to differentiate the Sraffian and Marxist understandings of the concept, while illuminating the methodological reasons for doing so, such theorists as Farjoun and Machover, together with the late Robert Langston, have

sought to render such an exercise superfluous by insisting that the concept -- however it is understood -- lacks scientific verisimilitude.¹³

While it is neither possible nor necessary to enter into a detailed evaluation of the Farjoun-Machover-Langston position here, the consequence of excising the concept of the uniform rate of profit from the body of Marx's theory of value (and substituting for it the concept of a 'probabilistic profit rate perceived as a random variable') should be noted: it is to render somewhat indeterminate a crucial phase of the transformation of the value form, namely the phase associated with the macroeconomic results of competition, capital mobility and surplus-value redistribution. While it is easy to sympathize with Farjoun's argument that 'Sraffian models are critically dependent on a very rigid notion of uniformity', one should cautiously and critically approach his associated implication that this 'rigid' notion of uniformity is really equivalent to Marx's understanding of the uniform rate of profit as a tendential phenomenon (reflecting one of the social production relations of capitalism -- the competitive relation between individual capitals in the market). If the debate surrounding this issue accomplishes nothing more than a clarification of the theoretical meaning of 'uniformity' as a tendential phenomenon in Marxist political economy, it will nevertheless have served a useful purpose.

Chapter Nine: An Assessment of the Value Controversy

The aim of the preceding two chapters was to provide a comprehensive summary of Marx's theory of value and a critical overview of some of the principal issues and debates that have figured in the value controversy (in both of its historical phases). In this chapter I shall provide my own general assessment of this controversy as a prelude to and basis for addressing the complex of questions to be dealt with in Part IV. Since the purpose of Part IV will be to specify the role of value theory in the historical-materialist analysis of contemporary capitalism, the principal goal of the assessment offered in this chapter will be to clarify at three relatively distinct levels the relationship of the theory of value to historical materialism as this relationship has been clarified through the value controversy. These 'levels' are, in order of consideration, the (philosophical) methodological, the substantive theoretical, and the (political) programmatic.

9.1 Methodological Considerations 14

During both phases of the value controversy, discussion of the 'scientific method' upon which Marx based his substantive theoretical analysis has received less attention than is warranted. Neither Marx's critics nor his defenders have undertaken a full assessment of Marx's approach to 'scientific methodology' even as this relates to the substantive issues that have been at the heart of the controversy over Marx's

theory of value. This 'omission' has had serious consequences both for the 'intelligibility' of the various disputes that have raged surrounding the 'qualitative' aspects of that theory and for the prospect of 'resolving' the controversy in such a way as to permit the theory's further development and application in social theory and research. What follows, accordingly, is an attempt to bring together some of the key elements of Marx's ('philosophical') methodology in a fashion relevant to contested issues in the value controversy.

Marx's 'scientific method' is inextricably bound up with a number of 'philosophical' positions which are present either explicitly or implicitly in the body of his theoretical work. To expedite consideration of his method we shall consider these positions under three headings: a) Marx's materialist monism, b) Marx's dialectical 'logic', and c) Marx's realist holism.

Marx's Materialist Monism

This aspect of Marx's philosophical-methodological standpoint has already been discussed at length in Part II:

Marx's historical materialism was constituted as a monism, epistemologically and ontologically. As such, it asserts that a single set of natural principles underlies all that exists. As a materialist monism, it therefore asserts the materiality of all that exists, while acknowledging the multiplicity of historical forms assumed by matter and by human knowledge of material circumstances. The 'duality of knowledge', accordingly, is not engendered by the existence of two orders of being (the material and the ideal, Kant's noumena and phenomena, etc.), but rather by the constitution of form and content as distinct objects of inquiry under conditions which tend to obscure their interrelationship.

Since Marx rejects all dualistic problematics, it should not be surprising that he subscribes to a fundamentally 'naturalistic' approach to the social sciences; that is to say, Marx recognizes no epistemological distinction between the natural sciences and the social sciences, just as he recognizes no ontological distinction between the 'natural world' and the 'social world', or between the 'material world' and the 'ideal world'. This does not mean that for him the methods employed in the social sciences will be or should be 'identical' to those used in the natural sciences; it simply means that social-scientific and natural-scientific knowledge do not have different 'epistemological statuses'.

Each science must develop methods uniquely suited to the analysis of its particular objects of investigation. To suggest that the methods of political economy should be the same as the methods of physics is as absurd as to say that the methods of geology should be the same as those of biology. Methodological diversity, however, does not signify ontological or epistemological heterogeneity. A 'naturalistic' approach to the investigation of social phenomena entails acceptance of the proposition that the social and natural sciences have a number of fundamental methodological features in common. The task of the social scientist, along with the philosopher of science, is to correctly specify these features. Hence, the adequacy of any particular application of 'naturalism' to the social sciences depends on the adequacy of the 'naturalistic' approach in question.

Although Marx did not address these questions as explicitly or fully as might have been hoped, it can be said that his own implied position on the 'possibility of naturalism' (to borrow Bhaskar's expression) was highly modern and anticipated many recent developments in the philosophy of science (non-Marxist as well as Marxist).

The implications for the value controversy of Marx's materialist monism and naturalistic approach to social science can be enumerated as follows:

1) Marx's scientific method is an objective one. This means that Marx seeks to explain how objective social laws influence human subjectivity rather than how subjectivity gives rise to social laws. This point relates to the difference between Marx's objective concept of value and Boehm-Bawerk's subjective concept, as well as to their competing conceptions of the laws of capitalist economy.¹⁵

2) The objectivity of 'social laws' is related to the fact that all social laws are really natural laws that have assumed a particular social form. Hence Marx's well-known statement in his letter of 1868 to Kugelmann: 'That this necessity of the distribution of social labour in definite proportions cannot possibly be done away with by a particular form of social production but can only change the mode of its appearance, is self-evident. No natural laws can be done away with. What can change in historically different circumstances is only the form in which these laws assert themselves' (1965:209).

3) The objective character of social laws in Marx's theory distinguishes them from 'absolute' as well as 'subjective' conceptualizations. The social form of a natural law is conditional, historically-specific and subject to the contradictory determinations of a social reality which is itself rent with contradictions.

4) Social laws are therefore doubly determined: by natural necessity, on the one hand, and by (potentially contradictory) social relations entered into by human beings, on the other. But both of these determinations are also conditional and tendential, as are the laws that they articulate. The way in which Marx understands the 'law of value' is fully consistent with this observation. This law is considered to be both an historically-specific manifestation of the human necessity to articulate a division of labor and tendential, i.e. subject to counteracting developmental tendencies.¹⁶

5) A particular method of abstraction follows from the above naturalistic and materialist-monistic themes. A critical sifting of the concrete appearances of things permits the theorist to distinguish between real (determinate) abstractions and ideal (mere) abstractions. Marx's procedure of ascending from the abstract to the concrete is predicated on the prior cognitive appropriation of real abstractions from the concrete -- abstractions which permit a theoretical reconstruction of reality in which the relations of determination and the 'hidden' structures mediating these relations become manifest. An

example of such a real abstraction is the commodity -- a palpable 'thing' which close examination reveals to be far more than a 'natural object'. The analytical interrogation of the apparently simple commodity form is the basis for isolating other real abstractions (such as 'value' and 'abstract labor'). Marx's rationale for treating value and abstract labor as real abstractions will remain somewhat obscure, however, until other aspects of his method and worldview are considered.

Marx's Dialectical Method

Few areas of Marx's thought are more controversial than his understanding and application of 'dialectics'. The larger controversy surrounding dialectics will not concern us here (e.g. the applicability of the dialectic to non-social natural phenomena). However the dialectical method employed by Marx in Capital is itself a source of considerable controversy and dissension. Here it will only be possible and necessary to consider a few aspects of the question.

Marx's materialist dialectic is fundamentally a method of apprehending the 'logic' of a material reality which is in constant flux and motion. As applied to the study of human societies it involves the investigation of the dynamic interaction between the material (or natural) content of a particular mode of human existence and its social form. This interaction is the key to disclosing the specific laws of motion dominating the historical movement and determining the general

trajectory of particular types of human society.

The materialist dialectic entails and deploys the following concepts:

- 1) The relation between social form and material content is an internal and interactive relation, one which results in the appearance of a 'second-order' dialectic of social content and material form. Social relations not only frame and condition the material content of society: they also find material expression or 'form' within that content.¹⁷
- 2) Contradictions have a real existence within human societies, and these contradictions must be properly grasped if society's 'laws of motion' are to be understood. Acceptance of the notion of 'real contradictions' (a notion inimical to the principles of formal logic) makes it possible for the theorist to analyze phenomena in a way which remains closed to practitioners of logical formalism. Specifically, it allows the dialectician to theoretically reproduce social reality as it really is rather than in the 'ideal' way demanded by the rules of formal logic. Thus, the notion of a 'real contradiction' takes its place beside that of a 'real abstraction' in the conceptual arsenal of the materialist dialectic.¹⁸
- 3) Dialectical logic enjoins the theorist to approach the study of the interactive relations and real contradictions existing between the various elements of the object of investigation from the standpoint of the totality which these elements comprise. The dialectical category of totality is predicated on

the 'anti-reductionist' postulate that the whole is greater than the sum of its parts: that the relationship between the whole and its parts is mediated by real structures and organizing principles whose existence and precise character can only be disclosed through arduous scientific labor.¹⁹

Marx's Realist Holism

It might be legitimately argued that Marx's materialism entails a realist stance and that his (historically-located) conception of totality implies a 'holistic' methodological position. But there is a point to considering the 'realist' and 'holistic' aspects of his method separately: both of these terms have received a good deal of attention in recent literature in the philosophy of science (a literature which has increasingly reflected the revival of interest in Marx's thought), and the discussion generated by these notions has wrought something of a transformation in the philosophy of science in general and in the understanding of Marx in particular. To characterize Marx's approach as 'realist' and 'holistic', then, is not to deny the more traditional characterizations of it as 'materialist' and 'dialectical'; it is simply to enrich these characterizations in light of recent discussions and to clarify the relationship of Marx's philosophical-methodological approach to similar strands in the natural and social sciences.

Marx's approach is a realist one (in the contemporary sense) because:

- a) he asserts the 'independent existence' of an 'objective reality' (in his case, a material reality) which is not, in the first instance, a product of human subjectivity (that is to say, Marx rejects subjective idealism);
- b) following from this, he subscribes to the view that scientific knowledge is concerned with entities whose existence and properties are not directly knowable through sense perception, such hidden structures being accessible only through reason;
- c) Marx's criterion for the 'truth' of a scientific proposition is not a purely instrumentalist one (i.e., one which regards scientific theories as instruments for the elaboration of practically-useful 'predictions'), but one of ascertaining the degree of 'correspondence' between such a proposition and the 'objective conditions' which that proposition is intended to describe;
- d) Marx rejects both the positivist insistence that science limit its 'ontology' to the directly observable and the corollary demand that theoretical vocabularies be limited to observational terms;
- e) Marx subscribes to the realist conception of scientific 'laws' according to which laws both describe and explain occurrences with reference to mechanisms animated by sometimes-hidden structures or entities, such unobservable entities (Marx often uses the term 'essences') being a source of patterns of determination or causation. Hence, Marx's conception of scientific

law is at odds with the positivist conception according to which laws are mere statements of 'universal regularities' and science is concerned with description and prediction more than with explanation: (see Keat and Urry 1982:5).

f) related to this last point, Marx is concerned with disclosing the real determinants of observable phenomena and events in order to explain the 'inner workings' of the object of investigation; realist 'determination' is therefore different from the positivist notion of determination, according to which the task of science is to 'determine' -- through calculation of the immediately observable -- the likely outcome of a series of events under specifiable conditions;

g) finally, the differences between the realist and positivist conceptions of science and scientific law find expression in Marx's specific approach to 'scientific models'. For Marx, such models need to be constructed on the basis of cognitively-apprehended 'real abstractions', not idealizations constructed out of the empirical appearances of reality.

Marx's approach is also holistic, because a) he is committed to the methodological precept of the irreducibility of macro-level accounts to micro-level descriptions or explanations; i.e. Marx believes that an adequate account of the 'whole' cannot be derived through an analysis of the 'parts'. While individual micro-level explanations are a legitimate and important task of science, such explanations require articulation with aspects of the macro-level 'whole' that are not

discernible through observation or analysis of the micro-level elements; and b) Marx accepts the notion that universals have a real existence, the effects of which must be grasped at the macro-level before their micro-level impact can be properly assessed; that is to say, Marx rejects the nominalist position of most strands of empiricism and positivism according to which reality is comprised solely of particular, individual, discretely-distinct things, whose classification under generic categories (class, nation, genus, etc.) is the result of a mere 'labelling' procedure which has nothing to do with the real existence of such (collective) categories. For Marx, the irreducibility of the whole to its parts is, at least in part, a concomitant of the notion that reality is comprised of general 'configurational' holistic categories and not distinct, purely individual things. Indeed, such categories should be numbered among the hidden but real structures which play a role in the concrete determination of individual cases and particular outcomes. For Marx, then, universals have primacy over particulars.

* * *

The implications of the methodological positions delineated above are wide-ranging, bearing importantly both on the appropriate interpretation of Marx's theory of value and on the various positions that have been staked out in the controversy surrounding it. Certainly, the substantive propositions and

arguments advanced by Marx can be neither properly understood nor effectively evaluated without a profound awareness of the 'distinctiveness' of the scientific method that he brought to bear on the subject matter of political economy.

An exhaustive comparison of Marx's method with the methods of other currents of 'economic theory' cannot be undertaken here. It should be noted, however, that the neo-classical and neo-Ricardian (Sraffian) traditions have much more in common with one another than either has with Marx's method. Both of these traditions embrace essentially positivist conceptions of science, scientific law, and 'determination', and both tend to employ ideal abstractions (e.g., the notions of 'perfect competition' and 'perfect equilibrium') rather than real abstractions. At the same time, neither tradition appears interested in locating and analyzing those hidden but real structures which Marx regards as the keys to a satisfactory explanation -- as distinct from description -- of capitalist reality, and neither appears to accept Marx's realist-holistic conception that universals have a real existence. Both neo-classicism and neo-Ricardianism pride themselves on strict adherence to the rules of formal logic; both stake their claims to 'scientificity' on the mathematical models which they develop (often on the basis of 'hidden' theoretical assumptions); both regard production as a process dominated by eternal natural laws with no specifically social form; and both consign the influence of the social on the economic primarily to the sphere of exchange and distribution. Because

both schools accept a positivist conception of scientific law, they understand laws as 'laws of regularities' -- useful to the prediction of unique and specific results under carefully specified conditions, rather than as processual tendencies involving hidden mechanisms which themselves merit attention if the 'limits' which these laws set are to be properly grasped.

There is, however, one, not unimportant, area in which neo-Ricardianism finds itself closer to Marxism than to neo-classicism. Neo-Ricardians are committed to an 'objective' conceptualization of price and profit formation, eschewing the subjectivism which is endemic to the marginalist approach. At the same time, neo-Ricardians are less 'atomistic' or 'individualistic' in their understanding of the relationship between the whole and its parts than are the neo-classical theorists. For example, the notion of 'class' finds an important place in the neo-Ricardian framework, albeit as a phenomenon which makes sense of the division and distribution of the surplus between wage and profit components.

Nevertheless, the general thrust of neo-Ricardianism belies the tentative anti-reductionism implicit in its reinstatement of class to economic analysis. The neo-Ricardian project, like the neo-classical, is concerned above all with prices and profits as these are constituted at the micro-level; the macro-economic is regarded as a level which can be approached only on the basis of the individual (micro) instances

comprising it. There are no theoretical categories in the neo-Ricardian vocabulary that have the 'universal'-holistic status of such Marxist categories as 'value', 'abstract labor' or even 'the world of commodities'.

How then do the foregoing methodological considerations bear on an assessment of the value controversy proper? In answering this question it will be helpful to narrow our focus to two sets of issues: one pertaining to the neo-Ricardian challenge to Marx's value theory, the other pertaining to the interpretation of Marx's substantive claims by his neo-orthodox and fundamentalist defenders. The first set of issues concerns the meaning of Steedman's charge that prices and profits can be 'determined' by physical data and the real wage, without reference to any 'value calculation'. The second set concerns Marx's understanding of the concepts 'value' and 'abstract labor'.

Realist versus Positivist Notions of 'Determination'

As part of his (roughly) neo-orthodox defense of Marx against Steedman's criticisms, Ben Fine argues as follows:

the Sraffians conflate 'causation' with 'calculation', an aspect which is concealed to a large extent by the common use of the term 'determination' in the two different senses to express both causation and calculation...

With given production conditions, generally an input-output matrix, both values and prices and profits, subject to wages, can be calculated. But prices cannot be calculated from the corresponding values. Hence, it is argued that values are irrelevant in the causation of prices and profits and are thereby rendered redundant. Here there is a clear slippage between what causes prices to be what they are and what allows them to be calculated. Because I can measure and calculate the level of rainfall, this does not imply any understanding of the causes of rainfall. By the same token, to claim that technology etc. determines prices, and values do not, simply because prices can be

calculated from technology and not from values, is irrelevant to the causal status of values...(1986:6)

Fine's argument is illustrative of a realist approach to the problems of 'determination', 'causation' and 'calculation'. In effect, Fine reproaches Steedman and other Sraffians with adopting a typically 'Humean' and positivist stance in relation to the tasks of science. For Steedman and his co-thinkers, to 'determine' something means to be able to 'calculate' it in such a way as to arrive at a fixed and definite 'prediction'; 'causation' enters into this schema as a mere description of a set of explanans regularly associated with an explanandum. From the realist perspective, however, such a procedure 'explains' nothing; and this is precisely why the Sraffian approach is scientifically deficient.

Anwar Shaikh illuminates the deeper roots of the neo-Ricardian conflation of causation and calculation in the following passage from his critique of Steedman's 'redundancy' argument:

[The neo-Ricardians] typically confuse the real process with its appropriation in thought. In the real process, as we have seen, social labour-time really regulates exchange. The physical data are then a conceptual summary of the real determination, and if we then use the data to conceptually calculate values, we only capture in thought their real magnitudes. Such a calculation no more determines these values than does the calculation of the mass of the earth determine either the earth or its mass. It merely recognizes what already exists. This is a fundamental point in a materialist view of the world, and the eighty-year failure of the neo-Ricardians to distinguish real and conceptual determination reveals their long attachment to an idealist method. (1981:281)

Fine's and Shaikh's arguments demonstrate that a substantial amount of common methodological ground exists between the neo-orthodox and fundamentalist schools. Both are committed to a realist conception of 'determination' as against Steedman's positivist one. Yet there are definite limits to this methodological convergence, limits which shed considerable light on the substantive theoretical differences existing between the two schools as we shall soon see.

The Ontology of Abstract Labor and Value

In Chapter Seven we considered Boehm-Bawerk's argument that Marx is not justified in positing labor -- or even 'labor in general' -- as the sole common property of commodity values. It will be recalled that Boehm-Bawerk maintains that one can just as easily, and perhaps more justifiably, posit 'utility' as such a common property. We then considered Kay's counter-argument according to which the category of abstract labor is not a particular, while 'utility' (or use-value) can exist only in particular forms. Kay maintains that because 'abstract labor' can achieve a form of existence independent of particular concrete expressions of labor, it is not a mere mental generalization in the way that the category of 'abstract utility' can only be. Abstract labor is something more than a mental generalization because it has a real existence grounded in the labor process and expressed in money. In Kay's words: 'in searching for the form of existence of abstract labor we are merely looking for the value-form'.

Norman Fischer (1982) has attempted to complete and extend Kay's argument. He begins by noting an important deficiency in Kay's position:

[Kay] argues that abstract labor (labor in general) does exist both in the commodity, and in money. But cannot Boehm-Bawerk make the same claim with respect to utility? Kay's analysis is incomplete insofar as he does not make it clear whether or not the existence of abstract labor in the form of the commodity or as money is the existence of a particular. (1982:29)

Fischer insists that to complete the argument against Boehm-Bawerk on this basis it is necessary to render explicit a significant methodological difference between Boehm-Bawerk's empiricism and Marx's realism, a difference concerning whether or not 'universals' or 'generalities' can be said to have a real existence, and, further, whether these universals can be regarded as having ontological primacy over individual particulars. Fischer also suggests that this question should be considered in conjunction with Elson's thesis that abstract labor and value are internally related to one another (1982:30).

To use the methodological vocabulary already deployed in this chapter, the question posed by Fischer is this: is the category of 'abstract labor' an abstract universal or an abstract particular, and should this category be approached from a holistic-realist standpoint or from a nominalist-positivist standpoint?

Fischer's thesis is that Marx regarded abstract labor as an abstract universal, as the kind of 'general social structure' which necessitates an ontology of 'social, non-particular

entities'. Whereas empiricist or positivist conceptions of science are two-tiered (admitting only laws and particulars, and defining 'laws pertaining to particulars' as the primary objects of science), Marx's ontological position partakes of a three-tiered approach in which real structures play a mediating role between laws and particulars; thus, for 'scientists' to explain the operation of laws in the interests of truly understanding reality, they must seek to analyze and explain the existence and nature of these actually-existing yet hidden structures. Abstract labor is one such structure, but the question remains: how can it be said to exist as more than a mental generalization or logical abstraction?

Fischer notes that 'what characterizes Marx's philosophy within those that are three-tiered is its holistic interpretation of the entities mediating laws and particulars'(1982:30). Within Marx's theory there are several social-structural entities which enjoy holistic-ontological status, among them abstract labor, value and 'the world of commodities' ('commodities in general', as it were). In our initial reconstruction of Marx's theory of value in Chapter Seven, the 'holistic' inflections of Marx's analysis were deliberately stressed, particularly in the discussion of the distinction between 'value' and 'exchange-value'. But it is not necessary to 'read between the lines' in order to discover Marx's holistic commitments; we need only consider the rather explicit holism of the following passage from Marx's appendix to the first edition of Capital I:

Within the value relationship...the abstract universal is not considered to be a property of the concrete sensuously real, but on the contrary, the sensuously concrete is considered to be the form of appearance of the abstract universal. The labor of the tailor which, for example, is contained in the equivalent coat does not possess the universal property of being human labor. Rather, the opposite is the case. It is its essence to be human labor. To be the work of the tailor is only its apparent form...This quid pro quo is unavoidable because the labor which is represented in the product is only the creator of value insofar as it is undifferentiated labor. Thus, the labor which is objectified in one product is completely undifferentiated from the labor which is objectified in the value of a different sort of product. This reversal, whereby the sensuously concrete is considered as only the form of appearance of the abstract universal, as opposed to the case where the abstract universal is a property of the concrete, characterizes the value expression. At the same time it makes its understanding difficult. (1953:271, translated by Fischer 1982:31)

Marx states explicitly here that the concrete can be the form of appearance of the abstract, i.e. abstract labor finds expression in the concrete particulars of the products of labor. To conceive abstract labor as a universal structure is not to deny that it finds particular expressions or concrete forms; it is to insist that it has an existence (or form of appearance) independent of these concrete particulars as well. As Kay suggests, this independent form of existence is money, what might be termed the 'general' form of appearance of abstract labor (as distinct from its particular forms of appearance). Stated differently, abstract labor as an historically-specific universal can have a 'general' expression only through the value-form, money. However this is not the case with utility. As Fischer puts it: 'within Marx's thought, value

and abstract labor are said to bear a different relation to one another than do value and other entities, such as utility. Utility can exist independently of value, but abstract labor cannot' (1982:32). We should be clear on what is being said here: abstract labor as a real universal social structure has an internal relation to value and its money-form; it can only exist as such a universal on the condition that value (and money) exist. Utility, on the other hand, has no necessary relation either to value or money; something can have utility without having a price. Even more importantly, however, 'utility' is not a universal structure requiring a 'general' expression independent of its particular expressions. (To quote Sohn-Rethel: 'the commodity is not, like its use-value, the exclusive private datum of a solipsistic self, but belongs to a single world which is common to all the particulars'[1978:43].) It is for these reasons that abstract labor can be regarded as the common property and measure of commodity values, while 'utility' cannot.

Fischer's clarification of the ontological status of abstract labor and its relation to value has several important implications for the debate between neo-orthodox and fundamentalist theorists as well. Within the neo-orthodox camp there exists a strong tendency to either reduce abstract labor to a particular 'aspect' of social labor, an aspect which finds expression only at the level of particular commodities (as an 'immanent measure' of value) and/or in particular money prices (as an 'external measure' of value); or to regard abstract labor as a structure which finds expression or 'embodiment'

only in money. The first tendency, to be found in Elson's work, results, as Fischer has noted, from an apparent unwillingness to 'pursue the issue of whether or not...abstract labor is actual', or to probe 'the ontological division between empiricist and non-empiricist approaches' (1982:31). The second tendency, typified by Himmelweit and Mohun and carried to it furthest extreme by Eldred, is to deny that abstract labor finds any kind of embodiment or expression at the level of the individual commodity and that it can only be meaningfully measured at the level of (individual) money-price. The proponents of this position also skirt the issue of the ontological status of abstract labor; indeed, it is noteworthy that, despite their fondness for Hegelian formulations, their thinking appears to be influenced by a residual empiricism expressed in a tacit adherence to the nominalist view that particulars (in this case, particular money-prices) enjoy primacy. The practical result of both of these neo-orthodox tendencies is to evacuate Marx's problematic and to approach positions surprisingly reminiscent of the neo-classical tradition.

Although Fischer believes that the holistic conceptualization of abstract labor lends itself to an improved version of Elson's 'value theory of labor', it is my view that such a conceptualization is already the implicit ontological basis of the fundamentalist account of value theory, as represented by Shaikh in particular. As we have already seen, the fundamentalist account stresses the importance of both the 'magnitude

of value' and the 'form of value'. The magnitude-of-value problematic directs attention to the macro-level and to the measurement of value in terms of abstract socially-necessary labor time. The form-of-value problematic directs attention to the micro-level problem of the quantitative relation between particular commodities as this is expressed through the money form of value. What is often 'forgotten' by neo-orthodox theorists is that money becomes the 'form of value' in its role as the universal equivalent; or, as Marx says: 'Since all other commodities are merely particular equivalents for money, the latter being their universal equivalent, they relate to money as particular commodities relate to the universal commodity' (1977:184). Money is the 'universal commodity' because it is the expression of undifferentiated abstract labor. Marx goes on to say that 'the money-form is merely the reflection thrown upon a single commodity [the money commodity] by the relations between all other commodities' (1977:184). This can be expressed otherwise as follows: money is the form of appearance or 'reflection' of a structure of abstract labor which mediates the relations existing between commodities. But to understand this structure (a structure which also mediates the relation between laws and particulars), one must look to the macro-level problem of the 'magnitude of value'. Abstract labor needs to be conceived as a structure (of relations) grounded in production but reflected by individual commodities in the sphere of

circulation -- and this is precisely the general position enunciated by Shaikh and by the fundamentalist school in general.

Fischer notes in passing that while the holistic conceptualization of abstract labor as a real universal with an internal relation to value allows a clearer understanding of the connection between Marx's historical materialism and his theory of value, G.A. Cohen's 'defense' of Marx's theory of history adopts a 'neutral' stance with respect to value theory. However Cohen's 'neutrality' soon gave way to outright rejection in an article which has been seen as an attempt to furnish a 'philosophical foundation' for neo-Ricardianism. So it is to Cohen's critique that we shall now turn in winding up the discussion of Marx's method and its relation to his theory of value.

Cohen's Critique of Marx's Theory of Value

There are several facets to Cohen's argument in his article 'The Labour Theory of Value and the Concept of Exploitation', but we shall concern ourselves here only with the cornerstone of Cohen's critique:

The theory entails that past labour is irrelevant to how much value a commodity now has. But past labour would not be irrelevant if it created the value of the commodity. It follows that labour does not create value, if the labour theory of value is true. (1981:209-210)

Although Cohen is able to distinguish between a 'popular' (vulgarized) version of the labor theory according to which value is embodied or congealed labor and a 'strict' version

according to which value is determined by socially-necessary labor time, Cohen's argument is crucially predicated on a rather simplistic understanding of the proposition that 'labor creates value'. Moreover, once this misconception is removed, so too is the 'paradox' contained in his apparently 'logical' conclusion.

First, we should note that Cohen is willing to entertain the notion of socially-necessary labor time, but he at no point addresses the question of 'abstract labor'. This is a critically important omission because Marx's theory does not state that 'labour creates value' but rather that 'abstract labor creates value'.

As I have noted several times, the abstract labor which is 'creative' or 'constitutive' of the value of a commodity is the labor socially-necessary for its production at that time. Abstract labor is not 'physically incorporated' into commodities as an aspect of concrete labor (for, if this were the case, the value of commodities would be unchanging -- an absurdity). Instead, abstract labor stands as a 'general structure' standing in a definite relation to the values of particular commodities.

On the basis of these considerations we can proceed to a critical dissection of the statements of Cohen's argument. First he proposes that 'past labour is irrelevant to how much value a commodity now has'. By this he means that the

amount of socially-necessary labor time required for its production in the past is 'no longer' relevant to the determination of its value (provided, of course, that there has been a change in the amount of labor 'standardly' required to produce it). The misleading implication of this statement is that the socially-necessary labor time 'physically incorporated' into a commodity in the past was relevant to how much value the commodity had at that point in the past. That Cohen understands the value of a commodity to be determined by the socially-necessary labor time 'physically incorporated' into it is even clearer when he proceeds to state that 'past labour would not be irrelevant if it created the value of the commodity'. This proposition only makes sense if we understand Cohen to mean that value is created at the same time and by the same labor as the 'physical body' of the commodity. Cohen's (characteristically neo-Ricardian) conception of 'embodied socially-necessary labor' is rendered even more explicit when he asserts that the proposition 'labour and labour alone creates value' necessarily belongs to the 'popular doctrine' of the labor theory. Resorting to a quite shameless sleight-of-hand, Cohen actually refers to the above proposition as a sentence which 'speaks' of 'value as embodied or congealed labour'. But this is only true if the labor referred to is concrete labor rather than abstract labor.

Let us now consider Cohen's argument as it needs to be amended to more faithfully reflect Marx's position:

The theory entails that past abstract labour is irrelevant to how much value a commodity now has. But past abstract labor would not be irrelevant if it created the value of the commodity. It follows that abstract labour does not create value, if the labour theory of value is correct.

Cohen's legerdemain can now be more easily exposed. It is, of course, quite true that past abstract labor does not create the value that a commodity presently represents. But it does not follow from this that 'abstract labor does not create value', if abstract labor is understood to be a real structure of relations presently determining the value of that commodity on the basis of the social production norms currently required for its (re)production.

How could such a knowledgeable Marxist as Cohen so egregiously misrepresent Marx's theory of value? The answer is plain. Although Cohen has done a great deal to clarify specific aspects of Marx's materialist conception of history, he has never fully embraced, explored, or, I suggest, understood several critically-important components of Marx's methodology. Certainly, Cohen's obvious devotion to formal logic (reflecting an academic training in analytical philosophy) has been an important impediment. Even so, it is disturbing that Cohen not only failed to consider the complexity of Marx's concept of abstract labor; he chose to entirely ignore it, along with its methodological foundation. In so doing, however, he has merely retread a well-worn path.

9.2 Theoretical Considerations

The central place occupied by the concept of 'abstract labor' in Marx's theory of value should now be quite clear. However, because we have been focusing primarily on debates pertaining to the law of value under capitalism, it is easy to lose sight of a point made in Chapter Five: namely, that while 'abstract labor' is constitutive of value under capitalism, this is not the case under conditions of pre-capitalist (simple) commodity production. It will be recalled that abstract labor itself should be regarded as a specific historical form of 'socially-equalized labor' and that this latter category, in its dialectical turn, has the sum of concrete social labor as its ineliminable ontological foundation. This means that we can speak of pre-capitalist 'commodity values' and of the operation of the law of value under conditions of simple commodity production just as long as we are clear that this involves a different form(s) of 'socially-equalized labor' than that which we understand under the heading 'abstract labor'.

The controversy surrounding the concept of 'abstract labor' between fundamentalist and neo-orthodox theorists should serve only to reinforce this point. Once abstract labor is apprehended as a real but 'hidden' structure of relations standing behind and determining the value of commodities, as well as 'mediating' the relation between the general 'law' of the social distribution and division of labor and the particular products of labor created to satisfy social needs, we can

recognize in it an historically-specific form of what Marx regarded as a 'natural law'. Abstract labor as a form of socially-equalized labor is specific to capitalism in the same way that a fully reified 'law of value' is specific to it. As stated in Chapter Five: 'abstract labor appears (exists, develops) to the degree that exchange becomes the singular (exclusive) social form of production'. And further: '[the characteristics of abstract labor] require for their full flowering a set of social production relations capable of ensuring that the general social form of production will be that of private exchange. Only the developed capitalist mode of production can furnish such a set of production relations'. I would now add that such a structure of production relations would be a structure which subsumes the dominant mode of surplus extraction (exploitation). So long as the extraction of surplus labor is carried out primarily under conditions or production relations that do not involve market exchange (the law of value), abstract labor cannot emerge as that dominant (historically-specific) form of socially-equalized labor which structures the relations between the social apportionment of labor and the products of labor. In other words, 'socially-equalized labor' is rendered fully abstract only when the labor process is under the domination and direction of capital and is decisively geared to the creation of surplus-value, not simply exchange-value.

These considerations link up with the specification of the law of value made in Chapter Seven. There it was noted

that Marx's definition of capital involves seeing it as an exploitative relation of production operating through value relations. It is precisely the intervention of capital into the production process -- its 'revolutionization' of the labor process in the interests of 'valorization' -- which qualitatively strengthens the emergence of 'abstract labor' as the real structure dominating social reproduction.

At this point, however, we run into what many might regard as a 'paradox'. In the earlier discussion of 'Value and History', it was asserted that 'it is the value-form, of all social forms, which most consistently promotes a logic of technical rationalization favoring the growth of the productive forces'. But if this is so, how can Marx maintain, as he does, that capitalism, no less than the pre-capitalist modes of production, is 'doomed' to an historical crisis (decline) stemming from a growing contradiction between the material forces of production and its social relations of production? Capitalism generalizes value as the social form of the product of labor and establishes in 'abstract labor' a structure geared above all towards enforcing a perpetual 'revolution' in social production norms.

There are two principal ways to approach this 'paradox'. One way would be to say that value relations do not exhaustively define the capitalist relations of production, and that 'despite' the dominant role of value in social reproduction, other relations -- such as the antagonistic class relation

between workers and capitalists -- could generate crisis tendencies leading to the historical obsolescence of the capitalist mode of production. The alternative way would be to say that once the 'value form' is wed to the dominant form of exploitation, the law of value acquires a much more contradictory logic -- on the one hand, promoting scientific and technical progress (growth of the productive forces in qualitative terms), on the other hand, restraining such progress to the degree that it conflicts with the perpetuation of exploitative class relations. It is clear that Marx follows this second approach, just as it is equally clear that many Marxists -- including many who claim to accept Marx's theory of value -- are more comfortable with the first approach.

This brings us to the very heart of the relation between Marx's theory of value and his doctrine of historical materialism. To answer the question: how, exactly, do the forces of production enter into contradiction with the relations of production under the capitalist mode of production?, one must first grapple with this question: in what sense can we speak of the law of value as a particular historical form or expression of a more general law grounded in the 'material' (or natural) content of human society? This question has been addressed in various ways throughout this study. But it is related to an equally important question pertaining to Marx's conceptualization of the 'pattern' of human history, namely: is there a limit to the role of value in promoting the

productivity of labor (technical rationality), and if so, how can this limit be specified? In my opinion, the attempt to answer this question is the most important object of Marx's Capital. In seeking to answer it, however, Marx was able, from his own historical standpoint, to treat only some aspects of the question. The real significance of the attempt to preserve Marx's value analysis is to preserve the legitimate elements of Marx's own answer to this question while also seeking to extend and complete it. This will be the principal theme of Part IV.

9.3 Programmatic Considerations

At the very beginning of Chapter Four, it was asserted that 'historical materialism, as a component of Marx and Engels' "scientific socialism", is inextricably implicated in Marx's notion of the unity of theory and practice; that whatever its scientific merits or ideological defects might be, it must be seen as serving a practical political project; and that, indeed, this is consistent with a seldom-stated but nevertheless powerful historical-materialist thesis according to which program (defined as the unity of means and ends) generates theory (defined as the apprehension of the conditions under which programs may be acted upon and realized)'.

Neither Marx's theory of value nor the controversy surrounding it are divorced from practical 'programmatic' considerations. Theoretical positions on Marx's analysis not only generate programmatic perspectives, but reflect them as well. This is perhaps most obvious when we consider the

neo-classical critique of Marx's theory of value as elaborated by Boehm-Bawerk. Boehm-Bawerk was writing not as a 'disinterested' scholar and student of capitalist economy, but as a very interested and committed defender of the capitalist order from the possibly 'dangerous' influences of Marx's ideas. Furthermore, as Bukharin argued, Boehm-Bawerk's marginalist analysis might arguably be seen as a theoretical expression of the interests and social outlook of the rentier stratum of the bourgeoisie -- the 'coupon clippers' who are divorced from any role in social production, but who nevertheless benefit from the capitalist form of this production.

The controversy among Marxists over the theory of value is no less replete with programmatic influences and implications. First, it should be noted that the 'neo-Ricardian Marxists' represent the left wing of a school which has sought to find a micro-economic foundation for Keynesian macro theory. As Lebowitz(1973-74) has argued, the co-existence of marginalism and Keynesianism within Samuelson's 'neo-classical synthesis' has always been an uneasy one, and the emergence of neo-Ricardian theory allows the Keynesian system to 'detach itself from neo-classical theory'(1973-74:402). The recent emergence of a strongly neo-Ricardian 'post-Keynesian' school testifies to the acuity of Lebowitz's judgment. However there is another, even more interesting, dimension to Lebowitz's diagnosis. Following Bukharin's

example, he has tried to unearth the 'social roots' of neo-Ricardian theory; and he has found them in the requirements of the managerial 'functionaries of capital' for an objective understanding of price and profit formation: 'neo-Ricardian theory in general is an attempt to analyze all of the concrete forms that appear on the surface of society. It does so from the perspective of the technostructure, and in this sense may be described as a new "vulgar economy"' (1973-74: 400-401).

'Marxist' neo-Ricardianism has essentially the same analytical agenda, but it claims to pursue the analysis in the interests of strengthening labor's position vis à vis capital. Characteristically, neo-Ricardian Marxists place great emphasis on the role of the class struggle not only in altering the political relation of forces between the fundamental social classes (as all Marxists presumably do), but also in engendering the crisis tendencies of the capitalist economy in quite a 'direct' sense. Since the division of the 'surplus' between wages and profits supposedly reflects the balance of forces in the class struggle, and since this division 'determines' the prospects for capitalist accumulation, neo-Ricardians tend to echo the arguments of conservative and liberal economists according to which capitalist economic crises are typically caused by a 'wage-push/profit-squeeze' and/or by declining labor productivity resulting from 'labor strength' at the point of production. But

whereas mainstream economists deplore the 'irresponsible and unrealistic demands' of labor, left-wing neo-Ricardians tend to celebrate them as harbingers of consciously anti-capitalist struggle.

Marxist fundamentalists take a very different view. For them, capitalist economic crises create opportunities for, and also necessitate, anti-capitalist action by the working class. But in their view, it is simply not the case that capitalist economic crises are the direct result of economic class struggles. Rather they are seen as the result of an ensemble of structural contradictions endemic to capitalism, as summarized in Marx's statement that 'the barrier to capitalist production is capital itself'. 'Capital itself', however, encompasses a number of social production relations which it was Marx's object in Capital to analyze. Indeed, it is the particular way in which these production relations are articulated with one another that creates the objective basis for both conjunctural economic crises of the capitalist economy and for the 'historical-structural' crisis of the capitalist mode of production signifying the exhaustion of capitalism's historically-progressive role in developing the forces of production. Increasingly, these social production relations ensnare the capitalist economy in the sort of 'contradictory logic' already referred to in the previous section.

Fundamentalists do not deny that the class-struggle, even

as this manifests itself in 'business unionism', plays a role in articulating the crisis tendencies of the capitalist economy. They merely deny the neo-Ricardian/post-Keynesian notion that if the 'class struggle' can somehow be rationally contained or managed, capitalism can enjoy a 'crisis-free' evolution. For the fundamentalists such a notion is a pure utopia: both because no economic or managerial policy can 'eliminate' the class struggle, and because it constitutes a fundamentally false understanding of how capitalism enters into crisis.

Neo-Ricardians have frequently reproached fundamentalists for having a 'fatalist' outlook -- for downplaying the role of the 'class struggle' and unjustifiably pinning their hopes for a 'general crisis of capitalism' (if not a 'final' irremediable breakdown) on deterministically-understood 'laws of motion', laws that are unfolding inexorably to an inevitable anti-capitalist 'negation of the negation'. Contemporary fundamentalists deny this. But they do insist upon the need to tailor political practice, education and program in light of the results of Marx's scientific analysis of capitalism's laws of motion. In their view, any political program or anti-capitalist strategic perspective which ignores this analysis must tend toward an accommodation with reformism -- i.e. with the view that continued real progress, both for the working class and for humanity considered as a whole, remains possible within the framework of capitalism.

The programmatic perspectives of the neo-orthodox value theorists are more difficult to pin down: some appear close to the neo-Ricardian view, others to the fundamentalist. In part this reflects the theoretical heterogeneity of the neo-orthodox school; in part a characteristically 'non-determinist' understanding of Marx's economic laws of motion. Thus, even such neo-orthodox theorists as Fine, Harris and Weeks -- all of whom place much emphasis on the role of the 'law of the falling tendency of the rate of profit' in the etiology of capitalist economic crises -- also tend to place this law on a co-equal footing with 'the counteracting tendencies to the rate of profit to fall' (Fine and Harris:1979; Weeks:1981). By doing so they effectively deny the inevitability of economic crisis under capitalism and open the door to the notion that capitalist governments can 'contain' or 'manage' crises through the adroit application of policies which can mobilize the 'counteracting tendencies' to the rate of profit to fall.

There is another area which must be regarded as a kind of programmatic touchstone in the debate surrounding value theory among Marxists. Value theory is relevant not only to an assessment of how capitalism will become vulnerable to historical 'negation' and 'transcendence'; it is also extremely germane to how Marxists envision the transition to socialism and the very content of a socialist society. Moreover it cannot be stressed too strongly that the actual experience of 'socialist construction' in the twentieth century has weighed

heavily on how Marxists have interpreted the theory of value and differed as to its meaning.

Several allusions have already been made to the fact that mid-twentieth-century 'orthodox' value theory was strongly tinged by a Ricardian or at least quasi-Ricardian approach. Now, as is well known, Ricardo regarded the law of value as 'eternal' -- as an historical constant. Marx, on the other hand, believed that the socialist society of the future would dispense with the law of value and substitute for it a fully conscious and planned method of allocating social labor. What then were academic Marxist economists (like Dobb, Meek and Sweezy), who were either sympathizers or members of pro-Moscow Communist parties, to think when Stalin proclaimed in the Soviet constitution of 1936 that 'socialism' had already been realized in the Soviet Union? Moreover, what were Marxist economists to make of Stalin's arguments in the early 1950's when he wrote: 'It is sometimes asked whether the law of value exists and operates in our country, under the socialist system. Yes, it does exist and operate. Whenever commodities and commodity production exist, there the law of value must also exist'(quoted in Weeks 1981:88)?

Stalin's remarks have been understood in a number of different ways by Marxist economists. To those inclined to accept Stalin's view that a 'socialist system' was already in place in the Soviet Union, the 'admission' that commodity production occurs and that the 'law of value' operates under

'socialism' could only open the way to a Ricardian 'embodied' labor theory of value -- since, quite evidently, the Soviet Union did not evince the social production relations requisite for the social-structural existence of 'abstract labor'.

For the 'fundamentalist' theorist Ernest Mandel, however, Stalin is simply wrong to characterize the Soviet Union as a 'socialist system', and the fact that commodity production occurs and the law of value operates (albeit in an attenuated fashion) in the Soviet economy, only proves that the Soviet Union is not socialist (Mandel 1967). Mandel argues that the Soviet economy is an economy transitional between capitalism and socialism, and that in all such transitional economies, the law of value will continue to operate until such time as the planning principle becomes the exclusive method of labor and resource allocation, dispensing with market allocation.

The neo-orthodox theorist John Weeks has also commented on Stalin's argument as this appears in the essay 'Economic Problems of Socialism in the USSR'. According to Weeks, 'the confusions and internal contradictions in Economic Problems derive from considering the law of value as the "law of embodied (concrete) labor", which in the Marxist literature has its ancestry in Engels' (1981:94). While some aspects of Weeks' argument are quite correct, he fails to identify Stalin's contention that the Soviet Union is a 'socialist system' as the most important faulty premise of

Stalin's argument. By failing to do this, Weeks opens the door, perhaps unwittingly, to the notion that the kind of 'market phenomena' which Stalin subsumes under a post-capitalist law of value are, in fact, compatible with the operations of an authentically socialist economic system. The result is that his argument lends itself to support of the 'market socialism' idea now in vogue as the crisis of bureaucratically-centralized 'socialist' planning deepens in the ostensibly 'socialist' countries.

The issues raised in this section are of central importance to Marxism as an 'integrated theoretical-political project'. We shall have occasion to return to them in Part V under the heading of 'Value, Theory and Action'. Even so, it is well to be mindful of them as we explore the relevance of the theory of value to the analysis of contemporary capitalism throughout Part IV.

PART FOUR: VALUE, ECONOMY AND SOCIETY

The central conclusion emerging from the survey and evaluation of the value controversy made in Part Three is that, while this controversy is not likely to end any time soon and while more work remains to be done to further clarify and develop Marx's theory of value, Marxist social theorists should continue to look to this theory as a basis for approaching a range of issues at the macro-, the micro-, and even the 'meta-' theoretical levels. In the remainder of this study, I shall attempt to indicate the applicability of value theory to a number of select theoretical problems of an 'economic' and a 'sociological' character. In selecting these problems I have been guided by two main considerations: that these problems relate to the principal concerns and problematics of Marx's historical materialism, and that they also figure importantly in the debates now occurring in the social sciences in general. My intention is not to 'prove' that value theory offers a 'solution' to all of the problems confronting contemporary social science, but rather to show that over a broad range of highly-significant problems, value theory provides a highly fruitful framework for theoretical analysis. In my view, by pursuing a 'value-theoretical' analysis to its limits, we are not only better able to comprehend the reality of contemporary capitalism; we are also better positioned to formulate 'new' questions suggested by the limitations of such an analysis. In brief, then, my intention is to use 'value' as a kind of theoretical

focus and 'organizing principle' for the explication of contemporary social reality and its developmental tendencies (a strategy which might profitably be compared to those of Ollman and Lefebvre, for whom the concepts of 'alienation' and 'praxis' respectively served as analogous points of departure for theoretical reflection).¹

The agenda of Part Four is as follows. In Chapter 10, we shall consider the relationship between 'economy' and 'society' as this appears in Marx's theoretical system, and how value theory helps us to more adequately specify that relationship. In Chapter 11, a 'value-theoretical' analysis of the capitalist economy will be undertaken. This analysis will focus on the general 'laws of motion' of capitalism and on a number of specific problems of importance in the present conjuncture (specifically, the instability of the world capitalist economy and international value transfers). Finally, Chapter 12 will be devoted to the role of the 'law of value' in such 'sociological' processes as class structuration, class conflict, bureaucratization, the social diffusion of knowledge and the shaping of consciousness.

Chapter Ten: Economy and Society in Marxist Theory

In Part One of this study it was noted that early modern sociology after Marx tended towards a bifurcation of socio-economic reality between an 'economic' sphere and a 'social' sphere -- between 'economy' and 'society'. To varying degrees such seminal sociological theorists as Weber, Durkheim and Pareto regarded 'society' as 'ideological community' (as this notion has been specified by Therborn), while considering 'economy' as a quite autonomous realm, grounded in 'material conditions' and governed by natural laws. This bifurcation, which was embraced by neo-classical economic theory as well, implied a fundamentally dualist ontology of human existence, according to which a basic opposition exists between the material and the ideal. While differences existed as to how and whether the relationship between these two realms could be specified in a fashion adequate to the articulation of the economic and the social, it is noteworthy that this dualism, whether tending toward materialism or idealism, was the common 'sociological' foundation for rejecting Marx's historical materialism as 'economic determinism' and 'vulgar materialism'. Hence, without paying the slightest regard to Marx's very different ontological and methodological moorings, the early modern sociologists undertook to criticize or simply dismiss Marx's specification of the relationship between economy and society on the basis of their own -- dualist -- understanding of these entities. In so doing, they did a

quite effective job of demolishing a theoretical construction of their own imagination, while leaving Marx's own problematic substantially untouched.

Contemporary non-Marxist sociologists have not always been so uninformed about the content of Marx's theory. Giddens (1971), for example, has performed an admirable service by insisting that Marx's post-Feuerbach 'new materialism' was an attempt to overcome the old duality between 'philosophical materialism' and 'philosophical idealism', a duality from which all dualisms devolve. Pointing to Marx's 'Theses on Feuerbach', Giddens shows how Marx's treatment of 'the active side' and his handling of 'ideas' are quite inconsistent with the 'passive' and rather mechanistic (undialectical) themes of traditional philosophical materialism. This brings Marx rather closer to some of the interests and motifs of Weber and Durkheim than has been generally supposed by sociologists. Unfortunately, Giddens does not go on to discuss the substantially different ways in which Marx, Weber and Durkheim broke from the traditional philosophical cleavage: Marx in the direction of a 'dialecticized' materialist monism, Durkheim in the direction of a dualism tending towards objectivist rationalism, and Weber in the direction of a dualism leaning strongly toward subjectivism.

As we have already seen, G.A. Cohen (1978) has made a valuable contribution to clarifying the main propositions of historical materialism by showing that Marx is more concerned

with the material-social distinction than with any 'material-ideal' distinction. Indeed, on Cohen's interpretation of Marx, 'ideas' can be located either at the level of the superstructure (in the form of ideology) or at the level of the material infrastructure (in the form of the science and technology 'embodied' in the material forces and relations of production). (It should also be noted that there is nothing to prevent us from locating at least some ideas 'outside' of Marx's base-superstructure metaphor entirely.)

If in non-Marxist economics and sociology the relationship between economy and society is understood 'dualistically', this relationship is understood 'monistically' within historical materialism. Marx does not identify the 'economy' with the 'material' while identifying 'society' with the 'ideal' (ideas, values, norms, spirit, etc.). On the contrary, Marx conceives of 'the economy' as encompassing both the material processes of production and the social forms assumed by this production. At the same time, 'society' is conceived as a mode of human existence (distinguishable from 'community') in which 'objective relations' obtain between people as well as personal relations. As for ideas, values, norms, etc. -- these are generated by, reflect and influence both the material and social aspects of human existence according to Marx (although it should be added that Marx is undoubtedly enough of a 'philosophical materialist' to insist that matter has 'ultimate' ontological priority over 'the ideal'). Ideas

are not treated by Marx as a direct epiphenomenon of 'material conditions' but as a product of and stimulant to various kinds of human practices -- that is to say, activities bearing on a range of historically-produced interests of 'material', 'social' and also 'cultural' kinds.

In light of the above considerations, it should be clear that Marx is engaged in quite a different kind of theoretical practice when he attempts to scientifically disclose the inner relationship between the social and the material aspects of society than when sociologists try to explain the relationship between ideas ('the social') and material conditions ('the economic').

Marx's philosophical and methodological position also has implications for the quite distinctive way in which he understands 'laws' and patterns of 'determination' at the level of the social. Whereas Weber is highly skeptical about the possibility of discovering meaningful 'social laws' of a nomological character, and lays great stress on the importance of ideographic knowledge in the social sciences, his view of the laws that are the objects of the natural sciences is conventionally positivistic (nominalist-empiricist). Durkheim is more sanguine about discovering social-scientific laws; however, while his writings on method have led most commentators to describe him as a thorough-going positivist, a strong argument can be made that his theorizing has much in common with methodological holism (see, in particular, Johnson, Dandeker, and Ashworth 1984). Like Marx, Durkheim was interested in

the 'real but hidden' structures which comprise the organizing principles of societal totalities; but unlike Marx, Durkheim allowed that such structures could have an ideal foundation, his 'conscience collective' being the most striking example of this.

Marx differed from Weber in transcending the latter's straddling of positivism and subjectivist conventionalism. As we have seen, Marx adopted a consistently realist approach to both the natural and the social sciences, a realism informed by a materialist dialectic and by the conviction that ideas could become a material force through human practice. Integral to Marx's approach, however, is the notion that the real structures mediating the relationship between natural laws and individual (social) particulars or events are structures of social production relations. To understand these structures means to understand how general, transhistorical laws rooted in humanity's fundamental relations to nature are 'refracted', given particular expressions, and even 'adulterated' by historically-changing social forms and social relations. In this Marx is therefore quite distant from Durkheim for whom holistic entities can have a solely ideal or 'psychological' significance.

The material grounding of Marx's holistic structures in production is entirely appropriate to the way we have conceptualized the mediative role of these structures (that is, as mediators between natural laws and social particulars).

At the centre of 'production' is the human labor process -- what Marx refers to as the metabolic interchange between humanity and nature. The character of this interchange is crucially dependent on two (internally-related) aspects of the process of production: the social form of production and reproduction, and the material content of the production process (the concrete character of the material forces and material relations of production). It could be argued that Marx was wrong to 'limit' his analysis of the social structures mediating natural laws and social particulars to structures pertaining to the material transformation and appropriation of nature by humanity (although to sustain this criticism it would be necessary to specify some other real structures grounded in other aspects of the nature-humanity relation); it is nevertheless quite clear that in light of Marx's fundamental ontological and methodological commitments, not to mention his programmatic perspectives, such a limitation is quite understandable.

How then does the 'law of value' and all that this entails help us to understand the historical development of the societies in which the capitalist mode of production has become the dominant mode, together with the various social practices associated with such societies? The next two chapters are devoted to sketching an answer to this crucially important question.

Chapter Eleven: Value and Economy

There are a number of 'natural' laws that would seem to have force in every human economy, irrespective of that economy's specific social form. Some of them can be specified in such a way as to seem almost 'trivial': for example, the 'law' that a society cannot continuously consume more than it produces without depleting its stock of material goods. A less 'trivial' or 'obvious' one, which appears to be prominent in Marx's thinking, is the law of the 'economy of time'. Marx specifies this law as follows:

Economy of time, to this all economy ultimately reduces itself. Society...has to distribute its time in a purposeful way, in order to achieve a production adequate to its overall needs; just as the individual has to distribute his time correctly in order to achieve knowledge in proper proportions or in order to satisfy the various demands of his activity. (1973:173)

Marx makes these observations while discussing 'communal production' in which 'economy of time' understood as a 'planned distribution of labour time among the various branches of production' is regarded as 'the first economic law on the basis of communal production' (1973:173). Significantly he then goes on to suggest that the law of 'economy of time' (to which 'all economy ultimately reduces itself') is 'essentially different' in communal production than it is in an exchange economy. The implication is that the same 'trans-historical' natural law finds fundamentally different expressions in different forms of economy.

In this chapter we will be concerned with the specifically capitalist law of value (as distinguishable from the law of value operating under conditions of simple commodity production) and with how this law gives expression to the more general law of the necessity of a distribution of labor time among the different branches of production. What distinguishes the capitalist law of value from the law of value operating under simple commodity production is that the latter stimulates productive technique and exacerbates the internal contradictions of pre-capitalist societies, in this way contributing to the historical obsolescence of pre-capitalist modes of production, while the former, being the dominant principle of labor and resource allocation and having 'subsumed' under itself the dominant mode of surplus extraction (class exploitation), is subject to an historical limitation stemming from its own 'success': the revolutionizing 'logic' of the law of value (its promotion of technical rationality) becomes increasingly incompatible with the 'appropriative logic' of the capital-labor relation.

In Part Two I was concerned to show that Marx regarded the drive to increase the productivity of labor as a kind of constant in human history, and that history could be said to possess a pattern only to the degree that this drive manifested itself in real and enduring progressive developments in the material forces of production (embodying not only tools, machines, and manual labor power, but also the technical know-

how, skills and scientific-technical knowledge permitting the continuous reproduction of their merely physical [and therefore perishable] expressions). In this connection I pointed to the 'value-form' of the product of labor as the social form which most consistently promoted a logic of technical rationalization conducive to advances in labor productivity. This is so for at least two reasons, both of which are logically and historically prior to the capital-labor relation. First, production for exchange (at first 'accidentally' and later with increasing deliberation and forethought) encourages the phenomena associated with what Sohn-Rethel calls the 'exchange abstraction'; that is to say, it encourages the emergence of cognitive faculties and forms of thought conducive to scientific 'breakthroughs' and technical innovation. Second, production for exchange involves production for society rather than for personal consumption; as such, it encourages a competitive dynamic between commodity producers -- a dynamic which promotes/facilitates product diversification, cost-cutting production innovations, and numerous technical departures that might serve to enhance the productivity of labor. (It should be noted that such competition is severely circumscribed in pre-capitalist formations by, for example, the presence of guild monopolies and other forms of social regulation of the activities of petty commodity producers. But this does not do away with competition entirely. Moreover, with the extension of markets and the appearance of a world

market, the competitive dynamic becomes altogether uncontainable).

What is distinctive about the capitalist law of value is that it operates through the generalization of commodity production and the value form, and as the overwhelmingly dominant principle of labor and resource allocation. Because it also operates in a largely unconstrained way (i.e., no longer in contradiction or tendential opposition to competing but more dominant social forms), it is able to give much freer expression to its underlying drives and imperatives -- perhaps most importantly, from the historical standpoint, to the imperative to enhance labor productivity. Much of the first volume of Capital is devoted to just this question: what is the source of the formidable historical dynamism of the capitalist mode of production? How has it been able to produce a greater volume of material wealth and greater improvements in the productivity of labor in just a few centuries than all previous modes of production over a period of several millennia? Then, having answered this question, Marx asks: what are the limits to capitalism's historically-progressive mission? How will capitalism's character as a system of labor exploitation ultimately subvert its ability to indefinitely play such a progressive historical role?

The elements of Marx's answer to the first question can be briefly stated. The historical dynamism of the capitalist mode of production stems from the insatiable drive of indiv-

idual capitals to continuously accumulate. This drive is not the result of personal avarice; nor is it a function of a subjective proclivity to 'save' or to postpone personal consumption to the future. Such personal, subjective traits may play a more-or-less important role in different individual capitalists. But what makes all capitalists 'accumulators' is their objective role and position within the capitalist production process. All capitalists must contend with two ineliminable conditions of their activity: an antagonistic relation with their workers (resulting in a tendency to displace living labor from production in favor of labor-saving machinery), and a competitive relation with other capitalists (resulting in a tendency to seek a larger 'market share' through cost-cutting and price-slashing). Both of these relations push the individual capitalist (or the individual capitalist firm) in the direction of seeking out methods to enhance labor productivity. At the same time, each of these relations 'complements' the other in promoting the use of such methods. Thus, it is only because an individual capitalist firm can 'realize' (i.e. 'capture') the surplus-value produced by workers employed in other firms (through the mechanism of surplus-value redistribution) that the displacement of living labor from production is a viable (micro-level) tactic for capitalists seeking greater 'independence' from recalcitrant workforces and attempting to cut production costs per unit of output. At the same time, the pressure of inter-capitalist competition is a most important factor in pushing individual firms to

secure themselves in relation to the vicissitudes of the class struggle to as great an extent as possible; by being less dependent on 'living labor', individual capitalists are often better positioned to cut costs, expand markets and meet the variegated challenges of competition.

The upshot is this: the fundamental social production relations which define capital push inexorably toward an enhancement of the productivity of labor at the level of the individual capitalist firm. At the level of the 'social capital', however, things are not so straight-forward. A value-theoretical specification of the 'law of increasing productivity' under the capitalist mode of production permits a 'holistic' analysis of the contradictory developmental tendencies of capitalism -- both its progressive role in developing the forces of production during its ascendant stages and its regressive role in restraining such development during the stage(s) of its historical decline.

11.1 Capitalist Development and Its Cyclical Crises

Capitalist production is production for profit. As we have seen, Marx regards profit as a money-form of surplus-value, realized through exchange in the sphere of circulation. At the macro-level, therefore, surplus-value must be produced if profits are to be realized. But the production of surplus-value is not the self-conscious aim of the individual capitalist in the micro-level production process occurring under his or her direction. Rather, the capitalist's aim

is simply to produce the greatest amount of product that the market can bear at the least cost. By reducing the costs of production, the individual capitalist is positioned more favorably to compete successfully in the market and to realize the largest possible magnitude of profit. In the 'subjective' calculations of the individual capitalist, what is uppermost is not whether the rate of return on invested capital is equal to the average rate of profit, for this rate is never precisely known by capitalists; what is uppermost is that the firm's rate of profit be on a par with that of its competitors, that the mass of profits be as large as possible, and that 'market-share' is not sacrificed on the altar of profitability (or vice versa). All of these considerations are taken into account when capitalist firms deliberate about the techniques they should employ in the production of their commodities. In general, the choice of technique will tend to favor increases in labor productivity; that is to say, new investment in capital stock (machinery, etc.) will be directed toward reducing the costs per unit of output (and thereby increasing the 'profit margin') through labor-saving innovation. The advantages of labor-saving innovation over so-called 'capital-saving' innovation is that it allows the individual capitalist firm to simultaneously reduce unit costs and reduce its dependency on what Marx called the 'limited basis' of capitalist expansion: the working population.

The 'subjective' micro-economic decisions of individual capitalists seeking to navigate the perilous waters of the capitalist market have major implications for what is transpiring at the level of commodity values. Labor-saving innovation has the objective effect of changing the form of surplus-value production. The 'logic' of inter-capitalist competition and of the antagonistic relation between capital and labor promotes a continuous 'revolution' in the capitalist process of producing surplus-value.

The most fundamental basis and structural prerequisite for the production of surplus-value is what Marx termed the 'formal subsumption of labor by capital'. This involves the separation of the direct producer from ownership of the means of production, the 'commodification' of labor-power, and the intervention of the capitalist into the production process as its 'director' or 'manager'. According to Marx, for this formal subsumption to occur, 'it is enough...that handicraftsmen who previously worked on their own account, or as apprentices of a master, should become wage-labourers under the direct control of a capitalist' (1977:1019).

We have already considered certain aspects of Marx's related notion of the 'real subsumption of labor by capital' in our discussion of Sensat's critique of Habermas in Part Two. The process of 'real subsumption' is an on-going process of what Marx terms the 'developed form' of the capitalist mode of production. What is involved here is not merely a change

in the situation of the 'agents of production' but also a 'revolution' in the 'actual mode of labour and the real nature of the labour process as a whole'. This revolution must be constantly repeated as a result of the capitalist imperative to continuously bring the labor process into a satisfactory relation with the valorization (value-creating) process. This has a very precise meaning which it is important to grasp: the labor-process tends to lag behind the 'requirements' of the valorization process. With every improvement in labor productivity comes a change in the parameters of socially-necessary labor time and therefore in the structure of 'abstract labor' and value. To keep pace with these changes -- which may very well produce a 'competitive' challenge to the individual capitalist firm and a diminishing relative magnitude of surplus-labor time for the social capital as a whole -- capitalists must be prepared to repeatedly 'revolutionize' the labor processes under their direction.

Marx's thesis has been substantially borne out by the actual history of capitalist development. Fixed capital stocks tend to become technologically obsolescent before they become physically 'worn out'. Moreover, as Ernest Mandel (1975) has shown, there has been an actual 'acceleration of technological innovation' over the course of the history of capitalism.

Marx's distinction between the formal and the real subsumption of labor by capital is closely related to the distinction he draws between the production of absolute and relative surplus-value. The former corresponds to a form of capitalist exploitation which relies on the prolongation of the working day in order to reduce the proportion of necessary labor time required for the social reproduction of the laborer in relation to the surplus labor time expended. Accordingly, absolute surplus-value may be conceived as an extensive magnitude, an expansion of which is dependent on increasing the total quantity of labor time performed. Relative surplus-value, on the other hand, is an intensive magnitude, which arises from 'the curtailment of the necessary labor-time, and from the corresponding alteration in the respective lengths of the two components of the working day' (Marx 1977:432).

Since the working day cannot be indefinitely prolonged, absolute surplus-value as an extensive magnitude faces a precise limit in the length of the working day. Relative surplus-value, however, faces only those limits defined by the level of development of 'labor-saving' technology. Consequently, relative surplus-value creating techniques have become an increasingly important method of raising the rate of surplus-value over the course of capitalist history. Yet there is a kind of paradox in this. Because such techniques allow individual capitalists to produce more output with less labor, there is a tendency for all capitalists to seek productivity improvements through an increase in what Marx termed the

'technical composition of capital'. But, argues Marx, such an increase will find a value expression in the diminishing relative role of living labor in the over-all process of production. Living labor will be displaced by labor-saving machinery (i.e., by 'dead' or 'objectified' labor) representing a proportionally expanding magnitude of invested constant capital values, signifying a relative diminution in the role of living labor in the process of production. At the level of the social capital as a whole, this must entail a fall in the average rate of profit (the fundamental regulator of capitalist accumulation), since what is involved in this increased 'value' or 'organic' composition of capital is an 'overaccumulation' of constant capital in relation to the amount of surplus-value being produced by living labor. Thus, Marx's argument is squarely based on what is arguably the key postulate of his theory of value: that living labor and living labor alone can generate the new value from which surplus-value arises.²

The upshot of all this is that capital 'moves in contradiction'. It is compelled by the imperatives of the accumulation process to adopt relative surplus-value producing techniques; yet these techniques must tend to subvert the accumulation process by producing a decline in the rate of profit and the crisis tendencies associated with such a decline. Such crisis tendencies can have both a short-term or cyclical expression and a longer-term 'secular' influence on regimes

of accumulation. Yet the key to understanding both from Marx's perspective is to grasp the 'law of the tendency of the rate of profit to fall', which, for Marx, is simply a corollary of the capitalist law of value. We shall consider this law and its relation to capitalist crisis tendencies in greater detail in the next section. For now, however, we need only note its intimate relation to the law of increasing productivity under capitalism. In just this connection Marx states:

The barriers to the capitalist mode of production show themselves as follows: 1) in the way that the development of labour productivity involves a law, in the form of the falling rate of profit, that at a certain point confronts this development itself in a most hostile way and has constantly to be overcome by way of crises; 2) in the way that it is the appropriation of unpaid labour in general -- to put it in capitalist terms, profit and the proportion between this profit and the capital applied, i.e. a certain rate of profit -- it is this that determines the expansion and contraction of production, instead of the proportion between production and social needs, the needs of socially developed human beings...Production comes to a standstill not at a point where needs are satisfied, but rather where the production and realization of profit impose this. (1981b:367, emphasis added)

And further:

A fall in the rate of profit, and accelerated accumulation, are simply different expressions of the same process, in so far as both express the development of productivity. (1981b:347, emphasis added)

Several points require highlighting from these passages. In the first passage Marx presents the law of the falling rate of profit in a way which suggests that this law is a precipitant of 'conjunctural' interruptions of the accumulation process. In this connection, capitalist economic crises are conceived to be the mechanism whereby a rate of

profit adequate to resumed accumulation can be restored. In a sense, then, Marx is arguing that a fall in the rate of profit (entailing the development of labor productivity) is the 'cause' of capitalist crises; but also that these (cyclical) crises produce the conditions in which the rate of profit can experience an upswing and accumulation can proceed.

At the same time, the above passages establish very clearly that for Marx the capitalist process of promoting the productivity of labor is 'internally related' to the tendency of the rate of profit to fall. The technical composition of capital, expressing the material relationship between dead and living labor in production, is an index of labor productivity, while the value expression of this composition, Marx's 'organic composition of capital', is an index of profitability. Capital promotes increased productivity and in this way undermines profitability.

When profitability suffers, a crisis occurs characterized by unemployment, low capacity utilization, and other well-known phenomena which, at the level of the social capital as a whole, signifies a massive decline in aggregate productivity. But the ultimate function of such a crisis is to bring about a restructuring of the regime of accumulation through a 'slaughtering of the values of capitals'. As capital values fall, reflecting the inability of capital stocks to sustain an adequate level of valorization, the organic com-

position of capital falls and the rate of profit rises. The recovery is characterized by a devalorized stock of capital now operating at a higher rate of return. As employment and capacity utilization are restored to pre-crisis levels, it becomes apparent that the technical composition of capital may be as high as or higher than it ever was (along with labor productivity), but that this technical composition now has a different value expression, one not immediately inimical to 'production for profit'.

While Marx is often concerned to establish how the 'over-accumulation of capital' associated with a falling rate of profit is a (mere) 'barrier' to capitalist production, a barrier surmountable through a 'temporary' cyclical crisis, it is quite clear that Marx also saw the law of the falling rate of profit as the expression peculiar to capitalism of an historical-structural crisis reflecting the growing incompatibility of the social relations of production with the material forces of production. Indeed, 'the law' can be regarded as a kind of analytical tool for the elucidation of capital's limits as well as its barriers. Marx's own analysis of the falling tendency of the rate of profit and its counteracting tendencies provides the necessary basis for addressing this question; but, for reasons which will be explained shortly, this analysis needs to be extended somewhat if it is to adequately account for and explain the concrete manifestations of contemporary capitalism's 'historical-structural crisis'.

11.2 The Falling Rate of Profit and Dimensions of Capitalist Crisis

As conceived by Marx, the law of the falling rate of profit is an ineluctable concomitant of the capitalist process of accumulation. Capital's drive to augment the physical means of production (especially the fixed constant capital represented by increasingly-sophisticated labor-saving machinery) without a corresponding augmentation of the 'living' labor force which sets these means of production in motion can only signify a relative diminution of the role of living labor in the over-all process of production. Such a pattern of accumulation must give rise to a decline in the average rate of profit since it entails an increase in the total capital advanced for production without a corresponding increase in the magnitude of surplus-value produced. ³

It should be stressed that, contrary to the interpretations of some of his critics (notably Joan Robinson 1942), Marx's law of the falling rate of profit is not predicated on a 'constant rate of surplus-value'. On the contrary, Marx states explicitly that 'The law of the falling rate of profit, as expressing the same or even a rising rate of surplus value, means in other words: taking any particular quantity of average social capital, e.g. a capital of 100, an ever greater portion of this is represented by means of labour and an ever lesser portion by living labour' (1981b:322). This same point emerges even more clearly in the following passage in which Marx succinctly summarizes the ideas upon which the law is based:

The progressive tendency for the general rate of profit to fall is thus simply the expression peculiar to the capitalist mode of production of the progressive development of the social productivity of labour. This does not mean that the rate of profit may not fall temporarily for other reasons as well, but it does prove that it is a self-evident necessity, deriving from the nature of the capitalist mode of production itself, that as it advances the general rate of surplus-value must be expressed in a falling general rate of profit. Since the mass of living labour applied continuously declines in relation to the mass of objectified labour that it sets in motion, i.e. the productively consumed means of production, the part of this living labour that is unpaid and objectified in surplus-value must also stand in an ever-decreasing ratio to the value of the total capital applied. But this ratio between the mass of surplus-value and the total capital applied in fact constitutes the rate of profit, which must therefore steadily fall. (1981b:319)

Marx's contention that an increasing rate of surplus-value finds expression in a falling general rate of profit should not be surprising in light of what has already been established about the law's relation to increased productivity. However it merits underscoring here because of the enormous confusion that has attended the interpretation of the rate of surplus-value (s/v) and the organic composition of capital (represented as either C/v or $C/v+s$) as co-determinants of the average rate of profit. Both Robinson (1952) and Sweezy (1968), in company with many other Marxists, have detected a telling 'indeterminacy' in Marx's formulation of the falling rate of profit -- an indeterminacy having to do with the supposed capacity of an increasing rate of surplus-value to negate the depressing effect of a rising organic composition of capital on the average rate of profit. What needs to be shown is that such an 'indeterminacy' arises

only when the organic composition of capital is understood in a specific (and, in my view, inadequate) way. Before this question can be approached more closely, however, it is necessary to clear up another matter.

The discerning reader will have noted that in the preceding paragraph I used the upper-case 'C' to denote the constant capital represented in the formula(s) for the organic composition of capital. To this point we have only specified the quantitative relationships of Marx's theoretical system (the rate of surplus value, the rate of profit and the composition of capital) in the fashion that Marx himself generally specified them for purposes of simplified arithmetical illustration -- that is to say, only as relationships between flow variables. However, while it is indeed theoretically appropriate to treat variable capital and surplus value only as flows, there are compelling theoretical reasons for distinguishing between constant capital as a stock and as a flow variable. Moreover, in the theoretical and empirical assessment of the organic composition of capital and the tendencies of the average rate of profit, it is necessary to treat constant capital as a stock subject to long-term depreciation as well as short-term consumption. The reason for this should be apparent: Marx's theory of the falling rate of profit involves as a crucially-important element the fixed constant capital embodied in technologically sophisticated machinery, the value of which is not completely consumed in one production period. The upper-case 'C' in the formulas C/v or $C/v+s$ refers, then, to the total

value of the constant capital stock: the capital 'advanced' for purposes of capitalist production, to use Marx's own terminology. For mathematical as well as theoretical reasons this conceptualization of constant capital also enjoins us to redefine Marx's expression for the rate of profit in a particular way: instead of $s/c+v$, we now have s/C , where the capital 'advanced' or 'invested' in production is simply the value of the total constant capital stock (machinery, building structures, fuel, as well as raw material stocks). This procedure may seem drastic, but its advantages more than outweigh any disadvantages, particularly in the empirical investigation of the tendencies of the rate of profit. (For a fuller argument in favor of this procedure, see Mage[1963].)

With this matter clarified, we may now return to the question of how determinate the relationship between a rising organic composition of capital and a falling rate of profit really is. If the first obtains, must the second follow? Sweezy, having defined the organic composition of capital as c/v (where the lower-case c refers to constant capital used up) and the rate of profit as $s/c+v$, presents the following formula to express the 'co-determining' influences of the rate of surplus-value and the organic composition of capital on the rate of profit:

$$r' = \frac{s/v}{1 - c/v} .$$

On the basis of this formula, he concludes that 'there is no general presumption that changes in the organic composition of capital will be relatively so much greater than

changes in the rate of surplus-value that the former will dominate movements in the rate of profit' (1968:102-103). But this is correct only if Sweezy's formula for the rate of profit fully reflects Marx's understanding of the relationships between the quantitative ratios in question. This may be doubted for two reasons: first, Sweezy operates entirely within the conceptual ambit of flow variables (in this way ruling out the important rôle of fixed capital in Marx's theory), and second, Sweezy's conceptualization of the organic composition of capital as the ratio of constant capital to variable capital is questionable. Indeed, an excellent case can be made for conceptualizing the organic composition of capital as the ratio of constant capital stock to the total new value created by living labor in production, i.e. as $C/s+v$.

The revised formulas for the rate of profit and the organic composition of capital provide the basis for a different specification of the relationships between Marx's three fundamental ratios, one which renders the relationship between the organic composition of capital and the rate of profit far more determinate than Sweezy's formula does. This specification, originally proposed by Mage (1963:vii), proceeds as follows. The rate of surplus-value is the ratio of two flows of living labor (L), which together comprise the 'net value' of the commodity product: surplus-value and variable capital. Hence, $s' = s/v$. It follows from this that $s = L-v = L-(s/s') = L/(1+1/s') = L(s'/1+s')$. Now, if the

organic composition of capital Q equals $C/s+v$, then $Q = C/L$, and the capital stock C equals $L \times Q$ ($C = LQ$). If the rate of profit is the ratio of surplus-value to the capital stock (s/C), then through substitution we arrive at $r' = L(s'/1+s')/LQ = s'/Q(1+s')$. In this formula, changes in the rate of surplus-value will impact on both the rate of profit and the organic composition of capital, so that if the organic composition of capital increases, this must mean a fall in the rate of profit. An increase in the rate of surplus-value contributes to maintaining or increasing the rate of profit only if it occurs without an increase in the organic composition of capital defined as $C/s+v$.

There are several reasons for specifying the organic composition of capital as $C/s+v$ rather than c/v or C/v . Perhaps the most important one is that by permitting a far more determinate relationship between the organic composition of capital and the rate of profit this formula allows us to more clearly see the relationship between the tendential law of a falling average rate of profit and the counter-acting influences to that law. For it is in the interaction between 'the law as such' and these counteracting tendencies that we can locate many of the law's 'internal contradictions' and concrete historical expressions, and in this way develop a clearer perspective on the changing impact of the law of value (and capitalist production in general) on the historical movement of capitalist society.

Controversy has nonetheless attended attempts to establish $C/s+v$ as the formula for the organic composition of capital. In part this stems from traditionalist reluctance to abandon Marx's own (simplified) representation of it as the ratio of constant to variable capital, i.e. c/v . But it should be noted that Marx employs the latter ratio in his discussions of 'the law as such' at the same time that he abstracts from changes in the rate of surplus-value. This circumstance strengthens the case for $C/s+v$ because this ratio takes into account changes in the rate of surplus-value. By moving from C/v to $C/s+v$ we are able to allow for a non-constant rate of surplus-value while retaining the element of determinacy in the relationship between the organic composition of capital and the rate of profit which is so vital to Marx's theoretical exposition of the law of the falling rate of profit. Moreover it is quite legitimate and even necessary to maintain that $C/s+v$ is actually a more faithful and adequate representation of the burden of Marx's argument concerning the impact of a rising organic composition of capital on the rate of profit, as we have already noted. In both Capital I and Capital II Marx distinguishes between the technical, the value and the organic compositions as follows:

The composition of capital is to be understood in a two-fold sense. As value, it is determined by the proportion in which it is divided into constant capital, or the value of the means of production, and variable capital, or the value of labour-power, the sum total of wages. As material, as it functions in the process of production, all capital

is divided into means of production and living labour-power. The latter composition is determined by the relation between the mass of production employed on the one hand, and the mass of labour necessary for their employment on the other. I call the former the value composition, the latter the technical composition of capital. There is a close correlation between the two. To express this, I call the value-composition of capital, in so far as it is determined by its technical composition and mirrors changes in the latter, the organic composition of capital. (1977:763)

This passage leaves little room for doubting that Marx saw the value composition of capital as 'determined' by the proportion in which it is divided between constant and variable capital, i.e. as c/v or C/v . But as capital actually functions in the process of production, it has a technical composition (in 'material' terms) in which it is necessary to distinguish between 'means of production and living labour-power' or between 'the mass of means of production employed on the one hand, and the mass of labour necessary for their employment on the other'. But the 'mass of labour necessary for their employment' must be specified in relation to what the means of production are being employed to do: to produce commodity values, including surplus-value. For the organic composition to be an expression of the value-composition which 'mirrors' changes in the technical composition of capital, it must be understood as a value expression of the constant and variable capital relationships as these appear in production, where variable capital is no longer 'the sum of total wages' but the living labor-force engaged in creating new value, including surplus-value.

That such an interpretation of Marx's meaning in this passage is justified is supported by several passages in Theories of Surplus Value where Marx explicitly employs the formula $c/s+v$ or the similar $c/c+s+v$, and where he states:

By the organic composition of productive capital. By this we mean the technological composition of capital. With a given productivity of labour, which can be taken as constant as long as no change occurs, the amount of raw materials and means of labour, that is, the amount of constant capital -- in terms of its material elements -- which corresponds to a definite quantity of living labour (paid or unpaid), that is, to the material elements of variable capital, is determined in every sphere of production. (1975 III:382, emphasis added)

In this passage we have a very clear statement of what can easily be deduced without resort to quotation: the 'material elements of variable capital' is an equivalent expression to the 'total (paid or unpaid) quantity of living labor performed'.

To summarize on this point: the organic composition of capital is most adequately expressed as the ratio of dead to living labor in production understood in value terms, i.e. $C/s+v$. If and when this ratio rises, the rate of profit s/C can only fall.

The Counter-acting Tendencies

In evaluating the factors cited by Marx as possible counter-acting tendencies to the tendency of the rate of profit to fall, it is useful to distinguish between those factors that can have only a short-term (conjunctural) impact and those factors that can have a long-term (or secular) positive influence on the rate of profit. It is also necessary

to distinguish between those factors which pertain to increasing the rate of surplus-value and those which pertain directly to the organic composition of capital. Under the former heading we should list 'increases in the intensity of exploitation', 'reduction of wages below their value' and 'relative overpopulation', while under the latter we should list 'the cheapening of the elements of constant capital' and 'foreign trade' (the results of which can also favor an increase in the rate of surplus-value). (See Marx 1981b: Ch.14.)

By 'increasing the intensity of exploitation' Marx understands two quite different modes of raising the level of exploitation. On the one hand, there are 'many aspects to the intensification of labour that involve a growth in the constant capital as against the variable capital, i.e. a fall in the rate of profit, such as when a single worker has to supervise a larger amount of machinery' (1981b:339). Quite obviously this is not the sort of 'labor intensity' that Marx considers 'counteracting'; an increase in the 'intensity' of exploitation can only counteract the tendency of the rate of profit to fall if it does not entail an increase in the organic composition of capital. Thus Marx looks to the sorts of methods typically employed by capitalists to increase labor productivity (and therewith the rate of exploitation) without investment in labor-saving or productivity-enhancing technology conducive to an increase in the organic composition of capital. Among these methods are: speed-up (which has definite physio-

logical limits and tends to push up the wage rate); prolongation of the working day serving to increase absolute surplus-value (which likewise faces physiological limitations, as well as formidable working class resistance); and productivity-enhancing technical innovations as these are applied by individual capitalists 'before they are universally applied' and, presumably, before they impact on the economy-wide organic composition of capital through their effects on the structure of values.

Like the tactics employed to increase the intensity of labor exploitation, 'the reduction of wages below their value' is an episodic factor in countering the falling rate of profit, since to speak of a 'permanent' reduction of wages below their value is really to speak of a change in the value of the commodity labor-power, albeit one imposed through far more 'draconian' methods than are usually employed (e.g. union-busting).

'Relative overpopulation' can also contribute to an increase in the rate of exploitation by forcing down wages. But this faces a limit in the form of a 'limited working population'. Only where capitalism is in the process of uprooting precapitalist modes of production and in this way constantly replenishes a massive 'reserve army of labor' can this factor have anything more than a short-term influence as a counter-acting tendency to the rate of profit to fall.

On a purely conjunctural basis, all three of the above factors can play a more-or-less important role in increasing the rate of surplus-value without inducing an increase in the organic composition of capital. Yet Marx's apparent expectation that the rate of surplus-value would display a secular tendency to rise was inseparable from the expectation that it would rise as a result of a rising technical composition of capital; and this, Marx assumed, would find a value expression in a fall in the rate of profit. Only to the extent that a rising technical composition of capital is possible without a corresponding increase in the organic composition of capital could this allow for increased productivity and exploitation without a fall in the rate of profit. It is precisely in this connection that 'the cheapening of the elements of constant capital' derives its great importance as a counteracting factor:

Viewing the total capital as a whole, the value of the constant capital does not increase in the same proportion as its material volume...[The] same development that raises the mass of constant capital in comparison with variable reduces the value of its elements, as a result of a higher productivity of labour, and hence prevents the value of the constant capital, even though this grows steadily, from growing in the same degree as its material volume, i.e. the material volume of the means of production that are set in motion by the same amount of labour-power. (1981b:343)

This suggests that the organic composition of capital will 'lag behind' a rising technical composition of capital; but it does not suggest that a rise in the organic composition of capital will be prevented simply 'as a result of a higher productivity of labour'. For a rise in the organic composition of capital to be prevented, the elements of constant capital must 'increase [in mass] while their total value remains the same

or even falls'(1981b:343). Marx is clearly alluding here to a range of possible 'capital saving' innovations and techniques: for example, fixed capital of greater durability, more efficient uses of fuel and energy, or the discovery and application of less-costly 'substitutes' for fuels or raw materials currently in use. As Marx suggests, however, such 'capital saving' is only possible in 'certain cases'.

The limitation of 'constant capital saving' as a factor inhibiting the fall in the rate of profit is not well specified by Marx, but it can be assumed that he regarded labor-saving innovation as a greater priority for capitalists for reasons rooted in the totality of the social production relations in which individual capitalists are inserted (relations which impel capitalists not only to cut costs per unit of output but to cut costs in a way which strengthens their hand in relation to labor).

Marx's fifth factor is 'foreign trade and investment', a matter with which we will be dealing in some depth in section 11.4. Suffice to say at this point that foreign trade and investment can play a role in elevating the rate of profit only to the degree that either the terms of trade continue to improve and/or the rate of return on capital invested abroad continues to rise from the standpoint of a given national capital. Foreign trade and investment must be regarded as a 'two-edged sword', capable of depressing as well as raising the rate of profit.

This brief survey of the counter-acting tendencies to the rate of profit to fall shows, above all, that 'the law as such' and its counter-acting tendencies do not enjoy the sort of co-equal status as 'tendential laws' that has been suggested by Weeks and some other neo-orthodox theorists. All of the factors cited by Marx, with the possible exception of the cheapening of the elements of constant capital, have clearly defined limits as means to checking a fall in the rate of profit induced by a rising organic composition of capital. The law itself, on the other hand, has no such limits (which does not imply, of course, that the rate of profit cannot 'rebound' from a fall). It is capitalist crisis, sometimes involving the 'counteracting influences', which alone creates the conditions for a recovery of the rate of profit on a cyclical basis. But it is also the phenomenon of capitalist crisis which induces the capitalist class, both at the individual and social levels, to deploy historically ever-changing 'tactics' to shore up the rate of profit, to insure the conditions of accumulation, and to mitigate the destabilizing influences on the 'class equilibrium' provoked by severe economic dislocations.

Dimensions of Capitalist Crisis

It is a striking fact that while the tendency of the rate of profit*obviously occupies a central place in Marx's own theory of capitalist crisis, it has not enjoyed a comparable

*to fall

status in the crisis theories elaborated and defended by most twentieth-century Marxists. In recent years, to be sure, the 'wage-push/profit-squeeze' hypothesis has been rather prominent in Marxist economic literature (although it should be noted that Dobb wrote in a similar vein as far back as 1938). Unquestionably, however, Marxist 'underconsumptionism' has been and remains the dominant paradigm within Marxist crisis theory, especially as it has found expression in the writings of the 'monopoly capitalism' school. Of course, the underconsumptionists do not deny that crises are caused by a decline in the rate of profit; but they differ decisively from Marx in pointing to insufficient effective demand as the precipitant of such a decline. In other words, the underconsumptionists regard capitalist crises primarily as 'realization' crises.

This is not the place for an extended critique of the underconsumptionist theory of crisis. However it should be acknowledged that 'elements' of an underconsumptionist position are to be found in Marx's writings. These elements do not stand in contradiction to his theory of the overaccumulation of capital; on the contrary, they are part and parcel of this same theory. It is, in fact, the Marxist underconsumptionists who have counterposed Marx's 'underconsumptionist' observations to the theory of a falling rate of profit induced by a rising organic composition of capital, and in so doing misrepresented the real meaning of these observations.

First, let us consider what is probably the best-known of these observations:

The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses, in the face of the drive of capitalist production to develop the productive forces as if only the absolute consumption capacity of society set a limit to them. (Marx 1981b:615)

What Marx is not saying here is that consumption neces-
sarily lags behind production because of the poverty and exploitation of the working masses under capitalism. Rather he is saying that the 'restricted consumption of the masses' is an immanent barrier to capitalist production -- a kind of structural 'constant' the dimensions of which might exacer-
bate capitalist crises while not necessarily causing them. Regardless of how a particular crisis is triggered, there is no doubt that its manifestations can be suppressed and its consequences minimized through an expansion of effective demand (making possible the sale of commodities at prices which might otherwise not be realized). As Marx suggests, the 'overproduction' of commodities associated with capitalist crises can be mitigated to the extent that the sale of these commodities is not wholly dependent on the 'narrow basis on which the relations of consumption rest' (1981b:353). In this connection Marx points to the key importance of an expanding world market:

The market...must be continually expanded, so that its relationships and the conditions governing them assume ever more the form of a natural law independent of the producers and become ever more uncontrollable. The internal contradiction seeks resolution by extending the external field of production. (1981b:353)

This implies that the penetration of the world market and the investment of capital in foreign countries become increasingly important strategies for the curbing of crisis tendencies, as is also suggested by Marx's discussion of foreign trade and investment as potential counter-acting influences to the rate of profit to fall. But, as already noted, this is very much a two-edged sword. Every capitalist country seeks to use such strategies to curb its locally-manifested crisis tendencies; but it is only too obvious that not all of them can succeed. The condition for 'resolving the internal contradiction' through an extension of the external field of production (and realization!) for one national capital is that other national capitals fail in this same strategy of -- in a sense -- 'exporting' their crisis tendencies. Furthermore, as all capitalist countries become increasingly interdependent and as the weakest of these countries reach the limits of their capacity to shoulder the global effects of these tendencies, such strategies become less and less effective, even to the point of becoming counter-productive. These issues will be pursued in greater depth in sections 11.4 and 11.5.

Because capitalist crises take the surface 'form' of crises of realization (or inadequate effective demand), even though they have their most fundamental basis in an 'over-accumulation of capital' in relation to the prevailing rate of profit, all capitals are concerned with securing their

ability to sell their products at prices reflecting the expected profit margin (and therefore the anticipated rate of return on invested capital). Accordingly, both individual capitalist firms and the capitalist state tend to pursue what might be called 'circulationist' strategies for mitigating capitalist crisis tendencies. It is generally only when the limits of these strategies have been met that they will resort to economic tactics and political policies of a more draconian character (for example monetarism, union-busting, wage-slashing, etc.) aimed directly at shoring up the rate of profit through cuts in the living standards of the working population. But because circulationist strategies are generally the preferred modus operandi for sustaining the rate of profit, it is not surprising that the costs of circulation have increased dramatically as the contradictions of capitalism have intensified. A value-theoretical conceptualization of these costs, as well as related increases in the cost of maintaining an interventionist and ever-expanding state apparatus, is therefore of great importance to specifying on the basis of the theory of value the concrete contours of contemporary capitalism's crisis tendencies.

Circulation Costs and Marx's Value Categories

The circuit of capital is completed only when the commodity capital produced has been transformed into money-capital; but it is only successfully completed when the magnitude of

this realized money capital exceeds the money capital invested in both the production and the circulation of commodity capital. For just this reason Marx regards the sphere of circulation as both a necessity and a barrier to the valorization of capital:

Capital exists as capital only in so far as it passes through the phases of circulation, the various moments of its transformation, in order to be able to begin the production process anew, and these phases are themselves phases of its realization -- but at the same time...of its devaluation. As long as capital remains frozen in the form of the finished product, it cannot be active as capital....This loss of capital means in other words nothing else but that time passes it by unseized, time during which it could have been appropriating alien labour, surplus-labour time through exchange with living labour. (1973:546)

In the second volume of Capital, where Marx focuses on the sphere of circulation and the reproduction process of capital, Marx suggests quite clearly that an increase in the 'annual rate of surplus-value' (referring essentially to a reduction in the turnover period of capital) will result in an increased volume of surplus-value relative to the capital advanced -- an increase in the rate of profit. However such a reduction in circulation time is not easily accomplished. Not only is circulation time governed by market accessibility and the 'effective demand' existing for the commodities in question; the attempt to address these problems carries with it significant material and labor costs above and beyond those associated with the direct production of the commodities. These costs are reduced and 'rationalized' as a result of an historically-evolving functional

division of labor between industrial and commercial (and also financial) capital; however, they also have a tendency to rise as the fundamental contradictions of capitalism intensify. In a very important sense, then, both commercial and financial capital, through their investments in the sphere of circulation and their employment of 'circulation workers', participate with industrial capital in bearing the total costs of production and reproduction, and they are rewarded for this by participating in the division and redistribution of surplus-value (as this emerges from the sphere of production) on the same basis as the various industrial capitalists -- i.e., on the basis of the 'average rate of profit' calculated on invested capital. But to the extent that the 'costs of circulation' begin to exceed the costs of production -- or at least rise faster than them -- this can only signify that the social capital as a whole is investing proportionally more in the realization of commodity values than in the production of surplus-value. (This follows necessarily from the fact that surplus-value is created only in production through the application of productive labor.) It is therefore quite possible that circulationist strategies for sustaining or increasing the rate of profit can end up reducing it instead.

Much controversy has surrounded the conceptualization of 'unproductive labor' in general and 'circulation labor' in particular. Only a few points need to be made about this controversy here. First, Marx dealt with the problem of

'unproductive labor' in two quite distinct senses, and the failure to appreciate this has resulted in much unnecessary confusion. On the one hand, there is 'unproductive labor' which can be conceived as a kind of 'luxury' item 'consumed' by the wealthy (for example, the labor of domestic servants). This type of unproductive labor receives as its reward a portion of capitalist revenue (having been 'exchanged with revenue' to use Marx's own expression) and may therefore be regarded as a 'deduction from surplus-value'. On the other hand, there is a quite different type of unproductive labor which Shane Mage (1963) has called 'socially necessary' (to the reproduction process of capital). This type of unproductive labor is not exchanged with 'revenue' but with capital -- specifically commercial and financial capital (although industrial capital will also employ a certain number of such 'socially necessary but unproductive workers').

What these two types of unproductive labor have in common is that neither are directly productive of surplus-value; where they differ -- and differ decisively -- is in their respective roles in capitalist reproduction. Socially-necessary unproductive labor plays an indispensable role in the 'overall' process of capitalist production and reproduction (as do the commercial and financial capitalists who employ such labor). But this is obviously not the case for those unproductive workers whose services merely constitute a form of 'luxury consumption' on the part of the wealthy. Socially-necessary unproductive laborers contribute 'indirectly'

to the valorization of capital by helping to realize commodity values and by increasing the 'velocity' of commodities as they move through circulation; the other type of unproductive labor performs only 'personal' services for the select few who can afford such luxuries.

The problem is: once we have accepted that 'circulation labor' is a 'socially-necessary' form of unproductive labor, one which is exchanged with capital rather than revenue, how do we then conceive of the capital with which it is exchanged? The theory of value enjoins us to regard this capital in only one of two possible ways: either the wages of these unproductive workers constitute a portion of the aggregate constant capital or they are a portion of the aggregate variable capital. The latter is ruled out immediately by the fact that 'variable capital', by definition, is capital invested in the acquisition of productive labor capable of creating surplus-value. We are then left with only one possibility: to subsume the wages of 'socially-necessary unproductive labor' under an 'expanded' notion of constant capital. While Marx himself did not do this explicitly, there is considerable support for such a conceptualization in Capital. Even more importantly, however, it can be shown to make perfect theoretical sense once 'constant capital' is freed of the fetishized notion that it can only find expression as 'physical means of production'.

Constant capital is not the same as its material elements

in the direct process of production. It is a particular expression of the social relations of production comprising capital and must therefore be understood in relation to its 'complementary' if 'opposite' expression -- variable capital. Variable capital is capital exchanged with the commodity labor-power, and, as such, it plays a 'direct' role in the production of surplus-value. Constant capital is 'different' -- but this difference must be specified in relation to its role in surplus-value production if it is to be properly understood in value-theoretical terms. Accordingly, if the differencia specifica of variable capital is that it is transformed into the living labor directly productive of surplus-value, the distinguishing characteristic of constant capital is that it is transformed into all the elements of the capitalist process of production and reproduction indirectly implicated in the total process of valorization and surplus-value production. As such, it can take the 'material form' of socially-necessary unproductive labor just as easily as it takes the form of a punch-press, a building structure, a ton of sheet metal or a cash register.

The conclusion is this: the costs of circulation, including the costs of circulation labor, are legitimately treated as a component of the constant capital expended in the total process of capitalist production and reproduction. Value is added to the commodity product by these costs in the same way

that it is added by other elements of constant capital in the immediate process of production: through an addition of previously-existing capital values. As Marx says: 'the additional value which [the merchant] adds to the commodities through his expenses resolves itself into an addition of previously-existing values' (1981b:293). The relationship of circulation capital to the commodity product is therefore analogous to that of a machine, which can only 'transfer' its own ('old') value to the new product, and which is also indirectly productive in so far as it is a mere means of living labor to produce surplus-value. This analogy is strikingly supported by Marx's imagery:

The capital advance [required to meet the labor costs of circulation] creates neither products nor value. It proportionately reduces the scale on which the capital advanced functions productively. It is the same as if part of the product was transformed into a machine that bought and sold the remaining part of the product. (1981a:211, emphasis added)

It should finally be noted that the 'constant capital' to be found in the sphere of circulation is subject to the same distinction that we made earlier -- that is to say, the distinction between capital stocks and flows. The wage-bill of circulation workers is appropriately treated as a component of the constant capital flow (i.e. constant capital 'consumed' or 'used up' in production and reproduction), but it should not be regarded as a component of the constant capital stock. Like the wages paid to productive workers -- the variable capital, this wage bill of unproductive workers

is an investment sui generis of the capitalist class, one qualitatively different from an investment in fixed capital of any sort.

State-Maintenance Costs and the Value Categories

By regarding the costs of circulation as a kind of 'overhead cost' of capitalist reproduction, it becomes clear why these costs are most adequately specified in value-theoretical terms as a component of the constant capital flow. In principle there is no reason to regard the costs of maintaining the capitalist state any differently. Like commercial and financial capital, the state carries out a range of tasks indispensable to maintaining the institutional framework of the valorization process; like them, the state appears as both a 'socially-necessary' apparatus and a 'barrier' to capitalist accumulation; and like them, the state's role in the production of surplus-value is an 'indirect' one (except where the state is itself involved in commodity production).

Unlike commercial and financial capital, however, the capitalist state is not a 'private' accumulator. Most of its revenues are obtained through taxation rather than through participation in surplus-value redistribution on the basis of the average rate of profit. Rather than 'compete' with private capitals for a share of the surplus-value, the state is principally concerned with obtaining sufficient value (revenue) to allow it to reproduce its ability to acquit its historically developed tasks. This is not to say that the state never

captures a portion of currently-produced surplus-value with the aim of expanding its activities; on the contrary, the historical tendency has been for the state to do precisely this. Yet, while the state regularly appropriates a certain share of newly-created surplus-value as a means of further entrenching its role in social reproduction, it is quite incorrect to regard all of its taxation revenues as a deduction from surplus-value, just as it is incorrect to regard the taxes on labor income as a deduction from 'variable capital'. From the standpoint of the social capital, the state is a 'machine' of social reproduction. Like any other machine, it requires maintenance, amortization, new parts, and a continuous supply of fuel and energy. Accordingly, the social capital -- in whose historical interests the capitalist state functions -- must set aside a considerable portion of the value it realizes (with the assistance of the state) in order to continuously finance state activity (just as it must 'set aside' some of this same 'realized value' to replenish raw material stocks, depreciated fixed capital, and expended fuel supplies in the factories which are the principal sites of surplus-value production).

Such a 'value-theoretical' conceptualization of state expenditures does not entail a commitment to any particular Marxist theorization of the role, nature or degree of autonomy of the state under capitalism. Whether the state enjoys a great deal or very little autonomy from the capitalist class;

whether it is a direct instrument of class rule or an apparatus subject to variegated class pressures and determinations, it remains a central component of the overall process of social reproduction under capitalism and is therefore subject, no less than the individual capitalist, to the laws of value formation and to the limits that these laws impose. There is no question but that such a value-theoretical approach is highly useful -- even indispensable -- to the elaboration of an adequate Marxist theory of the state; in my opinion, however, it is methodologically in keeping with Marx's approach to inquire first into the laws of the distribution of social labor within a particular society and only then to undertake an analysis of the state. To begin with the state (even where the state plays a predominant role in the distribution of social labor, as it does in the Soviet Union) is to suggest a social ontology in which 'power' rather than social labor is regarded as the foundation of human society.

The Historical-Structural Crisis of Capitalism

The preceding discussions provide a necessary basis for apprehending the role of the law of the falling rate of profit in the 'historical-structural crisis' of the capitalist mode of production as this has manifested itself concretely in the twentieth century. Contrary to the opinion of some Marxist commentators (Fine and Harris 1979; Weeks 1981), there is a substantial basis in Marx for understanding this law not only as an expression of cyclical tendencies in capitalist accumulation, but also as an expression peculiar

to the capitalist mode of production of a growing and irresolvable contradiction between the social relations of production and the material forces of production. This is expressed no more clearly than in the following passages from the Grundrisse:

[The declining profit rate] is in every respect the most important law of modern political economy, and the most essential for understanding the most difficult relations. It is the most important from the historical standpoint... Beyond a certain point, the development of the powers of production become a barrier for capital; hence the capital relation a barrier for the development of the productive powers of labour. When it has reached this point, capital, i.e. wage labour, enters into the same relation towards the development of the social wealth and of the forces of production as the guild system, serfdom, slavery, and is necessarily stripped off as a fetter. The last form of servitude assumed by human activity, that of wage labour on one side, capital on the other, is thereby cast off like a skin, and this casting-off itself is the result of the mode of production corresponding to capital; the material and mental conditions of the negation of wage labour and of capital, themselves already the negation of earlier forms of unfree social production, are themselves results of its production process. The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given it to be gone and to give room to a higher state of social production. (1973:748-749, emphasis added)

Several things in these passages should be especially noted. First, Marx refers to the 'development of the powers of production' as a barrier to capital and to the 'capital relation' as a 'barrier for the development of the productive powers of labour'. This suggests a dialectical interaction between the material forces of production and the social

relations of production in which each increasingly stands as a barrier to the other. If the material forces of production undermine the social relations of production, the social relations of production also undermine the material forces of production. As long as capitalism survives, this (destructive) interaction will persist. The material forces of production can 'prevail' over the social relations of production only in a 'higher state of social production'.

Secondly, Marx refers to the 'growing incompatibility between the productive development of society and its hitherto existing relations of production'. This point is crucial to the historical significance of the law of the falling rate of profit. A falling rate of profit resulting from an over-accumulation of capital is a feature of both the period of capitalist ascent and the period of capitalist decline. But if this law is also the harbinger of capitalist decline -- or more, the expression specific to capitalism of an irremediable contradiction fatal to capital's ability to systematically promote the development of labor productivity -- then it must have a somewhat different significance or expression during the era of capitalist decline than it had when capital was playing an historically-progressive role. This seems to be the burden of Marx's reference to a 'growing incompatibility', and yet the expression of this growing incompatibility is left unspecified by Marx except for some references to 'bitter contradictions, crises, spasms' -- phenomena which

have characterized capitalism since its birth.

This brings us to the third point. Marx also implies that this 'growing incompatibility' between the forces and relations of production will find expression in the 'violent destruction of capital not by relations external to it, but rather as condition of its self-preservation'. Here Marx proved to be particularly prescient -- for it has been the quite literal physical destruction of capital in world wars (themselves interpretable as products of such a 'growing incompatibility') that has led many twentieth-century Marxists, from Lenin on, to conclude that capitalism has indeed entered into historical-structural crisis. In Lenin's terms, capitalism had reached its 'highest' stage with the advent of imperialism -- a phenomenon which expresses, above all, the attempt of the most developed capitalist countries to resolve their 'internal' contradictions at the expense of other countries linked to them within the capitalist world market.

But if imperialism and its associated conflicts have demonstrated how 'destructive' the capital relation can become to existing stocks of physical capital, the growth of 'unproductive' sectors within the most developed capitalist formations also signifies that the capital relation is destructive to the 'potential' of the technology that has developed under its wing. Indeed, in an era when nuclear weapons tend to stay the hand of those who might seek a resolution of the internal

contradiction of capitalist production through a military extension of the external field of production, this thwarting of the great potential of science and technology, not to mention the 'wasteful' reallocation of social labor increasingly to unproductive tasks that are 'socially-necessary' only from the standpoint of the capital relation, may well have become 'the most striking form in which advice is given to [capital] to be gone and to give room to a higher state of social production'.

In light of these considerations we can entertain the notion of an 'adulteration' of the laws of motion of capitalism. If the growth of constant capital in relation to newly-created value once signified a growth of the productivity of labor, it now also signifies a relative diminution of productive labor in relation to socially-necessary unproductive labor. If the rate of profit once fell cyclically as a result of progressive increases in the technical composition of capital, it now falls both cyclically and over the long-term due to the fact that a diminishing percentage of the workforce is actually engaged in surplus-value production (as opposed to 'realization'). If capitalism's tendency to promote the 'objective socialization' of labor and of production once reflected its historically-progressive role in developing the forces of production, it now also reflects a hypertrophy of the capitalist state and of the sphere of circulation -- a hypertrophy which slows the advance of the forces of pro-

duction by diverting enormous economic resources away from production.

That Marx was unable to 'predict' all of these developments takes little away from the power of his analysis. For the question is not whether his value-theoretical analysis of the laws of motion of capitalism allowed him to foresee the precise contours of capitalism in its era of decline, but whether the concrete course of historical development is explicable on the basis of that analysis. This is a question which can be addressed empirically as well as theoretically -- as it has been with increasing sophistication over the past thirty years.

11.3 Theoretical Arguments in Light of the Empirical Evidence

Apart from Sweezy's 'indeterminacy' argument discussed earlier, three basic arguments have been associated with the attempt to 'disprove' Marx's theory of a rising organic composition of capital/ falling rate of profit. These are: a) the 'neutral technological progress' argument, b) the 'rising technical composition/ constant organic composition' argument, and c) the 'choice of technique' argument (aspects of which were discussed in Chapter Eight). Since these arguments have received a good deal of attention at the theoretical level in recent years and because I have dealt with each of them elsewhere (see Smith 1984), I shall focus here on the empirical evidence for Marx's theory that a long-term decline in the rate of profit is associated with

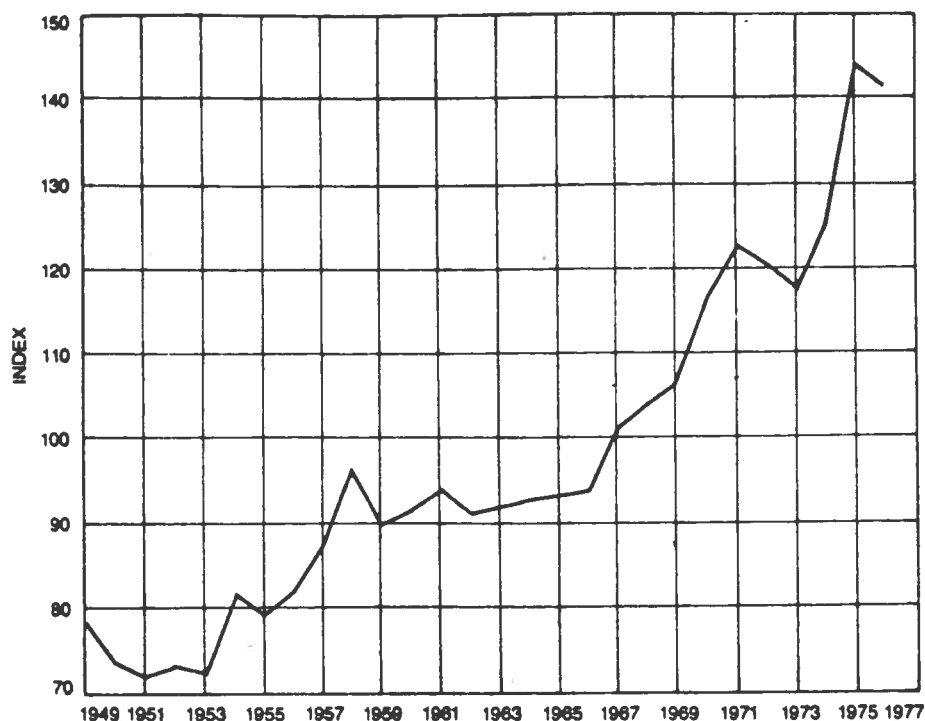
a rise in the organic composition of capital. In doing so, I shall discriminate between those 'empirical tests' of Marx's theory that are faithful to Marx's own theoretical concepts (most importantly, his key distinction between productive and unproductive labor) and those that do not. Before doing this, however, it will be useful to evaluate arguments 'a' and 'b' above in light of the empirical evidence.

Argument 'a' is essentially an extension of Marx's own argument concerning 'constant capital-saving' innovation as a factor countering the tendency of the rate of profit to fall. Reference was made earlier to some of the theoretical considerations which mitigate against the notion that 'capital-saving' innovation is as common as 'labor-saving' innovation in the attempts of capitalists to reduce their costs of production. The empirical question flowing from this argument is this: has the technical composition of capital, defined as the ratio of means of production to living labor, exhibited a tendency to rise or to remain constant? This question does not lend itself to simple empirical operationalization, since the question of how both the numerator and the denominator are to be measured necessarily enters into it; moreover, Marx was never explicit as to how the technical composition of capital could be measured in a fashion consistent with his over-all theory. There are, however, compelling grounds for agreeing with Mage that by the 'technical composition' Marx meant to signify 'what modern economists call "capital

intensity," the quantity of capital goods in "real" terms co-operating with each worker at some "normal" level of full employment' (1963:72). If this is correct, then the technical composition of capital can be designated as the ratio of means of production expressed in 'constant dollars' to the number of production workers (or as constant-dollar value of capital stock employed per man hour worked).

Wassily Leontief, the distinguished economist who introduced input-output theory into the neo-classical system, has furnished data on the long-term trend of this very ratio for the American economy from 1949 to 1977 (see Figure Five below, taken from Leontieff 1982:190). Leontieff's data show that this ratio increased by a function of 1.9 -- that is, the technical composition of capital almost doubled in this twenty-eight year period. Theoretical speculation aside, then, the empirical evidence appears to be conclusive that in the United States (the leading capitalist country, if not the leader in labor-saving techniques) technological innovation showed a labor-saving tendency rather than a 'neutral' one, and that this involved a marked increase in the technical composition of capital.

Figure 5

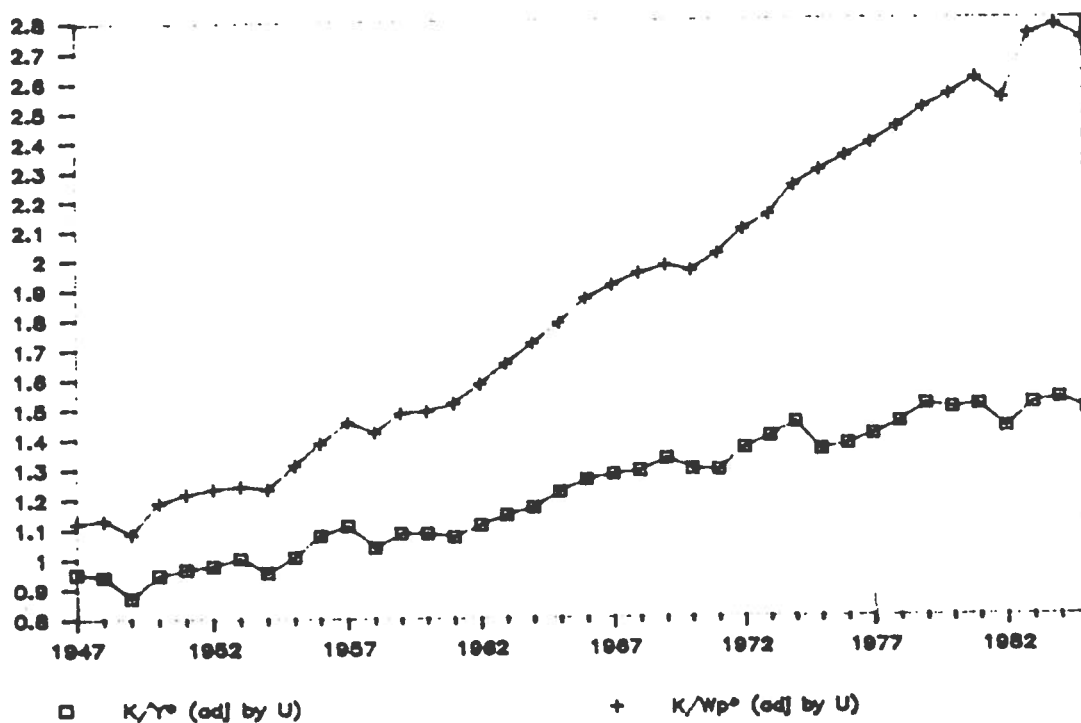


Value of Capital Stock Employed Per Man-Hour in Manufacturing
Industries in the U.S., 1949-1977, Plotted on a Constant 1967-
Dollar Index; Source: W. Leontieff 1982:190.

Argument 'b', which postulates a rising technical composition of capital but a 'constant' organic composition of capital, is also subject to empirical evaluation. The basis of this argument is that productivity increases associated with a rising technical composition of capital will prevent an increase in the 'value expression' of the composition of capital. There are compelling theoretical and 'logical' grounds for disputing this argument, but none can be so conclusive as the empirical evidence concerning the real trend of the organic composition of capital.

Shaikh (1987) provides data for both the value composition of capital and the capital-output ratio (which is conceptually close to the way we have specified the organic composition of capital) for the U.S. economy over the period 1947 to 1985. (See Figure 6 below.) The former ratio increases by a function of 2.1 and the latter by a function of 1.4 over the 1949-1977 period with which Leontieff's data was concerned. It can be inferred from these results that the organic composition of capital rose along with the technical composition of capital (though not at the same rate).

Figure 6

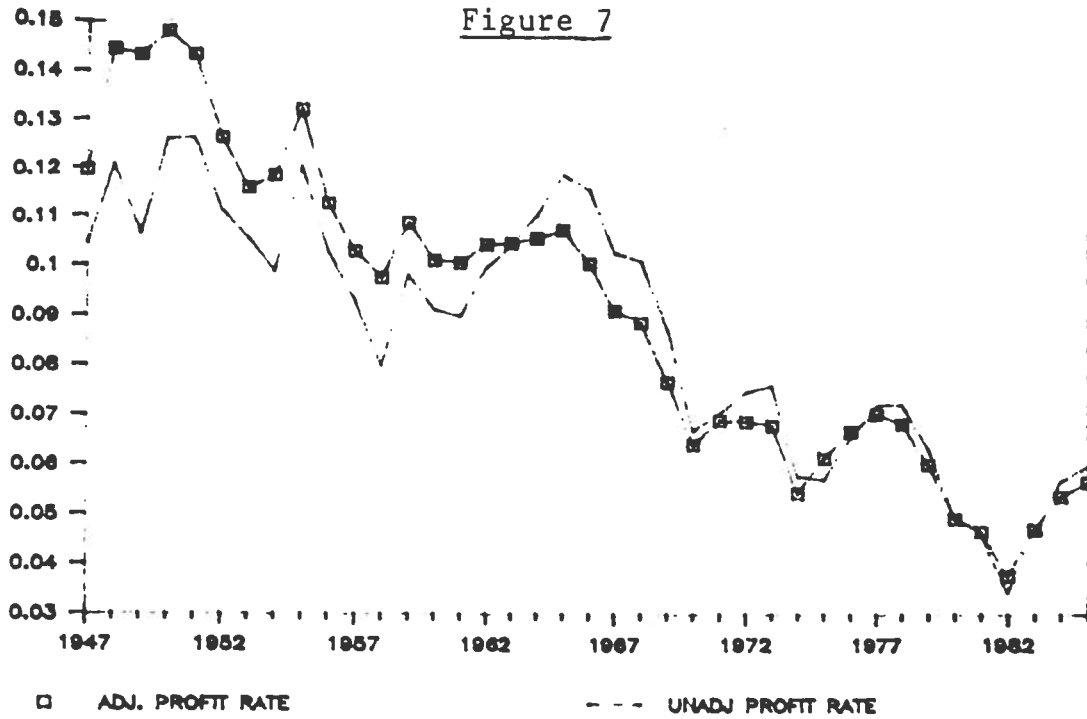


 The Ratio of Capital to Production-Worker Wages (the Value Composition of Capital K/Wp^*) and the Capital-Output Ratio K/Y^* adjusted for capacity utilization in the U.S. Economy from 1947-1985. Source: Shaikh 1987.

Argument 'c', the Okishian/Sraffian 'choice of technique' argument, can also be shown to be deficient on theoretical and methodological grounds. But again, a proper specification of Marx's theoretical categories permits an empirical test of the central 'hypothesis' of Marx's theory of the falling tendency of the rate of profit -- that a fall in the rate of profit will be strongly correlated to a rise in the organic composition of capital -- which renders 'redundant' all attempts to 'mathematically' assess the theory on the basis of questionable theoretical 'models'. Empirical evidence adduced by Smith (1984) and Shaikh (1987) suggests that for the Canadian and American economies a strong case can be made that a strong correlation does obtain between a rising organic composition of capital and a declining rate of profit. Both Smith and Shaikh found that a statistically-significant decline in the rate of profit could be established even where the rate of surplus-value is rising and labor productivity is outstripping the growth of the real wage -- provided that a rise in the organic composition of capital could also be established.

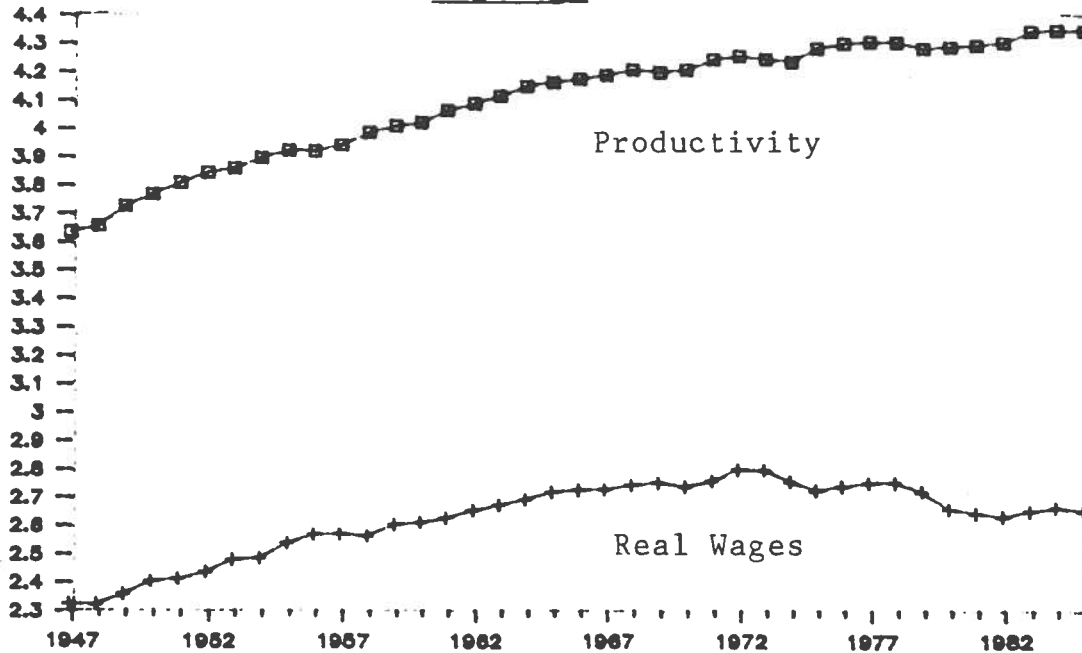
Shaikh's data on 'capital intensity' have already been reviewed. Figures Seven and Eight contain Shaikh's data on the U.S. rate of profit and the trends in productivity and real wages.

Figure 7



Rate of Profit Adjusted for Variations in Capacity Utilization,
U.S. economy 1947-1985. Source: Shaikh 1987.

Figure 8



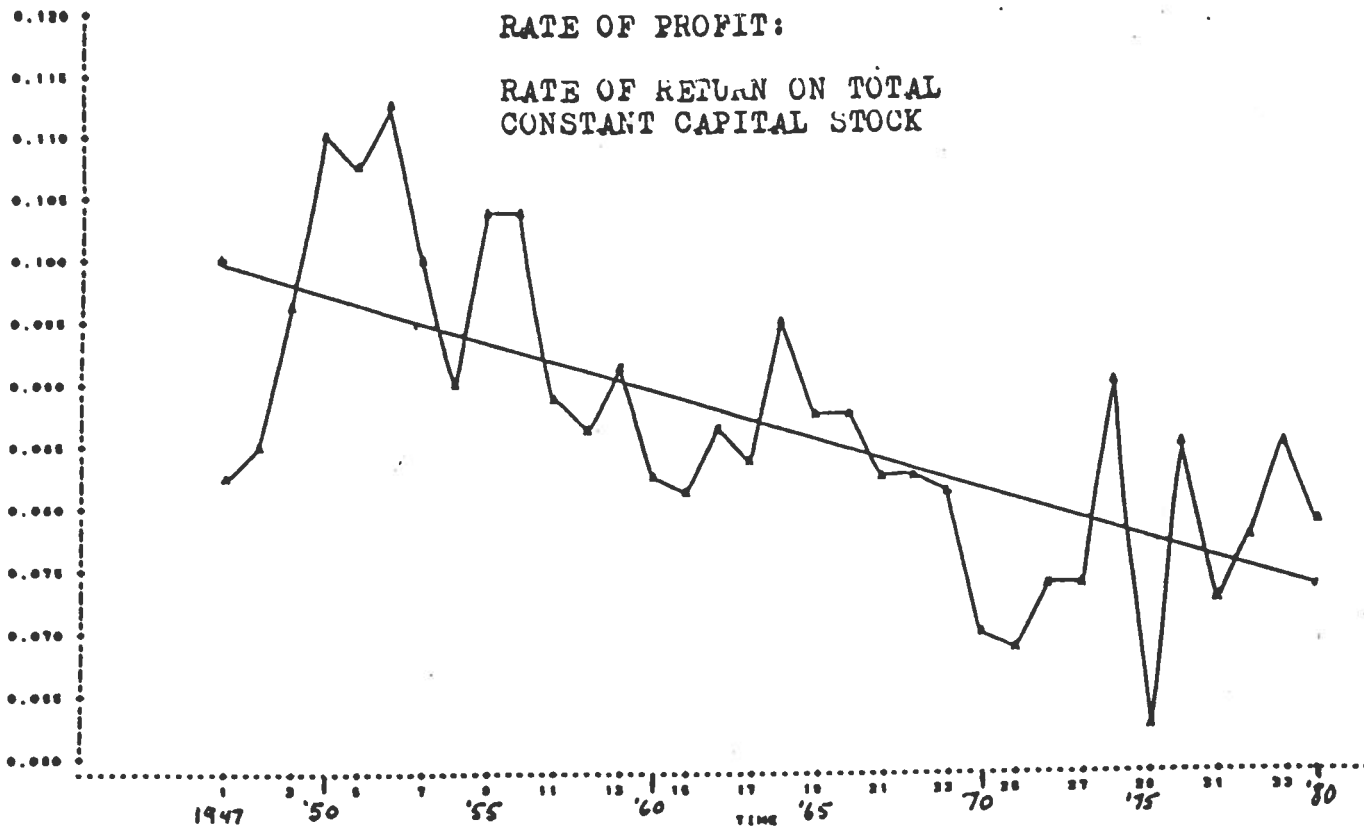
Productivity and Real Wages (of Production Workers) in the U.S.
economy, 1947-1985. Source: Shaikh 1987

Shaikh notes that Figure Seven 'shows that the profit rate adjusted for variations in capacity utilization falls by almost 53% over the postwar period. Since the ratio of profits to production worker wages actually rises slightly over this period (from .40 in 1947 to .46 in 1985), the fall in the rate of profit is entirely explained by the rise in fixed capital relative to production worker wages (i.e. by the rise in the value composition of capital)' (1987:10).

Smith's data supports the same basic conclusion, although it should be noted that a theoretical difference on the value-specification of unproductive labor costs and tax revenues leads him to calculate the magnitude of surplus-value in a way different from Shaikh. Smith's key findings are summarized in Figures Nine, Ten and Eleven.

Figure 9

S4/C3

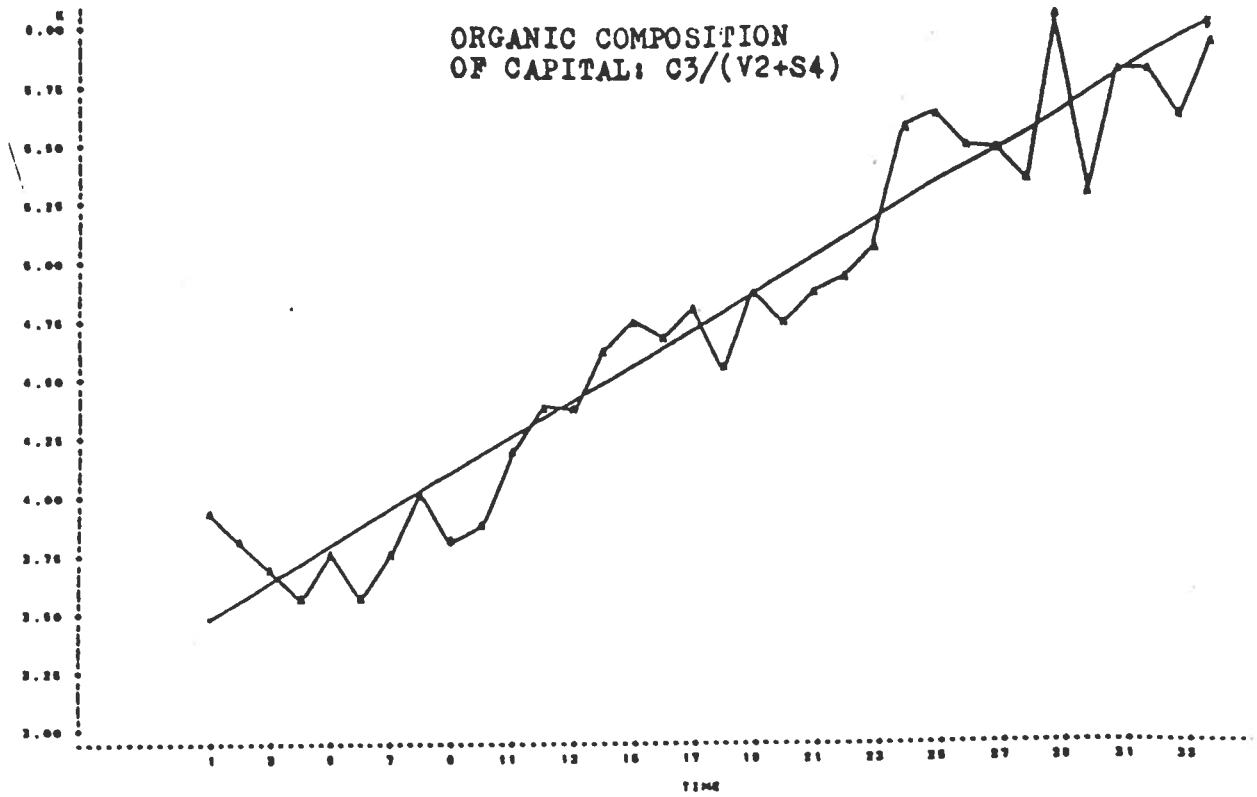


TIME: 1=1947
33=1979

Rate of Profit Calculated on the Total Constant Capital Stock
(Fixed and Circulating), Canadian Economy, 1947-1980.

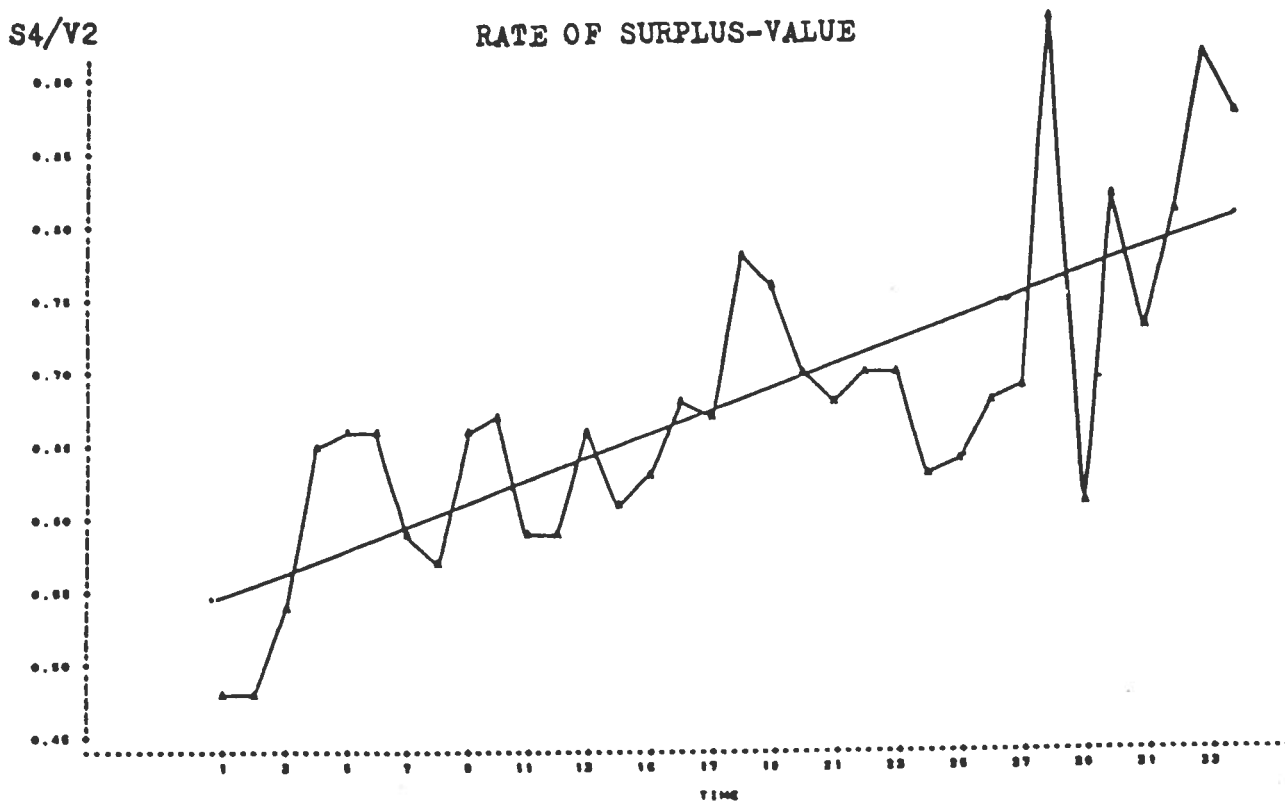
Source: Smith 1984.

Figure 10



Organic Composition of Capital, Canadian Economy 1947-1980
Source: Smith 1984.

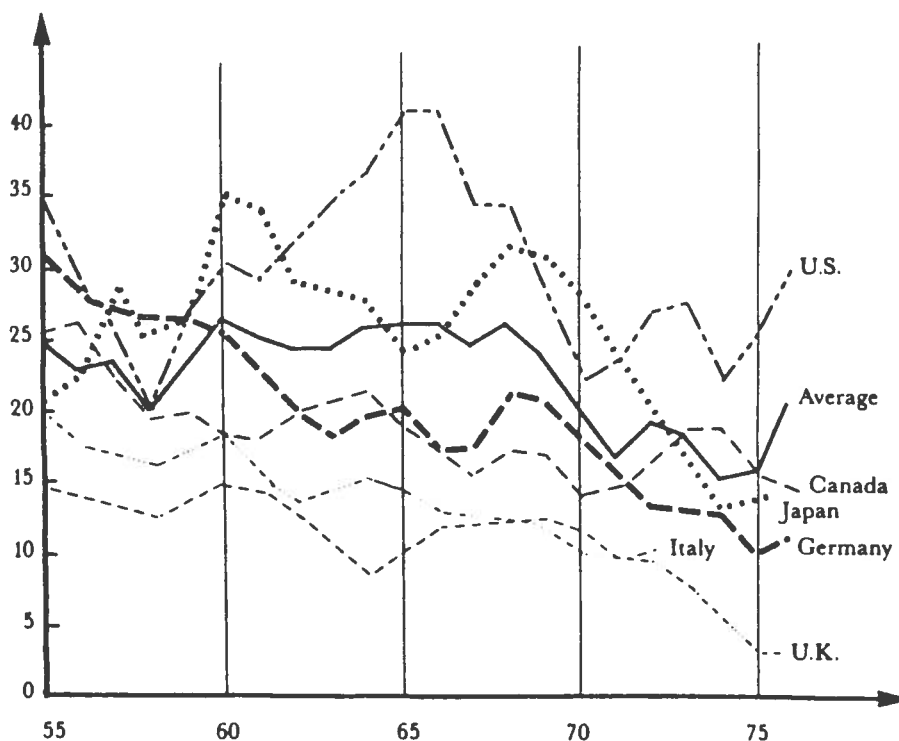
Figure 11



Rate of Surplus-Value, Canadian Economy 1947-1980
Source: Smith 1984

In recent years there has been an abundance of empirical work on the rate of profit pertaining to the Japanese and European economies as well as to Canada and the United States. While methods vary widely as to how the rate of profit should be measured, it is now unarguable that the rate of profit has exhibited a long-term fall in the post-war period in virtually all of the advanced capitalist economies. An indication of this is provided by Figure 12, published by the OECD.

Figure 12



Rates of Profit of the Advanced Capitalist Countries, Mid-1950's to Mid-1970's.

Source: T.P. Hill, Profits and Rates of Return Paris:1979

While agreement exists about the existence of a long-term decline in the rates of profit in the post-war period among a broad range of economists, Marxist and non-Marxist, arguments persist over the cause and extent of this decline, as well as the prospects for a long-term reversal of the trend. Studies that fail to distinguish between productive and unproductive labor income are liable to cite a wage-push/profit-squeeze, declining productivity, or lack of effective demand.⁴ On the other hand, studies that make this distinction generally conclude that the growth of real wages among production workers has not exceeded the growth of productivity and that the organic composition of capital (properly measured, without the inclusion of unproductive labor income under 'variable capital') has shown a marked tendency to rise and in a fashion strongly correlated to the decline in the average rate of profit. In light of the argument made in the last section, the difference of opinion between the two sets of studies is a striking conceptual reflection of the 'adulteration' of the law of the falling rate of profit. The growth of the 'reproduction sector' and of 'unproductive labor' throughout the twentieth century has substantially 'complicated' the over-all picture, while further 'mystifying' and obscuring the fundamental laws of motion of the capitalist economy. Tables II and III provide empirical confirmation of the strength of this trend.

Table II

The Ratio of Unproductive Labor to Productive Labor

U.S. Economy

(millions)

	L_u	L_p	L_u/L_p	Index Numbers		
				L_u	L_p	L_u/L_p
1947	10.5	29.6	0.35	100	100	100
1948	10.6	30.1	0.35	101	101	100
1949	10.8	28.6	0.38	104	97	107
1950	11.0	29.7	0.37	106	100	105
1951	11.7	31.2	0.38	112	106	106
1952	12.2	31.4	0.39	117	106	110
1953	12.7	32.1	0.40	122	108	112
1954	12.9	30.6	0.42	123	103	119
1955	13.4	31.4	0.43	128	106	120
1956	14.0	32.0	0.44	134	108	124
1957	14.3	31.7	0.45	137	107	128
1958	14.3	29.9	0.48	137	101	135
1959	14.8	31.0	0.48	142	105	135
1960	15.2	31.0	0.49	146	105	139
1961	15.4	30.4	0.51	147	103	143
1962	15.8	31.1	0.51	152	105	144
1963	16.2	31.3	0.52	155	106	146
1964	16.7	31.8	0.53	160	107	149
1965	17.4	32.9	0.53	166	111	149
1966	18.2	34.2	0.53	174	116	150
1967	18.9	34.5	0.55	180	117	155
1968	19.7	35.2	0.56	188	119	158
1969	20.6	36.2	0.57	196	122	161
1970	21.0	35.9	0.58	200	121	165
1971	21.1	35.6	0.59	202	120	168
1972	21.8	36.8	0.59	209	125	168
1973	22.8	38.6	0.59	218	131	167
1974	23.4	40.0	0.60	224	132	170
1975	23.5	37.0	0.64	225	125	180
1976	24.6	38.3	0.64	235	129	181
1977	25.5	39.6	0.64	243	134	182

L_u = Unproductive workers.
 L_p = Productive workers.

Source: Moseley 1985

Table III

The Growth of the 'Constant Capital Flow' & Its Components

Canada, 1947-1980

(millions of current \$)

<u>Component</u>	<u>1947</u>	<u>1980</u>	<u>Factor Increase</u>
Total Flow	6982	192113	27.87
Capital Consumption Allowances	1227	33448	27.26
Tax Flow (on measures of profits and variable capital)	1909	50453	26.43
Total Tax Flow	3484	90491	25.97
Wage Bill of Unproductive Labor in Private Sector, After Taxes	1235	44541	36.07

Source: Smith 1984

It would seem that, increasingly, a correct Marxist assessment of capitalism's historical tendencies of development hinges on a correct conceptualization of productive labor as labor creative of surplus-value. The irony is that such a conceptualization can only be 'irrelevant' to those for whom Marx's 'law of value' remains to be 'proven'.

11.4 Imperialism, Underdevelopment and International Value Transfers

It has become something of a commonplace to observe that Marx 'failed to anticipate' the formidable obstacles to economic development and social progress that capitalism has erected in many of the underdeveloped countries of Asia, Africa and Latin America. In this connection, his 'optimistic' predictions concerning the impact of British colonialism in India and his 'prediction' in the Communist Manifesto that European capitalism would create 'a world after its own image' have been frequently cited. Yet it is really unfathomable how anyone who has read Capital (and its third volume in particular) could assert, as Robert Brenner has, that 'the appearance of systematic barriers to economic advance in the course of capitalist expansion -- the "development of underdevelopment" -- has posed difficult problems for Marxist theory', problems calling for a revision of 'Marx's conceptions regarding economic development' (1977:25). For it is quite clear that Marx himself 'revised' the 'optimistic' projections of the Manifesto in the course of carrying out a detailed analysis of the laws of capitalist development in his more 'mature' works, the Grundrisse and Capital in particular. Indeed, Marx undertook in these works not only to disclose the laws of motion governing the 'development' of the capitalist mode of production, but also the ways in which these laws of motion operate to bring about its decline.

From such a perspective, the 'development of underdevelopment' is an inexorable concomitant of capitalism's 'historical-structural crisis', a phenomenon portending increasingly formidable barriers to economic progress not only in the weaker capitalist nations and the 'semi-capitalist periphery', but in the citadels of world capitalism as well.

The question is indeed posed: how could the Marx of Capital have been simultaneously 'optimistic' about the imminence of proletarian socialist revolution in Britain (which he mistakenly was) and about the continuing ability of capitalism to uproot pre-capitalist relations of production in the colonial world? Capitalism as a world-historical phenomenon could not simultaneously exhaust its progressive role in one part of the world while maintaining it in another. Indeed, as the contradictions of capitalism intensified in the most developed capitalist countries, this could not fail to have the most profound implications for world-wide economic development; it could not fail to exacerbate the already uneven tempo of indigenous capital accumulation existing between the more developed and the more undeveloped countries of the world capitalist economy.

It is precisely in this latter connection that Marx's discussion of foreign trade and investment as counter-acting tendencies to the tendency of the rate of profit to fall acquires its importance:

- 1) 'In so far as foreign trade cheapens on the one hand the elements of constant capital and on the other the necessary means of subsistence into which variable capital is converted, it acts to raise the rate of profit by raising the rate of surplus-value and reducing the value of constant capital...Capital invested in foreign trade can yield a higher rate of profit, firstly, because it competes with commodities produced by other countries with less developed production facilities, so that the more advanced country sells its goods above their value, even though still more cheaply than its competitors.

- 2) 'As far as capital invested in the colonies, etc. is concerned..., the reason why this can yield higher profit rates is that the profit rate is generally higher there on account of the lower degree of development, and so too is the exploitation of labour, through the use of slaves and coolies, etc.'
(1981b:344-345)

While Marx's comments in these passages are far from constituting a fully-developed theory of imperialism, they are nevertheless useful in identifying the key factors underlying the uneven and restricted development of capitalism in sectors of the world under the domination of foreign capital and exhibiting a high degree of 'interpenetration' of capitalist and pre-capitalist relations of production. Precisely because the 'internal contradiction' of developed capitalism 'seeks resolution by extending the external field of production' (Marx), there is a pronounced tendency for capitalist countries to exploit every possible advantage in their efforts to mitigate their internal economic problems at the expense of other socio-economic formations (whether weaker capitalist rivals, or semi-capitalist colonies and semi-colonies).

As counteracting influences to the tendency of the rate of profit to fall, the results of foreign trade and investment have been considerable. In one way or another, writers as diverse as Amin (1974), Emmanuel (1972), Frank (1981), Jalee (1968,1972), Magdoff (1969) and Mandel (1975) have demonstrated the significant contributions of imperialist penetration of underdeveloped countries to the stabilization and growth of the advanced capitalist economies. However, it is also important to indicate some of the limits of foreign trade and investment as barriers to a falling rate of profit. Clearly, as we have already noted, they can play a role in stabilizing or increasing the rate of profit 'only to the extent that either the terms of trade continue to improve and/or the rate of return on capital invested abroad continues to rise' from the point of view of a given national capital. Indeed, increased competition among the most developed capitalist countries, the recurrent development of anti-imperialist movements in the semi-colonial world, and the creation of international cartels such as OPEC, to list only some of the more significant factors, suggest that foreign trade and investment are increasingly unreliable means of securing a higher rate of profit for the advanced capitalist countries. Even so, however, the relationship of forces between the advanced and the backward capitalist countries remains such that the effects of foreign trade and investment remain at best contradictory and at worst harmful to the ability of the backward countries

to effect the kind of economic 'take-off' about which Rostow and other pro-capitalist development theorists rhapsodize.

From Lenin on, most Marxist theories of imperialism have emphasized the importance of the direct production and subsequent transfer of surplus profits from the underdeveloped to the imperialist countries. Almost without exception, however, such theories of 'underdevelopment' have not had a value-theoretical approach as their analytical basis. The reasons for this are varied, but it clearly has something to do with the prevalence of 'underconsumption' and 'disproportionality' theories of capitalist crisis among Marxists.

This situation began to change with the emergence of the 'unequal exchange' school in the 1960's and 1970's. Not only did Arghiri Emmanuel's theory of the 'imperialism of trade' direct attention to exchange mechanisms on the world market as the most significant means of 'imperialist exploitation' of the backward capitalist countries; it sought to do so on the basis of an analysis of the operations of the law of value in an international context. Accordingly, the lessons of the debate which ensued around the theory of unequal exchange are important to understanding the dynamics of 'inter-imperialist' trade as well as trade between the imperialist and semi-colonial formations. The key question is: to what degree can we speak of international transfers of value occurring through the medium of world trade?

Our concern here is not primarily with the appropriateness of Emmanuel's dismissal of the 'myth of investment imperialism' (Emmanuel 1974), but with the adequacy of his alternative theory of the 'imperialism of trade'. It should nevertheless be noted that Emmanuel seems to miss a rather important point when he asserts that the advanced capitalist countries are 'too rich' not to 'absorb' all the new capital formed in them -- an apparent reference to Lenin's thesis that imperialism is characterized by the export of 'surplus capital' to sectors where a higher rate of profit can be obtained for this capital. Emmanuel appears to be saying that 'being rich' prevents capitalists from suffering the effects of a falling rate of profit! It is precisely the over-accumulation of capital which creates the problem of surplus-capital disposal and impels the search for investment opportunities in external capital markets, whether in the underdeveloped formations or in other imperialist countries. Certainly, the crises of overproduction associated with a falling rate of profit in the mid-1970's and early 1980's dramatically increased the level of productive-capital export to the third world, despite the continuing -- and increasing -- disparities in wealth between the advanced and underdeveloped capitalist countries.

The foundation of Emmanuel's theory is that the operations of the capitalist world market are determined by a particular law of price formation involving an 'unequal rewarding of factors', particularly the 'labor factor'. Since the 'labor

factor' is under-valued in this scheme of things, this rebounds to the disadvantage of 'poor' countries exhibiting a relatively low level of labor productivity. The law of price formation which Emmanuel tries to elucidate is the key, in his view, to explaining why a commodity produced in a highly developed capitalist country can be exchanged for a commodity 'embodying greater value' which has been produced in an under-developed country. Further, this is the key to explaining the mechanisms of surplus-value transfer from the poor to the rich countries.

Emmanuel argues that the Ricardian theory of 'comparative costs', as this was formulated by Ricardo himself, cannot serve as the basis for specifying the laws of international price formation. Nor does he believe that productivity differentials between rich and poor countries can completely account for the riddle of unequal exchange. Wage differentials must also be taken into account. Indeed, in typical neo-Ricardian fashion, Emmanuel tends strongly toward the view that wages constitute the 'independent variable' in capitalist development.

Can international exchange ratios be explained on the basis of the law of value? Emmanuel argues that they can, but to do so one must first contend with Ricardo's arguments against this notion.

While Ricardo's theory of value differs from Marx's in numerous respects, the concept of price of production figures prominently in it and for essentially the same reason that it

does in Marx: Ricardo's 'natural prices' reflect the influence of the equalization of rates of profit on price formation. Ricardo argued that in international trade the law of value breaks down as an adequate explanation of exchange ratios precisely because the tendency for the rate of profit to equalize across national lines is qualitatively attenuated by the phenomenon of international capital immobility. The relative immobility of capital on the world market means that there is no general rate of profit governing the formation of prices of production across national lines -- which means that another law of price formation is required to explain the exchange ratios of commodities in international markets. Ricardo's solution was 'the law of comparative costs', a law which essentially asserts that, through a process of specialization in the production of particular commodities, exchange inequalities between trading partners will be cancelled out. This law was a central pillar of Ricardo's case for free trade; and, in part because it is detached from his theory of value, it has been incorporated into neo-classical theories of international trade.

Emmanuel does not entirely reject the law of comparative costs; he simply amends it. Emmanuel argues that since Ricardo's time there has been a fundamental change in the economic intercourse between nations. Not only do commodities flow between them, but so does capital. Increased international capital mobility has brought with it a tendency for profit

rates to equalize on an international basis, and this has meant the formation of international prices of production. This phenomenon has not been accompanied, however, by a corresponding increase in the mobility of labor, and this relative immobility of labor accounts for the huge wage differences which exist between the developed and underdeveloped countries in the capitalist-dominated world. Thus, it is the conjunction of international capital mobility and international labor immobility in a situation where the law of comparative costs continues to determine international patterns of trade and specialization that accounts for the diverse phenomena reinforcing the 'development of underdevelopment' in the 'third world'. The implications of Emmanuel's theses have been well-summarized by Shaikh (as a prelude to a critique):

since wages tend to be much lower in the underdeveloped regions, in the absence of capital mobility between regions, profit rates will tend to be higher in the underdeveloped regions than they will be in the developed regions. If profit rates are now equalized through the international mobility of capital, the profit rate in the underdeveloped regions will be lowered and that in the developed regions raised. It follows from this that profits (surplus value) are transferred from the former to the latter. Since profits are an important source of growth, the transfer of profits out of the underdeveloped regions is at the same time a reduction in the rate of growth relative to what it could have been in the absence of the intrusion of foreign capitals. (1979:298-299)

Criticisms of Emmanuel's theory have centered on his theory of wages and on his theory of the international equalization of profit rates. The close connection between the two is suggested by Emmanuel's statements that 'inequality of

wages as such, all other things being equal, is alone the cause of the inequality of exchange' (1972:61) and that 'relative wages determine relative prices' (1972:100). Pilling (1973) observes that Emmanuel's wage theory is predicated on a quantity theory of the means of subsistence necessary for the laborer to reproduce himself, while a proper Marxist theory of wages must proceed from the idea that 'the value (and hence price) of labour power is determined not by the quantities of the means of subsistence which will enable the worker to maintain himself and his family and re-present himself on the market, but by their value (that is, the socially-necessary labour time required to produce these means of subsistence') (1973:174).

Mandel's critique of Emmanuel's 'international equalization of profit rates' thesis proceeds as follows:

The hypothesis of international equalization of the rates of profit...presupposes perfect international mobility of capital -- in effect, the equalization of all economic, social and political conditions propitious to the development of modern capitalism on a world scale. Such equalization, however, is completely contradicted by the law of uneven and combined development which dominates this development. Unequal conditions of development for the capitalist mode of production determine unequal sizes of internal markets and uneven rhythms of accumulation of capital. In this sense, the vast international differences in the value and the price of the commodity labour-power, which Arghiri Emmanuel rightly underscores, are not causes but results of the uneven development of the capitalist mode of production, and of labour productivity in the world. (1975:352-353, emphasis added)

Mandel advances an alternative theory of unequal exchange in the world market which is predicated on 1) 'the fact that

the labour of the industrialized countries counts as more intensive...on the world market than that of the underdeveloped lands', and 2) 'the fact that no equalization of the rates of profit occurs in the world market, where different national prices of production (average rates of profit) exist side by side and are articulated with one another' (1975:351). According to Mandel, Emmanuel's theory is 'incapable of showing why countries with high wages undergo industrialization while underdeveloped nations possess relatively little industry' (1975:352) if a situation of 'perfect' international capital mobility exists in the world market.

Mandel's critique of Emmanuel is itself subject to a number of criticisms. But, for the moment, we shall consider only one. For an economist who prides himself on his dialectical method and who is prone to addressing complex issues with references to the 'law of uneven and combined development', it is rather astonishing to find Mandel resorting to such 'absolute' formulations as 'perfect international capital mobility' and 'no equalization of the rates of profit...in the world market'. Since when, it might be asked, has 'perfect' capital mobility been a condition for the formation of a general rate of profit in a 'nationally'-circumscribed capitalist economy? Capital mobility is nowhere 'perfect', and consequently, the formation of a general rate of profit remains only a tendency, as Mandel points out elsewhere. Once we grant that capital mobility exists between countries

-- however 'imperfectly' -- then it immediately follows that a tendency must also exist for the equalization of the rates of profit on the world market. Emmanuel may be overstating the strength of this tendency (a common neo-Ricardian pit-fall, as we have seen) but he is nevertheless right to recognize its importance.

Mandel thinks that he has refuted the idea of 'perfect' international capital mobility (which he unfairly attributes to Emmanuel) by suggesting that it poses the following riddle: 'how does it come about that the prospects for valorization of capital are not more advantageous where wages are lowest, and that for a hundred years capital has not decamped on a massive scale from countries with high wages to countries with low wages?' (1975:353) But Mandel's own answer to this question is not, in principle, inconsistent with Emmanuel's theory of unequal exchange: 'problems of the "domestic market," the alienation of capital accumulation, the transfer of surplus-value and the narrow limits imposed on "internal" capital accumulation by the existing social structure'(1975:353). Moreover, Emmanuel's theory goes one step further by positing a transfer of surplus-value from the underdeveloped to the developed countries which tends to equalize the rates of profit existing between them and, in so doing, undercuts the incentive for capital to relocate to low-wage regions. The mobility of capital is therefore limited on an international scale by the same tendencies which this mobility creates: the

international equalization of profit rates and the consequent tendency towards an international redistribution of surplus-value through exchange.

Any legitimate critique of Emmanuel's theory must recognize the disturbing circularity of this latter argument. If we return to Shaikh's summary of Emmanuel's conclusions, quoted above, we can isolate the following propositions as central to the argument:

- 1) until international capital mobility becomes significant, the rate of profit prevailing in the underdeveloped regions will be higher than in the developed ones due to lower wages;
- 2) once international capital mobility becomes significant, the international equalization of profit rates brought about by this will create comparable prospects for the valorization of capital in both regions (and will, logically enough, slow the flow of capital from the developed to the underdeveloped regions).

These two propositions together pose a series of conundrums. In the first place, how can we speak of the existence of a 'rate of profit' or even of 'wages' before capital has penetrated the 'underdeveloped' regions (a penetration which presupposes significant international capital mobility)? Second, how can the tendency toward the international equalization of profit rates sustain itself if it produces conditions discouraging international capital mobility? Clearly, these questions can only be satisfactorily addressed by recognizing

the centrality of production to the appropriation of surplus-value by capital. Emmanuel's focus on exchange (and his related neo-Ricardian habit of treating capitalist categories in ahistoric fashion) leads away from this and, not surprisingly, results in paradoxical conclusions. There can be no participation by the underdeveloped regions in the formation of a general 'international' rate of profit unless capitalist production occurs there; there can be no capitalist production there unless favorable prospects for the valorization of capital exist; and, consequently, the direct production and subsequent transfer of surplus-value from the underdeveloped to the developed countries remains the foundation of imperialist exploitation. In other words, Emmanuel's 'imperialism of trade' presupposes the 'imperialism of production' -- something which Emmanuel very clearly considers a secondary issue.

While Emmanuel exaggerates the strength of the tendency toward a 'uniform' international profit rate, he underestimates the significance of inter-sectoral differentials in profit rates -- differentials which also cut across national lines. Capital flows not to 'countries' with higher than average profit rates, but to branches of production promising higher rates of valorization.

As part of an ambitious attempt to develop a Marxist alternative to the Ricardian theory of comparative costs and international trade, Anwar Shaikh (1979,1980) has developed an extremely suggestive critique of Emmanuel's theory of unequal exchange. Shaikh begins by establishing that no

Marxist theory of international trade can incorporate the Ricardian theory of comparative costs. Not only is this 'law' a transparent ideological justification for free trade; it is also intimately bound up with Ricardo's theories of value and money -- both of which were strongly and effectively criticized by Marx. In this connection he argues that it is 'absolute advantage, not comparative, which rules trade' (1979:301). The net inflow of gold into a country resulting from a trade surplus will not lead, as Ricardo maintains, to a general increase in prices undercutting the 'comparative advantage' of this country in international trade. Nor will the gold outflow from the weaker trading partner necessarily result in a lowering of its prices, such that its 'comparative' position will be enhanced. Instead, the absolute disadvantage of the weaker trading partner will be 'manifested in a chronic trade deficit, balanced by a persistent outflow of gold' while the greater efficiency of the stronger trading partner will 'manifest itself in a chronic trade surplus, balanced by a persistent accumulation of gold' (1980:38). Given such a situation, the weaker trader must seek to specialize in branches of production where it possesses some natural absolute advantage, while the stronger trader must seek out avenues for profitable investment of its money capital (for example, the export sector of the weaker trading partner).

In general, the underdeveloped countries must concentrate

their production for export on commodities which they can produce most efficiently (i.e. at a lower value) and/or those commodities that are peculiar to it (e.g. specific raw materials). Both of these types of export commodities will reflect a specific local advantage which will tend to compensate for the generally lower efficiency of production in these countries (advantages like a favorable climate, a wealth of 'unique' natural resources, favorable location, etc.). These natural absolute advantages of the export sector of the underdeveloped countries will quickly attract foreign capital in search of favorable prospects for valorization; consequently, the export sectors will become the main focus of foreign capital penetration. The combined result is this: trade with the more developed countries will first bring about the ruination of traditional industries unable to compete with cheap imports, and second, it will create the conditions for a specialization capable of distorting the economic development of the underdeveloped country and for foreign domination of its most viable export sectors:

foreign investment appears as the agency of modernization from the outside. This helps create the typical dual character of UCR [underdeveloped capitalist region] exports: large-scale modern industries in which foreign capital predominates, side by side with backward industries in which local capital predominates. It thus expands and strengthens the export sector, and, taken by itself, it tends to improve the balance of trade. (1980:46)

At the same time, however:

direct investment accelerates the devastation of local (capitalist and non-capitalist) production which free

trade brings about, while the introduction of modern techniques requires increased imports of machinery and materials from the DCR [developed capitalist region]. (1980:46)

Other possible effects of this direct foreign investment include: the displacement of a greater number of workers from native industries than can be absorbed into the relatively capital-intensive (high organic composition of capital) modernization sector; the repatriation of profits produced by foreign capital to its 'mother country', starving the underdeveloped regions of investment; increased productive efficiency of the export sector, resulting in the lowering of export prices and in a deterioration of the commodity terms of trade of the underdeveloped country; and a deterioration in the balance of payments associated both with falling export prices and the repatriation of profits, and tending to offset the initially positive effect of direct investment on the balance of payments of the underdeveloped country.

Importantly, Shaikh points out that the formation of a general rate of profit involves a transfer of surplus-value from industries with lower organic compositions of capital to those with higher ones, and that this occurs both between and within industries. Both intra-industry and inter-industry transfers of surplus-value occur, moreover, across national lines:

the net value transfers are...the resultants of two different types of transfers: intra-industry transfers, which depend on differences between individual and average

producers within the same industry; and inter-industry transfers, which depend on differences in the organic compositions of the average producers in different industries. For any individual set of capitals, defined for instance by their location, nationality, or degree of development, the net transfer of surplus-value will be the sum of these two effects. (1980:49)

Shaikh's conclusion regarding the implications of this for international transfers of surplus-value resulting from exchange is quite startling:

it is perfectly possible for all the structural patterns of international uneven development...to exist, while at the same time there is a zero or even positive transfer of value for the UCR export sector as a whole...It is of course possible that even if the above were true for export sectors as a whole, the underdeveloped regions might still lose value through its purchase of imports...When this is coupled with the possibility of a gain in value on the side of exports, it becomes clear that the net effect can easily be zero. ((1980:50)

According to Shaikh, Emmanuel's unwarranted assumption that all of the high organic composition of capital industries exist in the developed capitalist countries and all the low organic composition of industries are to be found in the underdeveloped ones allows him to ignore intra-industry transfers altogether (e.g., transfers within the auto industry as between Hyundai Motors of Korea and General Motors in the U.S.). By doing this, and by assuming that interregional wage disparities exacerbate these transfers (which Shaikh denies on the grounds that they merely increase the magnitude of two opposing flows of surplus-value between high organic and low organic composition sectors), Emmanuel leaps to the erroneous conclusion that the equalization of profit rates internationally must involve a continuous drain of

surplus-value from the third world.

Shaikh rejects Mandel's theory of unequal exchange as well. By arguing that there is no tendency for the rate of profit to equalize on an international basis, Mandel ignores the effects of inter-industry transfers on international exchange, and concludes that the only value transfer occurring through exchange is one from low to high efficiency producers. While Mandel's derivation of unequal exchange is thus the opposite of Emmanuel's, it leads to similarly incorrect conclusions.

The upshot of Shaikh's analysis is as follows:

since uneven development on a world scale is a direct consequence of free trade itself, these transfers of value and the theories of unequal exchange which rely on them emerge as secondary phenomena, not primary causes, of underdevelopment. In fact, a critical examination of the theories of unequal exchange shows that even the net direction of value transfers cannot be simply established. (1980:57)

This conclusion is important for establishing one of the limitations of Marx's counteracting influences to the rate of profit to fall as well, reinforcing the earlier point that foreign trade and investment is a 'two-edged sword'. It should nevertheless be reaffirmed that even if imperialist exploitation of the underdeveloped capitalist regions does not primarily take the form of 'the imperialism of trade', unequal exchange can and does play a role in effecting transfers of surplus-value between countries on the world market. Moreover this applies not only to the trade relations between developed and backward capitalist countries, but between the most advanced imperialist countries themselves.

The preceding discussion does not even begin to adumbrate the many ways in which a value-theoretical perspective might serve to clarify the problems of uneven and distorted economic development in the 'third world'. Clearly, many of these problems need to be approached at the analytical level of the 'articulation of modes of production' -- that is, by studying the fashion in which capitalist and pre-capitalist forms are articulated with one another and come to condition one another's reproduction on a 'local' level within particular social formations. Ultimately, however, an adequate historical materialist analysis of third world development/underdevelopment requires a 'double articulation' of specific features 'internal' to semi-colonial social formations and of the 'external' relation of these features to the 'capitalist world system'. Obviously, such a double articulation requires a value-theoretical conceptualization of the global dynamics of imperialism. Yet it also requires analyses of the 'interpenetration' of capitalist, pre-capitalist and 'capital-dominated' relations of production -- analyses concerned not only with the complex articulation of economic, political and ideological 'practices' (as important as this is), but also with the relationship between capitalist and simple commodity production under conditions of uneven and combined development within the 'hybrid' social formations of the underdeveloped world. Here too value theory should have an important role to play.⁵

11.5 Value and Economy in Contemporary Capitalism

Early in this chapter it was suggested that the basic criterion for an historical-materialist evaluation of contemporary capitalism remains its ability to systematically promote the productivity of labor. A value-theoretical analysis of the tendencies of capitalist development on a global scale in this century suggests that capitalism has both retained and lost this ability. It has retained it to the degree that the 'real subsumption of labor by capital' remains an on-going process, entailing constant 'revolutions' in the technological bases of production. The displacement of living labor by increasingly-sophisticated machines testifies to the drive of capital to continuously enhance the productivity of that shrinking percentage of the workforce which remains active in the production of commodities and surplus-value. But capitalism has also lost this ability to the degree that it has reallocated the social labor displaced from production not to other productive activities, but to a growing 'reproduction sector' which is not involved in producing material wealth but in perpetuating capitalist social relations. The crisis tendencies that have been manifest in twentieth-century capitalism are consequently the result both of increasing productivity (expressed in a rising organic composition of capital) and of decreasing productivity (expressed in the diminishing participation of wage-laborers in productive labor). Moreover, on the international plane, capit-

alism has already shown itself to be incapable of carrying out the kind of momentous socio-economic transformation in the underdeveloped countries that it previously carried out in Europe, North America and Japan. The spread of capitalist industry to South Korea, Singapore and Taiwan does not substantially alter this prognosis; indeed, the character of the industrialization process now under way in these countries offers little real promise of a 'balanced' capitalist development capable of overcoming the legacy of backwardness still afflicting these countries.

Thus, our value-theoretical specification of the 'law of increasing productivity' under the capitalist mode of production discloses the limits of this mode of production in bringing about a global increase in labor productivity. In the next chapter we shall investigate the impact of the capitalist law of value on other aspects of social life.

Chapter Twelve: Value and Society

Throughout this study it has been repeatedly stressed that the 'law of value' (in its different historical forms) is a particular expression of a 'natural law': the human imperative to articulate a material division of labor and to carry out a distribution of social labor between the various branches of production. The social structures mediating this natural law/imperative and the concrete operations of the law of value have been specified as structures of social relations of production. In this sense the topic of this entire study has been 'value and society' -- or, more precisely, how commodity-producing societies, and the social relations comprising them, are related to the apparently 'economic' category of value. Indeed it can be argued that the concept of 'social relations' is theoretically prior to that of value. Why then should we be turning once again to the topic of 'value and society'? The reason is simple: although particular social relations are required for the historical emergence of value and the law of value, it is also the case that the law of value (and its corollary laws) 'react back' upon these social relations and also profoundly influence social practices apparently far removed from production. It is in this light that we will be approaching the topic of 'value and society' in this chapter. Given the very wide potential scope of such an inquiry, I have limited the discussion to just a few important topics, some of which have an obvious connection to 'value and economy' and some of which are at some remove.

12.1 Value and Class Structure

How well does Marx's value-theoretical analysis of the capitalist mode of production serve as a basis for understanding the contemporary class structure? Non-Marxist sociologists of class, such as Giddens, Parkin, Lockwood, Dahrendorf, Mills and many others, have long maintained that the theory of class presented by Marx in Capital is patently inadequate and that, at best, some of its elements should be maintained within a broader and more comprehensive theoretical apparatus -- typically one which borrows heavily from Max Weber's theoretical instrumentarium.

Giddens' critique of Marx is representative if only because he takes Capital to be an exposition of Marx's 'theory of class' -- even if he acknowledges that it is also something more than that. Giddens reproaches Marx for elaborating a 'dichotomous' model of class based on the conflict between capital and labor, observing that the 'two-class scheme, which is directly tied to the theory of surplus-value, is the necessary basis of the theoretical structure elaborated in Capital' (1973:75). The consequence of such a 'pure' dichotomous conception, according to Giddens, is a tendency to ignore those important intermediary strata falling between the capitalist and working classes, as well as the entire administrative apparatus of capitalist society. Since it is precisely these phenomena which have grown in importance since Marx's own day, Giddens suggests that Marx's theory is especially inadequate

to the analysis of the class structure of contemporary advanced capitalist societies. Hence, there is a need for a new theoretical approach, one informed by the neo-Weberian concept of 'market capacity' (replacing Weber's 'market position'), which will permit a theoretical interrogation of all of the positions presently occupied in the contemporary class structure. Such an approach is also alleged to be more useful to the explication of the behavior of individuals as members of particular social classes. The originality of Giddens' contribution then rests fundamentally on his attempt to explain the processes through which 'economic classes' become 'bounded' and are established as living social forms.

Marxists have been quick to point out in response to criticisms of this sort that Marx's intent in Capital was not to present a comprehensive 'theory of class' in capitalist society, or even a thorough study of the 'class structure' of nineteenth-century English society. Rather his intent was to discover the basic laws of motion governing the historical evolution of capitalist society. To facilitate his analysis Marx chose throughout most of Capital to 'abstract' from certain social classes (the peasantry, for example) or secondary strata (e.g. the managerial layer) so as to highlight what he regarded as the most important class relation of the capitalist mode of production: the antagonistic relation between a class of capitalists owning the means of production and a class of wage-laborers who 'owned' little

besides their physical ability to labor on behalf of the capitalist project of accumulating profits. But this procedure of abstraction in Capital hardly signifies that either historical materialism or Marx's theory of value lack the conceptual resources to explain the contours of the contemporary class structure.

Even so, the fact remains that the most significant differences between Marx and his neo-Weberian critics does not concern the latter's 'misinterpretation' of Marx's theoretical project in Capital, but rather their respective conceptions of what constitutes a 'social class'. Marx's value-theoretical analysis in Capital entails an objective and structural notion of class in which different class locations are specified in relation to the articulation of a division of labor through processes of valorization (the capitalist law of value). Marx's neo-Weberian critics, on the other hand, take the division of labor and the distribution of social labor amongst different branches of production as a 'given', and proceed to specify class locations in relation to market phenomena. This was Weber's procedure, a procedure which owed much to the influence of neo-classical marginalism at both the theoretical and methodological levels.

Where neo-Weberian class theorists like Giddens depart from Weber is in their attempts to overcome the latter's 'cumbersome plurality of classes' -- a plurality flowing from Weber's nominalist equation of 'economic class' as 'market

position'. Thus, in Giddens' attempted 'synthesis' of Marx and Weber, Weber's 'market location' is transformed into 'market capacity' (a category more amenable to theoretical and typological discrimination), while Marx's emphasis on property ownership is severed from the issue of the 'relations of production' and reinterpreted as a significant 'market capacity' or 'market advantage'. It goes without saying that within Giddens' synthesis the Marxist concept suffers far more than the Weberian one.

Giddens' analysis of market capacities (ownership of means of production, possession of educational or technical qualifications, and possession of manual labor-power) permits a theorization of Weber's economic classes as structured social forms, since each individual's class position is ultimately determined by the nature of the 'capacity' he or she brings to the market, i.e. to the 'bargaining process'. The upshot is that Giddens ends up with a new version of the old 'three-class' model; classes are constituted by individuals differentiated by three basic types of market capacity, while the process of 'class structuration' is brought about by a) the impact of 'mobility closures' on individuals (mediate structuration), and b) environmental factors working to bring about a sense of collective identity and awareness among groups of individuals (proximate structuration).

Giddens' account of class structuration fully deserves the appellation 'neo-Weberian' because Giddens, like many con-

temporary sociologists, straddles the same methodological dichotomy as Weber -- the mutually-conditioning dichotomy between positivism (empiricist-nominalism) and subjectivism (idealist-nominalism). It is well known that in Weber's thought this 'straddling' reflects the complementary influences of the 'neo-criticist' wing of late nineteenth-century German neo-Kantianism, on the one hand, and the methodological writings of the Austrian marginalist Menger, on the other. If the neo-criticist school informs his conception of the differences between the natural and social sciences, marginalism informs his notions of what comprises good 'scientific method'. Both influences predisposed Weber to reject a 'realist' approach to social science, an approach in which holistic structures are understood to have a real existence distinct from particulars. Neo-criticism inclined him to a 'subjectivist' or 'conventionalist' appreciation of social reality in which the consciousness of individual subjects can play a predominant and often 'unexpected' role in the most momentous of social transformations (e.g. the role of an internalized 'Protestant ethic' in the emergence of a 'spirit' conducive to capitalist accumulation). Marginalism predisposed him to regard 'economics' as a kind of 'natural science' of the marketplace, and certain types of 'economic action' as amenable to a scientific analysis based on positivist and methodologically-individualist principles.

It is hardly surprising therefore that Weber's 'economic'

conceptualization of classes should be characterized by an 'objectivity' centered on empirically-describable 'positions' while his concepts of 'status' and 'party' should trade so heavily on 'subjective' evaluations and proclivities.

For Weber, as for so many contemporary sociologists, social inequalities exist between individuals along two distinct axes, one economic (material and objective), the other more specifically 'social' (ideal and subjective). Interestingly, the way such social actors are conceptualized in class terms turns out to have a lot in common with the way that individual commodities are 'valuated' in marginalist terms -- that is, as individual particulars straddling 'two worlds', one 'objective', the other 'subjective', but with no determinate relation linking the two.

As we saw in Part Two, Giddens perpetuates the dualistic social ontology fundamental to both poles of Weber's problematic. But it should be noted that this dualism is also implicit in non-Weberian sociological accounts of class, including those undertaken by mainstream positivists. This is so because positivism and subjectivism/conventionalism have evolved a kind of 'symbiotic' relationship in which each thrives on the deficiencies of the other while never questioning the dualistic problematic and nominalist ontology upon which both depend.

As we have also seen, the Marxist theory of value does not involve a comparable problematic of 'objective' and 'subjective' determinations of value. It is true that no

Marxist can deny the role of 'subjective determinations' in market price formation; but such determinations are not conceived to be matters of individual judgment, nor are they conceived as having an 'equal' weight in the determination of what for Marx is the central issue: aggregate value and surplus-value. The value aggregates are determined solely by 'objective' processes, which nevertheless involve a multitude of 'subjective' decisions.

The same approach applies in Marx's conceptualization of social classes. The first concern of social science must be with a structural delineation of social classes predicated on the real existence of groups of people having a determinate position in the over-all process of societal production and reproduction. This 'premise' has been defended by a long list of Marxist theorists including Lenin, Poulantzas, Carchedi and Wright. But even this is only the beginning of theoretical wisdom in the conceptualization of social class.

The capitalist class structure has undoubtedly undergone significant evolution since Marx's time, and an adequate theory of social class should be capable of accounting for this evolution. The question is: does Marx's value-theoretical analysis help us to account for that evolution? If so, then another question should be posed: how does a value-theoretical analysis of class help us to account for the uneven and discontinuous development of class consciousness and class struggle over the history of capitalism?

In the remainder of this section we will deal with the first question and suggest the elements necessary to providing a positive response to it. The second question will be a recurring theme of our discussion both in the next section and throughout the rest of this study.

Marxist and non-Marxist class theorists have frequently contrasted two of Marx's prognostications concerning the likely evolution of the class structure. In the Communist Manifesto and some of his other writings, Marx refers to an inevitable process of polarization between the two fundamental classes of capitalist society, the bourgeoisie and the proletariat. Yet in some of his other writings Marx speaks of the development of a 'middle class' as an inexorable consequence of capitalist development. For example, in a discussion of Malthus in Theories of Surplus Value, Marx states that '[Malthus's] supreme hope, which he himself describes as more or less utopian, is that the mass of the middle class should grow and that the proletariat (those who work) should constitute a constantly declining proportion (even though it increases absolutely) of the total population. This in fact is the course taken by bourgeois society' (1978 III:63).

It is possible to read entirely too much into such off-hand remarks as these, scribbled down as they were as notes on the writings of other economists. Furthermore it is well-known that in the first volume of Capital, the only volume which Marx himself prepared for publication, he predicted

the historical ruination of the 'middle class' and its proletarianization consequent to the concentration and centralization of capital (see Chapter 25 on 'The General Law of Capitalist Accumulation'). This, together with the fact that what Marx understood as the 'middle class' is not at all what contemporary class theorists often call the middle class, points to the conclusion that it is Marx's 'proletarianization thesis' which most faithfully reflects his basic prognostication. The question is: does the 'proletarianization thesis' hold up?

In answering this, two preliminary observations are in order. The first is that Marx, unlike many Marxists, never disqualified all unproductive laborers from the ranks of the proletariat. The second is that Marx appeared to believe that unproductive labor was a phenomenon subject to historical decline with the further development of capitalism. In this Marx was both correct and incorrect. He was correct to think that the 'traditional' ranks of unproductive labor -- what we referred to earlier as 'unproductive labor of the luxury type' -- would manifest a proportional decline, largely as a result of the historic decline of the most conspicuous employers of such labor -- the aristocracy. But it nevertheless appears that Marx did not anticipate the tremendous growth of the other type of unproductive labor, i.e. the 'socially-necessary unproductive labor' employed by the state and by 'circulation' capital. Arguably, this was due

to the fact that Marx failed to anticipate that capitalism would overstay its historical welcome -- for the growth of 'socially-necessary unproductive labor' has been attendant on a rather long and drawn-out 'historical-structural crisis' of the capitalist mode of production. But whatever the reason for Marx's failure to 'predict' this development, it is quite clear, as I sought to show in the last chapter, that the proliferation of such labor is eminently explicable in terms of the unfolding of the law of value, and in particular the law of the falling rate of profit.

How then does all this bear on the conceptualization of social class in advanced capitalism? In answering this it is advisable to refer back to the observation made in the last paragraph: that Marx never 'disqualified' all unproductive laborers from the ranks of the proletariat. The fact is that most non-Marxist and many Marxist class theorists do not concur with Marx on this point. Hence, it has been common for neo-Weberian and functionalist theorists to distinguish between 'white collar' and 'blue collar' workers and to draw a class line between them. Similarly, Poulantzas (1978) has argued that wage-laborers who do not produce 'material' commodities cannot be regarded as truly proletarian and should be classified instead as members of a new petty-bourgeoisie (middle class). Other Marxist theorists have maintained that membership in Marx's working class should be 'open' only to those wage-laborers who create surplus-value, whether in the

course of producing material or 'service' commodities.

Lindsey (1980) is representative of this latter approach when he argues that the 'production working class' should be distinguished from the 'circulation working class' on the grounds that the former is exploited while the latter is merely 'oppressed'. While Lindsey draws the unobjectionable conclusion that the relation between production and circulation workers is not an 'antagonistic' one, this conclusion does not really follow from his thesis that circulation workers (along with members of an 'ideological class') live off the 'surplus-value' appropriated by the capitalists. Like many Marxists, Lindsey conflates the categories of unproductive labor and then asserts that unproductive labor is 'exchanged with revenue'. Employees of commercial and financial capital, along with state employees, are thus treated in 'value-theoretical' terms as 'hangers-on' of the capitalist class, as a kind of 'luxury item' of the social capital, employed at the sufferance of the bourgeoisie and paid out of the 'revenue' component of surplus-value. This being the case, these socially-necessary unproductive laborers are regarded no more as victims of exploitation than are the domestic servants with whom they are assimilated.

In the previous chapter I have already provided an extensive argument for rejecting such an understanding of socially-necessary unproductive labor. In my view, there is very little in Capital to support the idea that 'circulation workers' are

paid out of surplus-value, but there is much to support the view that the labor of such workers is exchanged with constant capital. I will not repeat the arguments of the last chapter. However it is appropriate to add another argument at this point which is directly relevant to Lindsey's mistaken notion that 'circulation workers' are not exploited.

In his discussion of the costs of circulation in the second volume of Capital, Marx discusses the case of a 'buying and selling agent' who sells his labor-power to a capitalist. 'Whatever his payment', says Marx, 'as a wage-labourer he works part of the day for nothing. He may receive every day the value product of eight hours' labour, and function for ten. The two hours' surplus labour that he performs no more produce value than do his eight hours of necessary labour, although it is by means of the latter that a part of the social product is transferred to him' (1981a:210). There are two key points in this passage. The first is that the working day of this socially-necessary unproductive laborer is divided into two components, just as the working day of the productive laborer is: a component during which he performs 'necessary' labor, and a component during which he performs 'surplus' labor on behalf of his capitalist employer. The second point is that none of this labor is productive of value; instead it is seen as a means of effecting a 'transfer' of a portion of the social product (from the sphere of production to the sphere of circulation). The significance of the 'unpaid'

portion of the unproductive laborer's work day is that it permits that laborer's employer to appropriate a part of this social product that has been transferred as a result of the labor performed by the 'buying and selling agent'.

This allows us to understand Marx's otherwise incomprehensible reference in the third volume of Capital to the 'variable capital' which the commercial capitalist exchanges for the unproductive labor of a commercial employee. Recall that commercial capital's role in reducing the costs of circulation within the division of labor between industrial, commercial and financial capital is the basis for its participation in the formation of a general rate of profit and in the distribution of aggregate surplus value among capitals according to 'capital advanced'. What is happening here is that 'industrial capital' is 'sharing' a portion of the surplus-value produced with commercial and financial capital. In the case of financial capital, industrial capital must pay interest on loans and pay directly for other financial services. But in relation to commercial capital, the situation is somewhat more complex:

Just as industrial capital makes its profit by selling labour that is already contained and realized in the commodity, labour for which it has not paid an equivalent, so commercial capital makes a profit by not paying productive capital in full for the unpaid labor contained in the commodity...and, as against this, itself receiving the additional portion which it has not paid for once the commodity has been sold. Commercial capital's relationship to surplus-value is different from that of industrial capital. The latter produces surplus-value by directly appropriating the unpaid labour of others. The former appropriates a portion of this surplus-value by getting it transferred from industrial capital to itself. (1981b:407)

Even so, however, a condition of the transfer of surplus-value to commercial capital is the performance of unpaid labor (surplus-labor) by commercial capital's (unproductive) employees:

The very function by virtue of which the commercial capitalist's money is capital is performed in large measure by his employees, on his instructions. Their unpaid labour, even though it does not create surplus-value, does create his ability to appropriate surplus-value, which, as far as this capital is concerned, gives exactly the same result: i.e. it is its source of profit. (1981b:407)

Accordingly, the capital which the commercial capitalist exchanges for the labor-power of commercial workers is 'variable' only from the standpoint of commercial capital, not from the standpoint of the total social capital. This 'variable capital sui generis' is, from the standpoint of the production of surplus-value, simply a particular form of constant capital, as was argued in the previous chapter. And yet none of this signifies that the 'circulation worker' is not exploited by capital, as Lindsey and others have argued. It simply signifies that 'circulation workers' are subject to a different mode of exploitation, one dependent on value creation in the sphere of production as well as on the performance of surplus labor in circulation.

The different locations of production and circulation workers within the process of capitalist reproduction should nevertheless be noted. Circulation workers, along with the employees of the capitalist state, are rather 'directly'

involved (whether consciously or unconsciously) in the reproduction of capitalist social relations, while production workers are more directly involved in the reproduction of the 'material' elements of society. It is theoretically possible that this circumstance may make 'circulation workers' less likely to develop 'anti-capitalist' attitudes than 'production workers'. Still, such a difference in consciousness should not be the basis for contending that circulation workers are 'not exploited' or that they belong to a 'different class' than production workers. It is even questionable whether such a difference in consciousness can be established, much less linked to different structural locations in reproduction.

Although a clarification of Marx's ideas regarding socially-necessary unproductive labor is of great importance to a value-theoretical mapping of the contemporary class structure, it does not resolve all of the questions under debate. For example, Wright (1978), after an effective critique of Poulantzas's catch-all category of the 'new petty bourgeoisie', elaborates an approach which recognizes that 'positions within the social division of labor can be objectively contradictory'. On the basis of this insight, he points to the existence of 'contradictory class locations' or 'contradictory relations within classes', corresponding to ambiguously positioned social groupings existing in variegated relations to three principal social classes: the bourgeoisie, the proletariat, and the (traditional) petty bourgeoisie. Contradictory class locations can exist between any pair of these classes, suggesting that

the individuals occupying such positions share characteristics in common with more than one class. While some aspects of Wright's analysis are arguable, he is clearly correct to insist that many individuals cannot be neatly fitted into any one discrete class category. Moreover, the analysis of such 'intermediate strata' -- once freed from the schematic impulse to formal categorization -- should benefit from a value-theoretical perspective which recognizes that the problems of value expansion and realization require an ever-more elaborate technical and social division of labor, and consequently an ever-more complex 'class structure'. This point cannot be further pursued here except to say that this growing complexity of the class structure is itself testimony to the intensifying contradictions of capitalist production and reproduction, as well as to the 'adulteration' of the 'law of increasing productivity' as the capitalist law of value reaches its historical limits.

It remains only to indicate how these observations relate to Marx's thesis concerning the progressive 'polarization' of the class structure and the historical tendency toward the proletarianization of ever-larger segments of the population. In my opinion they substantially support it. The complexity of the contemporary class structure is most apparent within the working class itself, which has become increasingly 'differentiated' with respect to its roles in social reproduction. Furthermore, as Wright indicates, the 'contradictory class location' which has experienced the greatest expansion in the twentieth century is precisely the one which straddles the bourgeoisie and the proletariat.

12.2 Value, the Class Struggle and Bureaucracy

The problem of how the productivity-increasing imperative of the capitalist law of value has been 'adulterated' in the course of capitalist development was addressed in the previous chapter. But what was not sufficiently emphasized in the earlier discussion was the significant role of class conflict in this process of 'adulteration'. Purely 'structuralist' accounts of Marx's economic laws of motion tend to view the class struggle as a mere result of the contradictions of capitalist production and reproduction; the implication is that class practices (mediated by consciousness) have little impact on the over-all direction of capitalist development. But precisely because 'subjective practice' does not belong to a realm autonomous from 'objective laws', but, to the contrary, belongs to the same order of social being, a value-theoretical account of capitalist development must specify the role and impact of the class struggle on the expression (or concrete historical forms) of these laws.

At one level, at least, we have already specified the role of the class struggle in capitalist accumulation. Precisely because capital is an exploitative relation of production between capitalists and workers, an exploitative relation operating through value relations, and not simply a competitive relation between private commodity producers, a strong tendency exists for capitalists to reduce their costs of production through labor-saving and labor-displacing technological innovation. Capitalists derive two 'functional' benefits from

such a strategy: it promotes the 'real subsumption of labor under capital', and it reproduces the 'industrial reserve army of labor' required to maintain a downward pressure on wages. Both of these benefits are substantial, and even indispensable, for 'subjective' as well as 'objective' reasons. The reproduction of unemployment, for example, is not only useful in keeping the labor movement 'off balance' and in blocking wage-push/profit-squeeze phenomena; it is also vital to instilling a sense of insecurity in workers, which may make them less likely to take militant anti-capitalist action. Similarly, while the real subsumption of labor under capital involves an increased production of relative surplus-value, it also involves a continuous and ever-repeated process of 'deskilling' of 'qualified labor', fostering the 'capital-fetishistic' notion that labor is a mere appendage of the production process together with what Marx calls the 'illusion' of the 'independent power of capital'. We can readily see then that both unemployment and the real subsumption of labor under capital have 'subjective' as well as 'objective' consequences that are favorable to capital.

There is, however, another side to this coin. Not only do workers resist 'technological redundancies' and 'skill-incorporating' technological change, they also react to the crisis tendencies bred by a rising organic composition of capital. Moreover, it is precisely because workers have an anti-capitalist option open to them (the struggle for a socialist program which genuinely transcends the limits of the law of value)

that the capitalist class must tread carefully in its efforts to follow the 'objective dictates' of the capitalist law of value. While workers (consciously or unconsciously) challenge the limits of the law of value, capitalists seek to 'modify' the effects of the law of value in such a way as to maintain an acceptable 'class equilibrium'. For example, even though it is sometimes 'better' from the standpoint of capital to allow a crisis of overproduction to run its course without counter-cyclical fiscal interference from the state, or to push a policy of government austerity, or a 'private' policy of union-busting, such orientations are not always pursued for the important reason that they could undermine 'class peace'. What this points to is that the laws of motion of capital create a 'framework' within which a multitude of choices are made pertaining to class practices. Capitalists have no choice but to limit their class practices to this framework, and they bend every effort to get the working class to do the same. However the working class remains within this framework only to the degree that its consciousness is limited to it. Class interest dictates that the capitalist class 'observe' the law of value, while class interest also dictates that the working class seek to supersede it.

The historic tendency of the class struggle under capitalism has been to push toward an ever greater 'objective socialization' of the reproduction process. In part this reflects the pressure of the 'post-capitalist' societies, whose appear-

ance has aggravated the problem of mitigating the 'internal contradiction' through an extension of the external field of production. However its main impetus is internal to the capital-labor relation and reinforced by the class struggle flowing from that relation. On the one hand, part of the progressive historical mission of capitalism has been to promote 'the growth of technical coordination, interdependence and integration in production, by which capitalism increasingly generates the negation of the private labour and private production from which it was born -- first inside single factories, then within a number of production units and branches of industry, and finally between countries' (Mandel 1975:595). On the other hand, the pressure of the class struggle and of capitalism's sharpening objective contradictions has forced the capitalist class to also promote a 'bastardized socialization' in which the 'overhead' costs of capitalist reproduction (the state, the sphere of circulation, etc.) have grown enormously. Given the antagonistic and exploitative character of capitalist social relations of production, the predominant 'organizational' mode emerging from these socialization tendencies, in both production and reproduction, has been the bureaucratic mode.

Within the Marxist tradition, the bureaucratic phenomenon has frequently been seen as a product of the class struggle. Thus, Dan Clawson has written that 'In a crucial way, it is not the capitalist who forces bureaucracy on us; it is the class struggle' (1980:24). Isaac Deutscher, commenting on a

different kind of class struggle, notes: 'The stronger the opposition of feudal and bourgeois interests and the more paralyzing the stalemate between them, the more scope was there for the bureaucracy of the absolutist monarchy to play the role of arbiter' (1973:191). Bureaucracy, from these two perspectives, is seen as a means to either promote control of one class by another or as a means to achieve a 'compromise' between contending classes. Clawson's thrust appears to suit a description of industrial bureaucracy, his own subject, while Deutscher's seems to suit the description of the 'political bureaucracy' of the modern state. Our present concern is with bureaucracy in production -- for it is here that bureaucracy's claim to 'efficiency' and to promoting the productivity of labor (through technical rationalization) appears to be strongest.

The essence of industrial bureaucracy is a thorough-going division between mental and manual labor. Such a division is implicit in the 'real subsumption of labor under capital' as this was conceived by Marx. One of the main factors impelling capitalists to introduce labor-saving and labor-displacing machinery is the drive to render capital 'independent' from labor within the production process. Short of a complete elimination of living labor from production, what the capitalist seeks to achieve is control over the labor process -- a qualitative attenuation of the class struggle at the point of production on terms favorable to capital. In general, this

project is promoted by efforts to continuously 'transfer' the skills formerly wielded by living laborers to machinery, in this way eliminating all vestiges of craft production -- a state of affairs in which mental and manual labor is exercised by the same individual. The separation of 'conception' and 'execution', together with the reduction of living manual labor to 'detail functions', are part and parcel of a capitalist class strategy to enforce the domination of capital over the working class within production (Marx's 'despotism' of the factory regime). The essential content of this strategy is a sort of 'cognitive appropriation' of the skills, know-how and technical knowledge of skilled craftsmen, their incorporation into machinery as a result of scientific/technological innovation, and the development of a managerial-bureaucratic layer whose task is both to insure the 'technical' efficiency of the production process and to maintain 'labor discipline'.

Contrary to Clawson (and Harry Braverman [1974]), however, it is important to recognize that the above features of the bureaucratization of industry are promoted by 'value relations' in general -- not only by 'class struggle at the point of production'. A failure to grasp this leads to the mistaken notion that capitalism is not constantly generating a demand for skilled laborers of 'a new type'. Furthermore, it remains truer today than ever that the practice of producing commodities for exchange carries with it a certain logic of technical rationalization -- of constantly endeavoring to

reduce all the costs of production in order to most effectively compete in the marketplace for a limited amount of 'purchasing power'. In this sense, the real subsumption of labor under capital signifies the on-going role of capital in enhancing the productivity of labor and increasing productive efficiency, a role which Marx himself recognized as historically progressive and as 'preparatory' to socialist transformation:

If we did not find, concealed in society as it is, the material conditions of production and the corresponding relations of exchange prerequisite for a classless society, then all attempts to explode [existing society] would be quixotic. (1973:159)

And further:

to the degree that large industry develops, the creation of real wealth comes to depend less on labour-time and on the amount of labour employed than on the power of the agencies set in motion during labour-time, whose powerful effectiveness is...out of all proportion to the direct labour-time spent on their production, but depends rather on the general state of science and on the progress of technology, or the application of this science to production. (1973:705)

It should be clear from these passages that Marx did not 'condemn' capitalism for its tendency to promote the 'degradation of labor', to use Braverman's expression, or for its tendency to free material production from the need for living labor of all types; he indicted it because it could not realize the full promise of the technological revolutions that it sponsored under the whip of the law of value.

Technological revolutions are one thing, however, and 'bureaucratization' something else again. The claim of most sociological apologists of industrial bureaucracy (who are also generally critics of the idea that the workers are capable of managing their own enterprises, much less the economy as a whole) is that bureaucratic organization itself -- the 'centralization' of information about production in the hands of a managerial stratum enjoying the confidence of the capitalist owners -- is an 'essential ingredient' to optimal productivity and efficiency in industrial enterprises. It is this claim which Marxists can legitimately challenge. For while the separation of conception and execution is a necessary feature of labor-saving technological innovation, the division of head and hand does not follow from this -- especially as the role of the 'hand' continues to decline in importance as a result of the automization of large-scale industrial production processes. There is really no reason why 'conception' cannot be the privilege of all of the associated producers, regardless of their role in the technical division of labor -- no reason, of course, except for the desire of capital to maintain an 'esoteric' body of knowledge useful to fortifying its dominion over the labor process and the workforce.

To conclude, it is vitally important from a value-theoretical standpoint to distinguish between those aspects of the 'real subsumption of labor under capital' which promote the productivity of labor and real progress in liberating

human labor from drudgery and those aspects which involve a 'bureaucratic appropriation and centralization' of knowledge and decision-making in the hands of capitalist management. The latter aspects pertain to the exploitative capitalist form of the law of value, while the former pertain to a perennial tendency of the law of value and the exchange abstraction to promote 'technical rationality' -- a tendency which capital does not unambiguously support. To pose the question a little differently: the bureaucratic organization of the production process is not an inexorable concomitant of labor-saving technological innovation. Quite the contrary, the displacement of living labor from production and the appearance of automated processes should undermine any 'technical' rationale for bureaucratic relations of authority: it should 'free up' the time required to educate and involve the 'associated producers' as a whole in the 'management of industry'. But because capitalist production is not merely a material process of producing use values, but is also a 'social' process of extracting surplus labor which can assume the form of surplus value, the social form assumed by 'technological innovation' remains one that guarantees for capital a monopoly of effective control over the process of surplus-value extraction, surplus-value being the social substance for which capital retains an insatiable appetite.

12.3 The 'Social Psychology' of the Exchange Abstraction

The 'generalization' of the value form of the product of labor, involving the ascendance of the law of value over other modes of articulating a division and distribution of social labor, entails a radical 'generalization' of the exchange abstraction, the impact of which on human consciousness has already been suggested in Part II. In this section I want to suggest that the exchange abstraction not only encourages 'technical rationalization' through its positive role in stimulating cognitive faculties conducive to a 'scientific' worldview; it also has a number of unexpected effects on the 'social determination' of knowledge and ideology, and on 'social psychology' in general.

It was already pointed out in Chapter Six that Sohn-Rethel's thesis concerning the development of the 'real abstraction of exchange' offers a materialist explanation of the 'origin' of the 'categories a priori' at the heart of Kant's philosophy. Sohn-Rethel offers a meticulous analysis of these 'non-empirical' categories and demonstrates their close affinities to the 'formal elements' of the exchange abstraction. At the same time, however, he indicates the relevance of such a materialist critique of Kant's epistemology to an understanding of the division of mental and manual labor: 'The presuppositions of Kant's epistemology are quite correct in so far as the exact sciences are indeed created by mental labour in total separation from and independence of the manual labour carried out in production. The division between head and hand, and particularly

in relation to science and technology, has an importance for bourgeois class rule as vital as that of the private ownership of the means of production...The class antagonism of capital and labour is linked intrinsically with the division of head and hand' (1978:37). Both Kant's antinomies and his epistemological foundation for the division of mental and manual labor reflect the profoundly dualistic impact of the exchange abstraction on human consciousness. Kant's very opposition of principles a posteriori and principles a priori (corresponding to the division between the contribution of the senses and the contribution of reason, particularly mathematical reason, to knowledge) could only have occurred to a philosopher living in an epoch in which the division of mental and manual labor had been powerfully ramified by the development of a body of scientific knowledge and 'method' increasingly dissociated from 'practical' manual tasks. Kant accepted this epistemological dualism without inquiring into its social or historical roots, thereby relying on a none-too-disguised ontological dualism (noumena, phenomena, etc.). Other philosophers, such as Arthur Lovejoy (1966), have suggested that epistemological dualism is deeply rooted in 'human nature' and is consequently the 'natural' way of looking at the world. Sohn-Rethel's analysis suggests that 'dualistic' consciousness appears 'natural' only so long as its roots in the social synthesis, in the division of head and hand, and in the elements of the exchange abstraction remain obscure:

The duality of the sources of knowledge we accept as an incontrovertible fact. The question we ask is, what is the historical origin of our logical ability to construct mathematical hypotheses and the elements contributing to them?

Neither Kant nor any other bourgeois thinker has pursued this enquiry consistently. In the opening sentence of the Introduction to the second edition of the Critique [of Pure Reason] the question is intimated but subsequently fades out. Kant gathers the contributory factors into one fundamental principle: the 'originally synthetic unity of the apperception', but for this principle itself he knows no better explanation than to attribute to it a 'transcendental spontaneity' of its own. The explanation turns into the fetishism of what was to be explained. From then on, in the idealist's mind, a time- and space-bound account of the 'capacity of our pure understanding' simply cannot exist. The mere suggestion becomes one of the holiest taboos in the tradition of philosophical thought. Nietzsche's scorn over Kant's question 'How are synthetic, a priori, judgments possible?' and his answer 'through a capacity' -- is totally justified. Nietzsche himself had nothing better to offer. The taboo presupposed that the existing division between head and hand is in its very nature timeless -- and this said, bourgeois order must run according to its self-appointed norms until the end of time. (1978:38-39)

The unfolding of the capitalist law of value has not only brought the division of mental and manual labor to its apothecosis, it has also -- through the generalization of the exchange abstraction -- encouraged a generalized dualistic consciousness. This consciousness is characteristic not only of the dominant forms of bourgeois philosophy and social theory, but of the 'worldviews' of wider sections of the population. In part because of the persistence of bureaucracy and commodity production in the ostensibly 'socialist' countries, there have also been powerful dualistic tendencies within contemporary Marxist thought.

The significance of this should not be missed. The dualist outlook is profoundly at odds with the conviction that 'the material' can be brought into correspondence with 'the ideal'. It therefore encourages a fundamentally conservative and 'anti-utopian' attitude and 'ethos' according to which 'what ought to be' must always be at odds with 'what is (or can) be'. A dualistic perspective on the relation between social form and material content also perpetuates the ideologically-potent notion that social forms are 'externally' linked to given 'material realities'. This too has conservative implications, for it opens the door wide to a veritable avalanche of commodity- and capital-fetishistic notions.⁶

The exchange abstraction emerges as a powerful element of that 'social being' which 'determines' consciousness. Throughout history it has impacted on human consciousness in such a way as to encourage scientific rationality -- but also to perpetuate deeply-engrained ideological notions which are crucial to maintaining the 'legitimacy' of the dominant class in the eyes of subaltern classes. Its generalization under capitalism has not only produced an explosion of scientific discovery, it has also erected a powerful barrier to a popular vision of what Marx and Engels envisaged when they spoke of socialism.⁷

PART FIVE: VALUE, THEORY AND ACTION

In the remaining two chapters I shall try to draw out some of the major implications of Marx's theory of value for social theory in general, for historical materialism in particular, and for the elaboration of programmatic perspectives and strategic orientations consistent with Marx's theoretical interests. One aspect of this agenda will be to suggest some of the key limitations of the 'value-theoretical' approach, for it is my conviction that by pursuing these limitations on a proper basis (that is, with due regard for the achievements and continued potential of a value-theoretical perspective) we can begin to transcend the impasse defined by an inadequate theory of 'economic value', on the one hand, and by an equally inadequate understanding of the 'economic-social' relation, on the other.

Chapter Thirteen: Value and Modern Social Theory

I wish to affirm agreement with Simon Clarke's thesis that 'for the past two hundred years economic theory has played a pivotal role in social thought, so that social theory has developed on the basis of the dominant version of economic theory' (1982:6). The central importance of the notion of 'economic value' has nevertheless been frequently missed by mainstream sociologists and Marxists alike, especially in relation to ephemeral theoretical fads in which the influence of the 'dominant version of economic theory' has often been a quite indirect one. Yet it is strikingly apparent that the dominant framework of sociological theory in the twentieth century, structural functionalism, together with its principal 'bourgeois' rival, social exchange theory, are critically dependent on the conceptual arsenal of neo-classical marginalism, understood especially as an economic theory of rational decision-making ('praxiology'). It is moreover equally apparent that Marxism's challenge to the dominant paradigms within the social sciences has faltered decisively to the degree that it has been unable to provide a 'convincing' alternative to the marginalist doctrine. The question is, why should this have been so? Why has Marxism, despite its obvious strengths in a number of areas of social theory, been unable to launch a more powerful offensive against the very heart of modern social science: the dominant (marginalist) concept of economic value?

Providing the elements of an answer to this question has been one of the central purposes of this study. Certainly, as suggested in Part One, one must consider the 'ideological' dimension in dealing with it -- the fact that no theory of 'economic value' which serves to disclose the historical limits of the capitalist mode of production can successfully displace an 'orthodoxy' which legitimates and 'eternalizes' the capitalist order and simultaneously possesses pragmatic value in generating 'policy options' of use in its perpetuation. It is therefore not surprising that the apologetic would-be 'fine tuners' of the capitalist economy have turned a deaf ear to Marx's value theory and that this theory has rarely been seriously entertained within the 'economics profession'. However it is also true that the defenders of Marx's theory of value have most often misapprehended it and undertaken its 'defense' on inadequate or wholly inappropriate theoretical and methodological grounds. The lamentable result has been that, even when it has not been entirely ignored, the relationship between Marx's theory of value and his larger social theory has not been well articulated. As a consequence, Marx's 'labor theory of value' has frequently been seen as an unequivocal theoretical embarrassment, impeding an approach to the more sensible theses of historical materialism.

It has only been quite recently that a more adequate understanding of Marx's value theory has begun to emerge among Marxists, a development which, not at all surprisingly, has

coincided with a more sophisticated appreciation of the 'method' employed by Marx in Capital, the Grundrisse, and other of his works in political economy. Far from being regarded as a 'deterrent' to a serious appreciation of Marx's larger social theory, an engagement with the substantive and methodological implications and underpinnings of Marx's theory of value is increasingly recognized as indispensable to a revitalized, self-confident and forward-looking historical materialism. This development, in my opinion, owes at least as much to the 'readings' of Marx's critique of political economy undertaken by Marxist sociologists (especially theoretical sociologists) and philosophers of science as it does to the sympathetic readings of a new generation of Marxist and radical political economists. The task remains, however, to more fully draw together these disparate (if often complementary) threads across the boundaries of disciplinary specialization. I hope that the present study has made some contribution to that effort.

What follows is an attempt to spell out some of the broader implications of a properly-defined Marxist theory of value for a range of theoretical issues which have proven to possess a perennial interest in both mainstream sociology and in historical materialism.

13.1 Marx, Marginalism and Modern Social Theory

The contrast between the Marxist and marginalist theories of economic value has an intimate if somewhat subtle relationship to what is perhaps the most persistent problem confronting both Marxist and non-Marxist social theory: the relationship between (objective) structures and (subjective) agency, together with all that this relationship entails for such notions as 'freedom' and 'necessity', 'theory and practice', free will and determinism, fact and value, and so on. It is an altogether striking fact that the contemporary 'crisis of Marxism' has found a theoretical expression similar to that undergone by bourgeois social theory at the end of the last century -- a crisis characterized by a schism between a broadly 'humanist' (or 'life-philosophical') orientation and a broadly 'scientific' (or 'naturalistic') orientation. Mainstream sociologists and Marxists have defined the problem in a variety of ways and different explanations have been adduced to account for its origins and persistence. But it is perhaps most conveniently understood in relation to the philosophical legacy of Kant. Kant's dualism was, as Kant himself recognized, well ahead of its time. Indeed it can be argued that it took the dissolution and bifurcation of the inter-class bloc which spearheaded the bourgeois-democratic revolution to lure bourgeois social thought away from the 'monistic' certainty that capitalism simultaneously represented 'what must be' and 'what ought to be' and toward a stance far more sensitive to the

irremediably 'irrational' and indeterminate elements of the structure-subject relationship. The disaffection of the working class from its erstwhile bourgeois ally in the struggle against the remnants of feudalism and the emergence of the socialist challenge found an intimately interrelated expression in the evolution of bourgeois thought as a whole.

The robust, vigorously anti-idealist scientism of the 'heroic' period of the bourgeois-democratic revolution (which had thrown up a wave of philosophical materialism unprecedented in recorded history) gave way to explicit philosophical dualism, more-or-less concealed by a mutual pact of non-interference between new currents of subjective idealism and an array of tepid neo-positivisms. In the realm of economic theory, these latter developments were accompanied by the final dissolution of classical political economy and the triumph of the 'marginalist revolution'.

The significance of this transition at the level of bourgeois ideology has been well described by Clarke (1982). Classical political economy subordinated the theory of action to the theory of social structure, while marginalism saw the theory of social structure as developing on the basis of the theory of action. This shift was both of decisive theoretical importance to the evolution of economic thought and symptomatic of the drift of bourgeois thought in general. As Clarke points out, classical political economy (together with the historicist school and early sociology) 'shared a liberal

social and political orientation, seeing capitalist society as an expression of the needs and aspirations of rational individuals, and evaluated the institutions of capitalist society in relation to individual rationality' (1982:230). But this did not involve a commitment to a rationalistic theory of action or any theory of action (in Parsons' sense). Indeed, the 'rational individual who underpinned and legitimated the social structure characterized by the [liberal] theory was not a real but an ideal individual' (1982:230), and 'the ideal rationality of society was an expression of the naturalistic rationality of capitalist relations of production as the necessary expression of the division of labour' (1982:230). While the criterion of rationality was an individualistic one, the guarantee of this rationality was invested not in the unpredictable actions of individuals but in the naturalistically-conceived 'laws of the marketplace'. From the standpoint of classical political economy,

The achievement of the ideal society could not be entrusted to the spontaneous advance of individual reason, for the existence of ignorance, vanity, prejudice, superstition, and the abuse of power were barriers to its realization. Thus the progressive development of society depended on the subordination of the action of individuals to the reproduction of the social structure within which they were inserted. (1982:230)

Where both historicism and sociology differed from classical political economy was in their rejection of the view that the market could 'spontaneously' create a harmonious social order: 'For sociology and historicism the market alone was not

an adequate basis for the realization of a rational and harmonious social order, and the operation of the market had to be confined within limits set by morality and by the State' (1982:230). This difference in emphasis accounts for the fact that historicist and sociological theories were more attuned to the structure-subject relationship than was classical political economy. Even so, however, all three approaches were united by a 'common naturalization of capitalist social relations' and by a belief in the necessity of the decisive subordination of individuals to these relations:

the subordination of the individual to the reproduction of the social structure was not seen as the imposition of an alien authority on the individual, but as the imposition of an authority adequate to the true needs and aspirations of the individual. Thus, to the extent that individuals were enlightened by the appropriate doctrines, and so appreciated the rationality of the ideal social order, they would submit themselves voluntarily to the authority of the market, the enlightened legislator and the moral reformer...[The political economists, sociologists and historicists] were all ardent educational, moral and political reformers who formulated their theories as blueprints to guide the enlightened legislator and evangelist and as a basis on which to break down the barriers of self-interest, ignorance and superstition so that the rule of capital, its legislators and its State would rest on the enlightened consent of its beneficiaries. (1982:231)

The common ideological motif of the early social and historical sciences of the bourgeois era -- the conviction that the capitalist social relations of production had a 'natural' foundation such that any challenge to them could only be construed as an irrational defiance of natural law -- was to undergo a modification, but not a substantive transformation, with the development of a working-class/socialist reaction

against it. However it is important to appreciate the impetus to and character of this modification. On the one hand, classical political economy as a theory of social structure was decisively crippled by the crisis of its own 'supply-side' accounts of price formation (a crisis engendered by the inconsistencies of Ricardo's theory, the challenge of Marxism, and the apparent inadequacies of a pure cost-of-production theory of price). By effectively surrendering the terrain of a social-structural account of economic value to Marxism, classical political economy declared its decisive theoretical bankruptcy. On the other hand, the ideological underpinnings of classical political economy's 'organicism' -- its 'utopian' belief in a pro-capitalist consensus among all social classes -- also came unhinged with the movement of the working class toward independent forms of political and industrial action (trade unionism, socialist political organization, etc.). It is important to note that these two developments complemented one another significantly: the resumption of class conflict during the period of capitalist consolidation could only have called into question the efficacy of the market as the self-sufficient 'regulator' of social equilibrium, while the deficiencies of the social-structural theory of price seemed to find reflection in the inability of classical political economy to account for the 'irrational' (that is, anti-capitalist) actions of the working class. In both instances, the rift between theory and reality (or 'fact and value') could only

promote a dualistic outlook, an outlook which, as we have seen, finds its most fundamental expression in the division of mental and manual labor as reinforced by the real abstraction of exchange.

The upshot then is that the movement from classical political economy to marginalism involved a shift towards an increasingly dualistic gnoseology. Classical political economy had sought to subsume the theory of action under its theory of the social structure, while laying claim to a monopoly of competence in the theoretical interrogation of the social. Marginalist economics was to regard the social structure as something irretrievably divided, its economic component being the result of a multitude of individual actions undertaken for the purpose of allocating scarce resources to alternative uses, its more properly 'social' component being the result of an ensemble of practices not directly influenced by the rationality of the process of economic exchange. By accepting this duality of the social structure, marginalism completed the 'naturalization' of capitalist relations of production, while delimiting the theoretical boundaries of economics and creating a niche for other social sciences to pursue the analysis of the non-economic 'half' of the social structure. The indeterminate relation between the two components of the social structure, expressed in the theoretical differentiation of economy and society which marginalism had introduced 'by abstracting economic relations from all social content' (Clarke 1982:234),

proved to be a strong foundation for a whole series of indeterminate binomials which came to overrun bourgeois social science. All of this had important 'practical' implications as well, as spelled out by Clarke:

The more general context of the marginalist revolution was a concern with understanding the possibilities and limits of State intervention in the regulation of economic relations, including in particular the resolution of the labour question. The general background of this concern was the increasing role of the State in economic and social life. (1982:149)

At a time when the contradictions of capitalism were beginning to produce dislocations calling for conscious action and initiative, the need for an economic theory which could help policy makers in selecting programs for intervention in the economy clearly made itself felt. If classical political economy had often provided a theoretical rationale for laissez-faire, marginalist economics prided itself on its ability to provide a 'guide to action' for prudent state intervention. Indeed, 'The specific motivation for the development of a rigorous theory of price determination was the concern to be able to achieve some basis on which to evaluate proposed reforms' (Clarke 1982:150).

Both marginalism and classical sociology subscribed to the dualism which sanctioned the division of social reality between economy and society and carved out areas of specialization for each within a social-scientific division of labor. But it should be stressed that this shared dualism did not find a uniform expression either within the two disciplines or between them. For example, the tendency of economists to regard

sociology as concerned with the province of the 'irrational' was strongly challenged by Max Weber, who saw the historical process of rationalization as one occurring in such 'non-economic' domains as religion and law as well as the economy. Indeed, for Weber, the emergence of a modern rationalistic capitalism (distinguishable from other, earlier forms of capitalism such as 'pariah' capitalism) depended heavily on a larger historical process of rationalization, the progress of which Weber traced in the evolution of religious theodicies. Despite this 'difference', however, Weber and early modern sociology in general accepted the marginalist disjunction of economy and society, understanding this not as an empirical distinction 'but a conceptual one, resting on the conceptual distinction between the essential rationality of capitalism and its social reality, a distinction that in turn rests on the definition of economic relations as essentially asocial, concerning not relations between people, but relations of subjective evaluation of things by abstract individuals, mediated by the technical relations of production and the formal relations of exchange' (1982:235).

Thus, the 'rational value-orientation' of capitalist society was deemed to be the defining characteristic of modern capitalism by marginalist economics and Weberian sociology alike. The task of sociology, from both perspectives, was to 'restore some degree of historical variety to the naturalism of economics' (Clarke 1982:236), while also distinguishing

between the rational and non-rational elements of social life impinging on the capitalist economy. One might say that Weber's stress on the 'voluntarism' of social action and on 'ideographic' forms of knowledge and explanation served as a necessary complement to (rather than as a challenge to) the nomothetic account of 'economic action' in the marginalist doctrine, an account that presupposed a naturalistic conception of the social structure. Both marginalism and Weberian sociology took the capitalist socio-economic order as a 'given', as a product of both natural law and voluntary action, with no specifically social-structural intermediation between the two. But it should also be noted that marginalism and Weberian sociology belong to 'opposite' poles of a dualistic problematic shared by most currents of bourgeois social theory, a problematic which subsumes a wide range of possible permutations.

From this vantage point it is now useful to consider Talcott Parsons' (1949) influential account of the emergence of the 'voluntaristic theory of action'. According to Parsons, the common trend of the most influential contributions to modern social thought had been toward a theory of action which steers a middle course between the older 'positivist' and 'idealist' theories of action, and which gives due consideration both to the 'objective conditions' of action and to the capacity of human beings in their 'subjective orientation' of action to select means that may be inappropriate to the attainment of particular ends. By not reducing the subjective orientation

of action to a rationalistic adaptation of means to ends, the voluntaristic theory of action avoids the error of objectivism common to positivistic conceptions of social science. By recognizing that all actions, however conceived or motivated, are subject to objective constraints, the voluntaristic theory of action also avoids the errors of subjective idealism.

According to Parsons, the emergence of such a 'middle ground' in the theory of action was not simply an 'ideological reflection of certain basic social changes'; more importantly, it was 'an "immanent" development within the body of social theory and knowledge of empirical fact itself' (1949:5).

And the truth of this proposition is attested to by the fact that the main architects of this theory in Parsons' view -- Marshall, Pareto, Weber and Durkheim -- were thinkers who were not likely 'to have been influenced in developing this common body of ideas by factors other than the immanent development of the logic of theoretical systems in relation to empirical fact' (1949:14).

As is well recognized today, however, the 'voluntaristic theory of action' as rather idiosyncratically formulated by Parsons was something of a theoretical chimera, the 'ideal' resolution of a dualistic problematic which has proven to be resistant to any 'final' reconciliation of its antinomies in actual theoretical practice. Indeed, this is nowhere more graphically illustrated than in the evolution of Parsons' own thinking, from the ideal golden mean of the 'voluntaristic

theory of action' toward an increasingly pronounced 'objectivism', a shift foreshadowed by Parsons' criticism of Weber in The Structure of Social Action concerning the latter's failure to provide an account of how the objective requirements of social reproduction constrain and subordinate the subjectivity of the social actor. Parsons' theory of structural-functionalism is a striking example indeed of a long-standing trend within sociology (particularly its more 'positivist' schools) toward an assimilation with modern economics at the same pole occupied by marginalism. As Clarke points out:

Parsons extended the marginalist naturalization of capitalist social relations from the sphere of the economy to that of society, treating the State, religion, the family and the personality as rational expressions of the natural and technological conditions of existence of industrial society. In so doing Parsons undermined the hard-won autonomy of sociology by subordinating the interpretation of social action to the supposedly natural requirements of social reproduction. (1982:238)

The contrast between Weber's 'interpretive' sociology, with its focus on the subjective orientation of action, and Parsons' theory of structural-functionalism, with its focus on 'order' and social reproduction, was to become an exemplar, within this general theoretical context, of an increasingly obvious disjunction between sociological theories stressing, respectively, a 'voluntarism' at the level of human action and an objectivist 'naturalism' at the level of the social structure. As Clarke has pointed out, both approaches involve highly questionable procedures of abstraction from the social relations of capitalist production: the voluntarist approach abstracting the individual from these relations, while the

naturalistic (or neo-positivist) approach abstracts nature itself. The two approaches may be 'mutually exclusive', but they are no less complementary for that fact. Indeed, within the framework of a shared dualistic problematic, they maintain a symbiotic relationship, drawing strength from each other's deficiencies while tacitly acknowledging each other's 'achievements' as well. Their common refusal to regard the capitalist relations of production as the mediative link between 'individual action' and 'nature' closes the door to any escape from that problematic. The upshot of this is well-stated by Clarke:

modern sociology is condemned to exist within a world defined by a series of abstract dualisms which reflect the inadequacy of its foundations but which nevertheless structure sociological debate: structure-action; object-subject; positivism-humanism; holism-individualism; society-individual; explanation-understanding; order-conflict; authority-consent. (1982:238-239)

While a recognition of the social form of capitalist production is the necessary and indispensable basis for the repudiation of the 'naturalization' of capitalist relations of production, and hence for rejecting the dualistic problematic which that conception entails, the history of Marxist thought demonstrates both that it is a hard-won recognition and that it is not a sufficient basis for avoiding dualism. The 'crisis of Western sociology' (to which one could also add the 'crisis of Keynesianism' and the 'crisis of neo-classical economics') has clearly been paralleled in recent years by a 'crisis of Marxism' which appears to have many

points of contact with the traditional disputes of bourgeois philosophy and social science. The question is, does this crisis result from Marxism's focus on the 'social relations of production' and its understanding of the internal dialectical relation between 'form' and 'content' (i.e. from a failure of theory); or does it perhaps arise instead from a rather harsh encounter between theoretical expectation and historical experience, between theory and practice? My inclination is to suggest that it is a product of the latter and that the theoretical focus remains sound.

Like bourgeois social theory in an earlier period, Marxism has had to face a major historical disappointment which has called into question many of its certitudes, engendering dualistic preoccupations and a very real 'crisis consciousness'. Certainly, 'bourgeois ideological pressure' has been a factor in the 'crisis of Marxism'. But I would argue that the bureaucratization of the workers movement (exemplified in the evolution of the trade unions and the social-democratic and Communist parties) and of the first workers' state, the Soviet Union, has been a far more significant factor. The bureaucratic phenomenon weighs no less forcefully on the consciousness of western Marxists than did the persistence of class conflict on the intellectual heirs of the bourgeois-democratic revolution. It is therefore not surprising that a certain convergence has occurred between Western Marxism and bourgeois social theory with respect to a number of 'dualistic themes', and that this

convergence has produced some surprising alignments on particular epistemological, methodological and gnoseological issues, while also tending to blur the dividing line between 'Marxist' and 'non-Marxist' approaches.

It is nevertheless important to recognize the limits of this convergence. While it is true that Marxism has fragmented into a plethora of contending schools (for which the expressions 'Marxist humanism' and 'scientific Marxism' serve as convenient, if somewhat misleading, umbrella categorizations), bourgeois social theory, despite its fragmentation, has evinced a fundamental thematic unity which has so far evaded all attempts to reconcile the 'two Marxisms' -- a fact which testifies not to the superiority of the bourgeois perspective, but to the fundamental resistance of Marxism to all dualisms, to all attempts to dissociate theory and practice, science and values, objective structures and subjective consciousness, etc. What appear as necessary antinomies in bourgeois philosophy and social theory must appear as false, if historically conditioned, oppositions within Marxism.

So far it has been argued that it was the persistence of class conflict, on the one hand, and the process of bureaucratization, on the other, that have contributed to the 'crisis' of bourgeois social theory and of Marxism respectively. On what basis, then, can it be contended that the antinomies of the dualistic problematic are a 'necessary' feature of bourgeois thought but are fundamentally ('constitutionally') alien to the Marxist perspective?

To answer this question it is necessary to consider the deeper roots of the dualist gnoseology. The fundamental source of the dualist outlook is the division of mental and manual labor, in particular as this division has been reinforced and ramified by the division between exchange and use. Bourgeois thought is defined by its inability to conceive of a social order in which either of these divisions can be successfully overcome. Only the heady atmosphere of the heroic era of the bourgeois democratic revolution allowed bourgeois thought to temporarily avoid the full theoretical implications of taking its stand in support of a political and social program which could only perpetuate these divisions. With the passing of that era, hastened by the eruption of the capital/labor conflict, the short-lived conviction of the bourgeoisie that its program embodied a universal and absolute truth bridging the divide between 'what is' and 'what ought to be' began to seriously erode, and with it the promise of a 'rational' capitalist order uniting an enlightened and free citizenry with the 'natural' imperatives of the capitalist relations of production.

It is hardly surprising therefore that the monistic formulation of the 'freedom-necessity' relation common to Spinozist and Hegelian rationalism was to be carried forward by the Marxist tradition not the bourgeois one; in Engels' words 'freedom is the appreciation of necessity' (1969:136). The dualistic 'collapse' of the bourgeois outlook, however,

'reunited' bourgeois thought with the social conditions of its dominance: the division of the direct producers and their exploiters; the opposition between 'production for use' and 'production for exchange and profit'; the separation of head and hand, and the extension of this separation for the first time into the very heart of the labor process. The theoretical posture of legitimating such social conditions could only serve to revive and then 'unravel' the metaphysical system most responsible for problematicizing the relationship between 'ontology' and 'epistemology', determinism and freedom, fact and value within modern thought -- the Kantian system. In those intellectual disciplines most sensitive to the subject-object relation (the historical and social sciences), Kant's notion of two co-existent yet independent 'worlds' (one corresponding to 'noumena', the other to 'phenomena') was able, whether through attraction or repulsion, to sanction a rivalry between two apparently 'opposite' approaches, which nevertheless complement one another and find a common ground in resisting all attempts to transcend them both. At the theoretical level Marxism stands as the most audacious of all such attempts -- the materialist heir to the last significant idealist attempt at such a transcendence, the Hegelian system.

At the beginning of Part II I argued that Marx's dialectical-monistic outlook compelled him to adopt a stance which privileges neither 'structure' nor 'subject', but which seeks

to inform the subject's activity with an understanding of what is practically realizable under determinate conditions. It should now be apparent that the 'conditions of action' are both natural and social -- that is to say, natural in content and social in form. Marx's socialist program addresses the social form of the conditions of action, promising progress in the 'natural content' of the human condition through the abolition of extant social forms and the substitution of relations of production propitious to dissolving the oppositions 'production for use - production for exchange' and 'mental labor - manual labor'. It is above all at the programmatically level that Marxism 'resists' the dualistic problematic -- recognizing its antinomies as products of determinate social conditions and vulnerable to historical transcendence. Hence, within the 'integrated' Marxist project, program generates theory. Marx's vision of socialism as a classless, rationally-planned and democratically-administered socio-economic formation in which the 'contradiction' between mental and manual labor would be progressively overcome is a vision which finds 'theoretical' translation in a rejection of the dualism of bourgeois thought. Yet the relation between the Marxist program and Marxist theory is a dialectical one -- i.e. an interactive one. Theory also generates program -- and to the degree that 'Marxist' theory entertains such antinomies (whether due to 'bourgeois ideological pressure' or to a crisis of confidence in the realizability of Marx's programmatic vision), this

must find expression at the programmatic level as well.

The 'crisis of Marxism' is, in fact, a theoretical expression of the fact that Marxist intellectuals have developed grave doubts about the very program which guided Marx in the elaboration of his theoretical perspectives. Yet it could also be that those theoretical perspectives contain the key to a proper understanding of the historical experiences which have called into question the viability of the Marxist program: in particular, the capacity of a 'mature' working class to carry through a socialist revolution, and the experience of 'socialist construction' in those countries which have at least nominally embraced the program of Marxian socialism. The historical 'success' of social-democratic reformism on the one hand and of various forms of Stalinism on the other has seemingly vitiated some of the key elements of Marx's vision: the 'revolutionary potential' of the working class in advanced capitalism and the capacity of the working class to retain control over the levers of state power in the transition to a classless socialist society.

This harsh historical experience has not only been a 'test' of the viability and legitimacy of the Marxist program; it has also had serious implications for the interpretation of Marxism (the veracity of which has been called into question as a result of the 'failure' of the program). The bureaucratic degeneration of both the Classical Social Democracy and of the Soviet State created highly favorable conditions for a 'monism'

which decisively privileged 'structures' over conscious human agency and for the promulgation of a rigidly deterministic Marxism purged of 'voluntaristic', 'ethical', 'humanist', or 'subjectivist' elements. The reaction against such bureaucratic 'official' versions of Marxism was really quite predictable: to capsize this decidedly undialectical monism in favor of a 'dualism' which was really only a cover for a one-sided reassertion of the 'subject'.¹

The competing conceptualizations of 'economic value' to be found in marginalism and Marx's thought are easily related to the complex of questions raised by the 'structure-subject' relation. I have already noted that the marginalist conception is based on the notion that there is no specific social-structural intermediation between 'natural law' and 'voluntary action'. Accordingly, the marginalist concept of economic value is a 'naturalistic' one; value is conceived as a natural phenomenon, rooted in the unmediated relation of individual actors to things, and therefore as an integral and 'eternal' element of human existence. The 'rationality' of this relation is not unconditional; it is promoted by the 'natural laws' of the marketplace, but compromised by human irrationality (which in marginalist economics, but not necessarily in Weberian sociology, encompasses all 'non-economic interests' impeding the rational adaptation of means to given economic ends). We might say, following Fischer's terminology, that the marginalist concept of economic value is a typically 'two-tiered'

theory. The structure-subject relation in marginalism involves 'natural' structures (such as the market) and individual subjects (who are 'free' to either abide by or defy the 'natural' imperatives of the capitalist-market economy).

The Marxist conception of value, as we have already seen, involves a 'three-tiered' theoretical approach. The structural intermediation between 'natural laws' and 'human agency' is regarded as a specifically social intermediation: the social relations of production. 'Value' is not conceived as a 'natural' phenomenon but as a specific socio-historical form of the human imperative to articulate a division of labor. As such value is a relation between people, a relation whose genesis, magnitude and historical limits must be understood in relation to human agency, the natural environment which this agency seeks to transform, and the social relations of production which serve to either promote or undermine it.

An illuminating way to approach these problems is to contrast the marginalist and the Marxist value-theoretical approaches to the concept of rationality. The importance of this concept to modern social theory has been well-stated by Swedberg, Himmelstrand and Brulin: 'the notion of rationality, if handled correctly, might provide a solution to the old problem in sociology of simultaneously accounting for the autonomy of the actor and the influence of the social surroundings on his or her actions. The concept of rationality safeguards the notion of the actor's autonomy through its stress on the importance of choice. If this choice plus its parameters

could be properly accounted for in sociological terms, the ship so-to-speak would be in harbor' (1987:183).

It is precisely in connection with the notion of the 'parameters' of rational action that the decisive difference between the two-tiered conception of economic value enunciated by marginalism and the three-tiered conception of Marxist value theory can be best elucidated. For marginalism, these parameters are both economic and social, but it is also assumed that these are distinct from one another and that the economic conditions of action must push in the direction of 'rational action' while the prevailing social conditions may or may not favor rationality. In Marxist theory, things are not so straight-forward; 'economy' and 'society' are not discrete spheres, and the social form and natural content of the economy are regarded as internally and dialectically related to one another. So long as a certain harmony exists between the material forces of production and the social relations of production, the (rational) progress of human productivity and human culture is promoted. Human action is subordinate to this 'rational' framework in the sense that no 'voluntaristic' attempt to prematurely eliminate the existing relations of production can succeed. However once the social relations of production begin to impede the development of the productive forces, it can no longer be said that 'rationality' will be the prevailing tendency of the existing mode of production; and the contradiction between the increasing 'irrationality' of the

mode of production and the human proclivity toward a rational adaptation of the relations of production to the productive forces will permit human agency to intervene in such a way as to remove the specifically social-structural obstacles to human progress.

Some^{what} schematically, we might say that marginalism is predicated on the notion that the capitalist economy is inherently 'rational' in the sense that it operates in accordance with 'predictable natural laws'. Moreover, to the extent that we can impute rationality to the individual economic actor, the problem of the structure-subject relation within the realm of the economic becomes soluble. To paraphrase Pareto: 'The individual is no longer important'.

Marx's theory of value leads to very different conclusions about the 'rationality' of the capitalist mode of production. Rationality is not defined in terms of 'predictability', but in far more 'substantive' terms: the capacity of the relations of production to systematically promote the productivity of labor and the progress of human culture. On this criterion of 'rationality' the capitalist mode of production is regarded as a unity of (potentially and actually) contradictory elements, which plays a substantively 'rational' role in human development only up to a point, that point being defined as the juncture at which the relations of production begin to systematically restrain the development of the forces of production.

This point relates to another issue: the 'criterion' of rationality. Earlier it was pointed out that the marginalist criterion of rationality is an individualistic one: how well has the individual actor adapted the ('naturally') available means to a desired and 'naturally possible' end? The three-tiered theoretical approach of Marxism allows for two distinct criteria of rationality: the rationality of the social actor inserted within particular social relations of production, and the 'systemic' rationality of the social structure itself. The contrast between the rationality of the individual capitalist and the rationality of agencies seeking to safeguard the interests of the social capital as a whole (for example, political parties or the State) is one illustration of how the value-theoretical analysis of capitalism involves an appreciation of how 'rationality' and 'irrationality' operate at both the individual and 'collective' levels.

Consider the following example. It is eminently 'rational' for individual capitalists to reduce their costs of production and enhance their competitive position by replacing living workers with machines. But such action may also end in a rise in the organic composition of the social capital as a whole, producing a decline in the profit rate of all capitals -- a substantively 'irrational' result unanticipated and undesired by the innovating capitalists. By introducing labor-saving technology, the individual capitalist may believe that he is selecting 'means' which are rationally suited to the goal of

a higher profit rate -- and this may be the case, up to a point. However we know that a higher profit rate is not only a function of the 'natural' conditions of production; it is also a function of what is transpiring within the social structure of 'abstract labor' as a whole. Thus, the temporary advantage that a capitalist might enjoy by introducing labor-saving technology (an advantage reflected in a higher-than-average transitional rate of profit, reflecting the capitalist's superior ability to meet the 'natural' challenges of production) is bound to disappear as competing capitals 'close the technological gap' and with it the discrepancy between the organic composition of capital of the original innovator and the organic composition of capital of the social capital as a whole. Moreover, once this 'advantage' disappears, so too will the higher-than-average profit rate, replaced by a falling rate of profit induced by insufficient surplus-value production (in relation to capital invested). Thus, what appears as a substantively 'rational' move on the part of an individual capitalist seeking to employ his superior knowledge of 'natural laws' in pursuit of higher profits may end in lower profits. To use Weber's terminology, we might say that the means were 'formally rational' but 'substantively irrational'. Yet, from a different angle, we can also say that the innovating capitalist's actions (abstracted from the social ends they were supposed to serve) were substantively rational (improved technology and labor productivity), while the outcome was 'irrational' only on the criterion of profit-making.

In the three-tiered theoretical conception of Marxism, then, individual rationality must be adjudged in relation to 'systemic' rationality as well as in relation to natural laws or contingencies. Marginalism, on the other hand, considers that individual actions can only be judged 'rational' or 'irrational' in relation to a set of conditions in which it is assumed that no contradiction exists between 'the natural' and 'the social'.

There is a sense, however, in which Marxism and marginalism converge in their appreciation of human agency, or 'the subject'. Marxism too has often tended to see the structure-subject relation as relatively unproblematic 'to the extent' that rationality can be imputed to the subject: in Marx's terms, to the extent that a 'revolutionary class consciousness' can be imputed to the working class. It has often been simply assumed by Marxists that the increasing 'irrationality' of capitalism (the 'structure') would bring in its wake an increasing 'rationality' on the part of the putative revolutionary subject. To be sure, Marxism also possesses a theory of ideology which goes far to explain why the working class is alienated from a consciousness of its historical interests. But the fact remains that the theory of ideology and the theory of capitalism's structural contradictions need to be articulated with one another.

It is precisely this articulation which the theory of value facilitates. On the one hand, this theory is the basis for disclosing the link between the real subsumption of labor by capital and the phenomenon of 'commodity fetishism'. On the

other hand, the theory of value provides the basis for an understanding of the process of 'cognitive appropriation' and the dissemination of a dualistic consciousness. The 'law of value', then, occupies the terrain of both 'structure' and 'subject', providing the conceptual resources to explain significant elements of both the 'objective' structural articulation of social labor (and its 'laws of motion' under capitalism) and the social determination of particular modes of consciousness and cognition. Marx's 'value', in brief, shows that 'objective structures' and 'human agency' belong to the same world.

Marx's concept of 'economic value' is inseparable from his theoretical focus on the social relations of production as the mediation between 'non-human nature' and 'human agency' under capitalism. The theoretical limits of this focus also suggest the limits of a value-theoretical perspective for the analysis of capitalist societies and of human agency within such societies. In the most general terms, Marxist value theory does not itself provide (or seek to provide) a full account of either non-human nature (a task for the natural sciences) or of human agency (which is shaped by a myriad of influences irreducible to the prevailing relations of production). Accordingly, it should not be seen as a 'master-key' to the structure-subject relationship (even under capitalism). On the contrary, it should be regarded as a constant 'reminder' that neither the 'structure' nor the 'subject' should be accorded a privileged

theoretical position. It should be seen as a theoretical guide to action, as Marx intended it to be; as a source of insight into the historical limits of the 'capitalist structure' and into the conditions and possibilities of transcending that structure.

At the same time, however, the value-theoretical analysis of capitalism should be regarded as the necessary and indispensable means of acquiring 'objective truth' about societies dominated by the capitalist mode of production. The historical-materialist focus on the social relations of production permits the theorist to go beyond the dualist preoccupations which have led so many non-Marxist theorists into an attenuation or even an outright rejection of the concept of 'truth'. Indeed, it is this attenuation/rejection which underlies the fundamental thematic unity which I ascribed to bourgeois social theory and philosophy earlier. The failure to see the social relations of production as the mediating link between nature and human history must incline bourgeois thought toward an assimilation of the (quite different) notions of 'objective truth' (locatable in concrete historically-specific conditions) and 'absolute truth' (located on a transcendental-metaphysical plane). For in this, all currents of 'life philosophy', 'analytic philosophy' and mainstream social science concur: 'ontological' questions are inherently metaphysical; the truth about 'being' is not an item amenable to scientific discourse; philosophy can only be about the codification of the principles of scien-

tific inquiry (as in logical positivism, logical empiricism, and other forms of analytic philosophy), or the speculative exploration of avowedly 'non-scientific' questions which perennially trouble the human spirit however auspicious the progress of the natural and social sciences might be (existential phenomenology). This 'unity in diversity' is, admittedly, a negative one, but it is no less unshakeable on that account; for the repudiation of 'metaphysics' has become the siren song of a 'celebration of uncertainty' whose ideological meaning is revealed by its negligible impact on the natural sciences (geared towards cumulative technological progress) and its full-throttled impact on the social sciences (where theoretical relativism sanctions apology, inaction and reform alike).

The historical-materialist focus on the social relations of production directs attention away from traditional metaphysical puzzles concerning human existence and toward an appreciation of the 'human condition' as this is shaped by determinate historically-specific circumstances. The goal is not an 'absolute truth' about human existence, but an 'objective truth' about how human beings relate to nature and to each other in 'this' society.

13.2 Some Limitations of Value Theory

Throughout this study I have sought to show that Marx's theory of value is an indispensable component of the historical-materialist analysis of human social development in general and of capitalist society in particular. Value theory unfolds the economic and social consequences of production for exchange, and, as such, its legitimacy as a focus of theoretical analysis is inextricably linked to the legitimacy of the historical-materialist focus on human productive labor and the social relations of production in which that labor is inserted. One possible line of criticism of value theory is therefore to dispute the explanatory and analytical power of historical materialism itself. However, as I sought to show in Chapter Six, historical materialism is actually strengthened in relation to such disputations to the extent that the law of value is restored to (pre-capitalist) history. Value theory is therefore not merely an application of the principles of historical materialism to the analysis of capitalism; it is itself an integral element in the satisfactory definition of those principles. Value as a social relation has been a persistent element of the social relations of production across broad stretches of human historical development and not merely in those societies characterized by the dominance of the capitalist mode of production.

It is on the basis of this insight that historical materialism is best positioned to defend itself against the claims

of idealist or dualist challenges seeking either to supplant its focus on labor with a focus on 'language' and/or 'communication', or to suggest that the focus on labor and production diverts attention away from such issues as 'inter-subjective understanding', 'power' or 'domination'. These questions cannot be pursued here in depth; but it is well to note that the 'language model' which has so successfully intruded into social theory on the wave of structuralism and post-structuralism is itself vulnerable to a 'value-theoretical' critique to the extent that its provenance is a dualist one. Saussure's 'signifier' and 'signified' may be seen without too much difficulty as the binomial poles of a veritable archetype of the disjunction of an ontological unity, the 'sign'. Indeed, it would be an interesting exercise to extend Sohn-Rethel's analysis of the real abstraction of exchange to an encounter with Saussurian linguistic structuralism and its offshoots: to what extent can the 'signified' be 'matched' with use-value, the 'signifier' with exchange-value, and the 'sign' with the commodity or with value itself?

None of this should be construed as suggesting that the analysis of language, communication or power/domination is 'alien' to historical-materialism. The issue is not whether these subjects should be explored, but whether these subjects should be treated in connection with an analysis of the social relations of production and the forms of social labor, or

whether they should be accorded a kind of ontological privilege, such that they are used as a rationale for ignoring the issue of the social relations of production. Again, it is quite apparent that the tendency of bourgeois thought is to accord them such privilege, while sublating the issue of the relations of production entirely. It is perhaps understandable that the proponents of historical materialism have often bent the stick too far in the other direction, even going so far as to suggest that the analysis of the social relations of production provides the master key to answering all questions about the relation between nature and human history, on the one hand, and the relation between the subjective orientation of action and objective structures, on the other. Nevertheless, such a stance is actually foreign to an authentic Marxist-materialist position, as Timpanaro (1980) has reminded us recently. The social relations of production constitute the necessary focus of an historical-materialist analysis of human development because they articulate the social forms of human existence. But a materialist analysis must also be concerned with the 'material content' to which 'social forms' stand in dialectical relation. This does not simply mean maintaining an interest in what is transpiring in the natural sciences (though it does render intelligible the specific tasks to which Engels was assigned in his intellectual 'division of labor' with Marx); it also, and perhaps far more significantly, involves attention to scientific develop-

ments in the understanding of the human individual, whose natural physicality is no more deniable than his/her social conditioning. Many of the most-often cited 'problems' of historical materialism could be effectively addressed if Marxists would accept that such studies (pertaining pre-eminently to the 'psychology of personality') can complement the analysis of the social relations of production and thereby enrich our understanding of how and why 'men make history, but not in circumstances of their own choosing'.

Before addressing some of the limitations of value theory with greater specificity, it may be useful to identify some of the 'deficiencies' for which historical materialism in general has been reproached. I refer here not to issues of a 'meta-theoretical' character, but to questions possessing a compelling practical importance in contemporary theoretical discourse -- questions which Perry Anderson (1982) has addressed under the rubric of the relation between nature and human history. Among these questions are 'the immemorial oppression of women', 'the interaction of the human species with its terrestrial environment' (i.e. ecology), and the threat of global nuclear war stemming from the 'multiplying national hatreds and escalating international arms race of the post-war world' (1982:83-84). Anderson winds up his reflections on these matters by suggesting that 'if the relations between structure and subject are the province par excellence of socialist strategy, the relations between nature and history

bring us to the long overdue moment of socialist morality' (1982:84). What Anderson does not add, but which is nevertheless mandatory to an adequate treatment of these questions, is that 'strategy' and 'morality' converge in the problem of human consciousness and that their articulation must necessarily be a programmatically one. If this is so, however, how might we specify the 'deficiencies' of historical materialism in respect to these matters?

The answer to this question is at once simple and extraordinarily complex. It is simple in the sense that we can quite easily define the 'traditional' concerns of historical materialism in such a way as to impute to it an utter disregard for any but the most narrowly-conceived criterion of human 'progress': improvement in the productivity of labor. At the same time, however, it must be recognized that historical materialism as a science of society is something more than an adjudicator of progress in the forces of production. It is irrevocably a component of the Marxian-socialist project of human liberation. Inseparable from the question of the development of the forces of production is the question of how labor freed from 'necessary' drudgery can be creatively and humanely rechannelled, as well as how the time saved in production can be used in activity of benefit to the individual and collective humanity. The enhancement of the productivity of labor is not an end in itself; it is but a condition for achieving the material infrastructure requisite to a happier, freer and more cooperative mode of existence for the great majority of humanity.

All of this points to an inescapable fact: the 'failure' of historical materialist analysis to adequately address the complex of questions surrounding the nature-history relation (sexual oppression, destruction of the natural environment, xenophobia, etc.) is not so much a failure of 'theory' as a failure of practicing theorists.² It is most readily intelligible as a theoretical deformation stemming from a programmatically aberration: the degeneration of 'official Marxism' under the stultifying weight of bureaucratic apparatuses fixated on very limited and largely defensive objectives. On no account can it be seriously maintained that the deficiencies of historical-materialist analysis in these areas is the result of 'blind spots' inherent in the theoretical constitution of historical materialism. Accordingly, progress in redressing these deficiencies of analysis needs to begin with a renewed commitment to the programmatic objectives concerned, not with premature and unjustified proclamations concerning the alleged 'bankruptcy' of historical materialism.

Historical materialism is a theory which takes as its point of departure a monistic reality in which 'social forms' or 'social structures' mediate the relation between 'natural laws' and the actions of human individuals. But this monistic conception also involves a commitment to the notion that the consciousness of human beings and the 'subjective orientation' of their activity possesses a 'relative autonomy' from 'natural law' (whether this law is specifiable in relation to 'non-human'

natural circumstances or in relation to the bio-genetic constitution of the human mammal). This relative autonomy does not consist in the ability of human action to 'defy' natural law; it consists merely in the capacity of human consciousness to conceive of different ways to relate to these laws and in the capacity of human action to implement some of those ways that are in fact consistent with natural law. As Timpanaro has put it: 'The something more that man possesses in relation to animals is a greater capacity to foresee and order means in relation to an end and a greater understanding in the determination of the end, but it is not a greater measure of "free will" in choosing between various ends' (1980:105). The subjective orientation of action remains decisively constrained by both 'objective (external) conditions' and by 'man's own physical and biological nature' (1980:82) even as this orientation is shaped by a 'free' consciousness which is the product of the division of mental and manual labor. As Marx and Engels point out in The German Ideology, it is this latter division which permits consciousness to 'emancipate itself from the world and to proceed to the formulation of "pure" theory, theology, philosophy, ethics' and to 'flatter itself that it is something other than the consciousness of existing practice, that it is really conceiving something without conceiving something real' (1947:20).

Consciousness is neither a direct reflux of 'material conditions' nor an unmediated reflection of existing social

relations. A significant part of that 'social being' which Marx tells us 'determines' it is the cultural legacy inherited by real individuals belonging to a concrete historical continuum. Accordingly, the determinants of consciousness (understood both as 'ideas' in people's heads and as an active relation to external reality) are far more complex and difficult to catalogue than the 'natural laws' defining the perimeters of feasible action. Historical materialism has rightly emphasized the importance of specifying the social forms of such laws and the historical limits of these forms. But the point of this scientific endeavor is to inform human consciousness with a true and reliable understanding of the possibilities and limitations of action, not to explain the provenance of all those false or misleading ideas influencing the subjective orientation of action of either groups or individuals.

Even so, however, as an integrated theoretical-practical project Marxism cannot be indifferent to a range of concerns impinging on the prospect of an alignment between human practice and a political program informed by a scientific analysis of existing social forms. It cannot be indifferent, for example, to the fading 'ethical' or 'imaginative' appeal of 'actually existing socialism' -- and the effect of this on human individuals (primarily members of the working class, but also intellectuals and other petty-bourgeois elements) whom Marxists have traditionally counted upon to rally to the socialist cause. It may not be 'scientific' to draw up specul-

ative 'blueprints' for social transformation (although the benefit of historical experience makes such an exercise far more scientifically sound than it was for the 'utopian socialists'); yet the projection of such 'blueprints' -- the resuscitation of a socialist vision exciting to the human imagination and 'ethically' redeemed -- may nevertheless be an increasingly important aspect of any attempt to find the point of intersection between Marxist theory and actual working-class practice. As I pointed out in Part II: 'The scientific apprehension of "what is" or "what must be"...cannot be separated from a consideration of human conceptions of "what ought to be" precisely because human practice tends to actively and consciously alter "that which exists" in conformity with such conceptions'.

Value theory is relevant and indispensably necessary to reforging the links between 'strategy' and 'morality' in the negative sense that it provides a diagnosis of what the socialist program should be directed against. But it does not provide a practical guide to the construction of institutions capable of progressively supplanting forms of social organization dominated by (or expressive of) the value relation. Value theory, in other words, is a basis for criticism of that which exists, but it is not a positive foundation for social transformation -- for the realization of what ought to exist.

So far I have sketched some of the more problematic features of historical-materialist analysis that I regard as

relevant to appraising the 'limitations' of Marx's value theory. I turn now to a relatively distinct issue: the limitations of value theory within the historical-materialist analysis of present-day capitalist society. This question can be approached in a number of ways (including through a reiteration of points already made concerning the 'hidden' but unrealized strengths of an historical materialism liberated from both a bureaucratic-sanctioned objectivism and a subjectivist interpretation championed by Marxists of a 'voluntarist' or idealist bent). However, I wish to address it by focussing briefly on what Barbara Bradby has called 'labor outside value'.

The simplest way to approach this question is to reflect for a moment on the characteristic value-theoretical definition of modern capitalism as 'generalized commodity production'. Among value theorists no consensus appears to exist concerning the meaning of this formula. Certainly all value theorists would agree that it involves the insight that under the capitalist mode of production 'labor power' undergoes a process of wide-spread commodification for the first time, and that all, or at least the vast majority, of individual labors comprising 'social labor' under capitalism is subsumed under the 'commodity form'. However, a problem clearly arises when we try to find the precise point of demarcation between 'social labor' and 'private labor' not belonging to the social division of labor. Furthermore, it is clear that the products of much 'social labor' (whether these products are corporeal [i.e. 'physical'] use-values or 'mere' useful effects) do not fit

the 'minimal' Marxist definition of a commodity: a product that is exchanged in a market. Insofar as some non-commodified 'private labor' might actually constitute 'social labor' (domestic labor, for example), or insofar as labor which clearly forms a part of the social division of labor is non-productive of commodities (defined as products that are exchanged), the characterization of contemporary capitalism as 'generalized commodity production' would appear to be problematic.

Can it be maintained that even under conditions of advanced capitalism, when pre-capitalist relations of production have almost entirely disappeared, some significant portion of the total social labor does not take the commodity form? And if this is so, what are the implications of this for the thesis that modern capitalism is dominated by the law of value? Could it be said that a new non-commodified form of social labor is in birth?

To correctly answer these questions a critical distinction must be made between labor-power and the product of labor within the formula 'generalized commodity production'. To say that the greater (or 'most general') part of the total social labor takes the form of the commodity labor-power is not to say that all or most of this social labor must necessarily be involved in producing commodities. Socially-necessary unproductive labor in both the state and circulation spheres, for example, is non-productive of commodities, and yet the workers who expend this 'social labor' are also selling their labor-power to their employers. Conversely, domestic labor may be regarded

(arguably) as having the commodity labor-power itself as its 'product', even though domestic laborers do not themselves (typically) 'sell' their labor-power.

To what degree then can the formula 'generalized commodity production' be sustained?

Bradby, objecting to the 'remystification of value' inherent in attempts to subordinate or functionally relate 'labor outside value' to commodity relations or the operations of the law of value, has suggested that a materialist account of modern capitalism must recognize the centrality of such labor (particularly women's domestic labor) to the material reality which finds 'ideological' expression in the notion of 'self-expanding value'. She even goes so far as to suggest that 'the mysterious "use-value of labour-power" (that "unique ability" of labour power as a commodity in Marx, that enables it to produce more than its "costs of reproduction") is quite simply and unmysteriously the appropriation of unpaid female labour by the male worker' (n.d.:129). For Bradby, it would seem, the origin of surplus-value is (ultimately) not in the exploitation of labor at the point of industrial production, but in the male exploitation of female domestic labor! This rather curious feminist argument must ignore, of course, that not all male workers are in a position to 'appropriate' unpaid domestic labor, and that female wage-laborers are even less likely to be able to do so. To suggest that the difference between the value of labor-power and the value of the product of that labor-power is entirely attributable to the contribution

of domestic labor 'outside value' is an absurdity.

Other aspects of Bradby's argument, however, are deserving of more serious consideration, particularly those aspects that are based on theses developed by Sohn-Rethel (1976, 1978) in his theory of the 'dual economics of transition'. Briefly, Sohn-Rethel argues that the modern capitalist firm has evolved a 'new form' of the socialization of labor, one at odds with the law of value and prefiguring the way that labor would be rendered social in a socialist economy. This has resulted from the need of the large corporation to allocate labor and resources internally according to a 'plan' rather than according to market criteria. Sohn-Rethel's thesis has been extended by himself and by others to both scientific and state labor, and its upshot is that under conditions of advanced capitalism, labor has come to be 'socialized' not only through an 'objective' process of articulation through the market, but also through increasingly 'conscious' and planned mechanisms.

In evaluating this argument, we should first note that Sohn-Rethel's thesis is overstated and distorted by Bradby when she implies that 'resocialized labor' of the types mentioned above stand entirely 'outside' of value. What Sohn-Rethel argues is that labor is increasingly subject under capitalism to dual processes of 'commensuration' that are tendentially contradictory to one another. Moreover, this 'dual commensuration' could apply to all labor, and not just to the discrete categories that Bradby has singled out. On the one hand, there

is the 'commensuration of labor through social exchange' whose characteristics include that a) it occurs in market exchange, and through the valorization of money and capital, b) it takes place indirectly and in an unconscious manner, c) it takes place as an outcome of the whole circuit of the social exchange process, and d) it applies, above all, to the dead labor 'stored or embodied' in commodities (1978:168-169). On the other hand, there is the 'commensuration of labor in action' which Sohn-Rethel identifies with Taylorism and Fordism and which is characterized by the following: a) it is rooted in the labor process of production, b) it is a direct form of quantification, and is carried out consciously with the aim of quantification in mind, c) it is performed for particular, concrete jobs conceived 'in isolation' from other jobs within the technical division of labor, and d) it applies to 'labor in action' rather than to the 'dead labor' stored up in commodities (1978:170-172).

Problematically, Sohn-Rethel couches his entire discussion in terms of the peculiarities of 'monopoly capitalism', implying without actually asserting that the 'commensuration of labor in action' actually contradicts the law of value (in much the same way, presumably, as the existence of monopolies do in the opinion of such neo-Marxists as Baran and Sweezy). In my opinion, this confuses and mystifies the real significance of the 'commensuration of labor in action'. Unquestionably, Taylorism and Fordism, together with all attempts to promote the real subsumption of labor under capital, involves a tendential

negation of the law of value. But the commensuration of labor in action is also a result of the law of value -- more specifically, of the structure of abstract labor which reflects the 'socio-technical conditions of production' of commodities and which also impels individual capitalists to seek competitive advantages through continuous realignments in the labor and valorization processes. Sohn-Rethel is right to suggest that the on-going revolution in the capitalist labor process is creating the material conditions for a new type of social labor which will leave the 'mental-manual' division firmly behind it; but this does not amount to a 'prefiguration' of social labor under socialism. Nor does it amount to a justification for claiming that labor subject to this dual process of commensuration is social labor 'outside of value'. The commensuration of labor in action is 'regulated' by the law of value no less than the commensuration of labor in exchange. To deny this is to misunderstand the scope of the law of value, its contradictory development, and its tendency to generate 'conscious' responses at the level of human action to mitigate its more 'undesirable' effects -- responses ranging from demands for higher wages, to time-and-motion studies, to counter-cyclical fiscal tinkering on the part of governments.

The contradiction which Sohn-Rethel and Bradby would seek to 'exploit' for progressive ends does not need to be reformulated in terms of 'the commensuration of labor in exchange versus the commensuration of labor in action'. It can just

as easily, less confusingly and more intelligibly be couched in the traditional Marxist terms of 'use-value versus exchange-value', 'production for use versus production for profit', 'labor process versus valorization process', etc. Nothing is lost by doing so -- except, perhaps, Bradby's quixotic desire to prove that the battle against the hegemony of value has already been won, or half won, under capitalism.

The discussion contained in this chapter in no way does complete justice to the question of how Marx's theory of value might help contemporary social theory to move beyond its present impasse. I have merely sought to sketch some of the ways in which the outstanding theoretical issues now under debate by Marxist and non-Marxist social theorists alike might be illuminated by an encounter with the fundamental theses and contentious issues posed by value theory. By way of conclusion, however, I wish to reiterate what I regard as a key point: Marx's theory of value is predicated on a 'three-tiered' social-structural account of the relationship between nature and human individuals; accordingly, its starting point is the social relations of production, which 'link' the 'whole' and its 'parts', and not the 'individual' abstracted from his/her social relationships. This methodological principle has long been well understood by Marxists, and yet its full implications for the 'value controversy' have been frequently missed. The methodological principle points in the direction of a social theory which refuses to accept the 'natural inevitability' of

any historically-given social relations of production. Accordingly, Marx's theory of value, by giving expression to this principle at the level of the concept of 'economic value' (a concept at the heart of capitalism), not only points to the historical 'blindspots' of bourgeois social theory (in particular, the economic theory which forms its foundation); it also points to the historical mutability and limits of the capitalist social structure itself.

Chapter Fourteen: Value Theory and Socialism

In bringing this study to a close it is important to say a few things about the practical relevance of value theory to the socialist project which Marx intended all of his theoretical work to serve. I have already made the point that the revival of interest in Marx's theory of value coincided with some major changes in the political landscape of the post-war era (the student radicalization of the 1960's, the emergence of a New Left, etc.) and with a perceived crisis of the world capitalist economy in the 1970's. The value controversy has always been much more intimately connected to practical political concerns than many of its participants have been prepared to acknowledge. I wish to focus on two interrelated aspects of the interface between the theory of value and socialist politics: the first relating to the practical task of delineating a strategic orientation for ending the rule of capital, the second relating to the problem of 'socialist construction'.

14.1 The Role of Value Theory in the Anti-Capitalist Struggle

Marx's theory of value, and his critique of political economy as a whole, is a theory, in the first instance, of the historical limits of the capitalist mode of production and of the social forms which serve to conceal those limits. His 'economic' analysis is at once an explication of the 'laws of motion' of the capitalist economy and an account of how false (or one-sided) ideas about that economy come to exist. No other theory

of capitalism, however critical of capitalism it may be, has even come close to elucidating both of these problems, much less establishing their common foundation in the value relation.

The upshot of Marx's value-theoretical analysis of capitalism is that the latter is not amenable to socialist transformation through a process of gradual, incremental reform, nor is it constitutionally capable of a 'crisis-free' and 'progressive' evolution which would render the socialist project, in some sense, 'unnecessary'. Capitalism must be destroyed root and branch before there can be any hope of social reconstruction on fundamentally different foundations. All of this is familiar.

The problem, however, is that none of the objective laws of motion of capitalism, including the tendency of the rate of profit to fall, will bring about the 'automatic collapse' of capitalism. Capitalism may be 'digging its own grave' but it is not likely to carry out a self-execution. Its burial requires the action of a class-conscious working class. The central practical problem facing the socialist project is that under conditions of advanced capitalism the working class has so far failed to 'complete' its anti-capitalist struggle (or even to rise to a conscious understanding of it in many cases).

There are numerous reasons for this 'failure of consciousness'. These include the hegemony of 'reformist' conceptions within the workers movement, whether of Social-Democratic, Stalinist or 'Eurocommunist' provenance; the continuing strength of bourgeois ideology among key segments of the working

class (even in those countries with the strongest of socialist labor movements); and even the 'betrayals' of the revolutionary insurgency of the working class by 'class-collaborationist' leaderships -- betrayals which have produced much demoralization in the ranks of labor. The list could be extended still further and commented on ad nauseum. Suffice to say that by themselves these factors go quite far to explain why, despite the experience of wars and depressions, social decay amidst material wealth, and so on, the working class has not risen to its 'historical task' of overthrowing the regime of capital. The question is thus posed: is there a 'strategy' or 'program' that can help the proletariat to bridge the gap between its existing consciousness and struggles and the consciousness requisite to successful anti-capitalist struggle?

In the history of Marxist socialism, programs embodying such a strategic orientation have often been called 'transitional'. The Communist Manifesto is in this tradition, as are the 'Theses on Tactics' and other declarations of the first four congresses of the Third International. Perhaps its most 'finished' expression was elaborated in 'The Death Agony of Capitalism and the Tasks of the Fourth International', the famous 'Transitional Program' adopted at the founding conference of Trotsky's Fourth International in 1938. What distinguishes the transitional programmatic conception^{is} its attempt to overcome the opposition between a 'minimum program' of struggle for reforms within capitalism and an abstract 'maximum program' which promises the 'ultimate' substitution of

socialism for capitalism. It does this by articulating a system of demands which anticipates the social and political content of the 'dictatorship of the proletariat' and the earliest stages of socialist construction. These demands (which include a sliding scale of wages and hours, workers control of production, the expropriation of industry without indemnification, workers' defense guards, etc.) are meant to intersect the actual struggles of the working class, as these occur within capitalism, while projecting 'solutions' to the immediate problems of the class which, taken together, will disintegrate the social, economic, political and even military power of the capitalist class. In the words of the Third Congress of the Communist International (1921): 'In place of the minimum programme of the centrists and reformists, the Communist International offers a struggle for the concrete demands of the proletariat which, in their totality, challenge the power of the bourgeoisie, organize the proletariat and mark out the different stages of the struggle for its dictatorship' (1980:286).

A brief discussion of the theoretical rationale of the transitional program is called for here. Clearly, Marx was not under any illusion that the theoretical criticism of capitalism would suffice to liberate the working class, as a whole, from the trappings of a fetishized and false consciousness. The sine qua non of the proletarian revolution is not the assimilation of Marxist theory by the workers, but

rather their adherence to a political program inspired by that theory. Furthermore, this adherence will not be a function of theoretical apprehension (at least primarily), but rather of practice in the class struggle. Thus, the principal task of the workers socialist movement is to link the day-to-day struggles of the working class (partial and reform-oriented as they might be) to the historic goal of socialism.

Fundamentally, the transitional program is predicated on the 'inevitability' of capitalist crises and class struggles stemming from the inherent contradictions of capitalism. Ideally, the program will permit the vanguard of the working class to build a bridge, at first in practice, then in consciousness, between the immediate, largely defensive struggles of the working class and the programmatic goal of a workers government.

The theoretical presupposition of the transitional program is that socialists must take into account two sets of factors determining the uneven development of proletarian class consciousness: on the one hand that consciousness is profoundly conditioned by the fetishisms inherent in the capitalist relations of production and by ideologies rooted in the 'appearance of things' under capitalism; on the other hand, that it is shaped by the experience of struggle against the material deprivations of the capitalist system, and that under conditions of a break-down in the smooth-running operation of the system (for example, during an economic or political

crisis), the floodgates of consciousness can be opened to possibilities that are not 'normally' entertained.

It should be underscored that transitional demands are not 'anti-capitalist structural reforms', as Mandel (1973) has defined them. Precisely because they are incapable of full realization within the framework of capitalism, it is inappropriate to designate them as 'reforms' at all. Transitional demands form part of an articulated program for open-ended anti-capitalist struggle; only when they are dissociated from the program as a whole (which invariably involves a qualitative attenuation of their thrust) might they be transformed into 'reforms' serving a closure of struggle. The interconnection of the transitional demands is vital to appreciate in this connection. As a 'system' of demands, they lead 'unalterably to one final conclusion: the conquest of power by the proletariat' (Trotsky 1973:75).

The 'logic' of the transitional programmatic conception is illustrated by even so 'modest' a demand as the 'sliding scale of wages and hours'. The sliding scale of hours is not only the 'socialist solution' to the problem of unemployment created by capitalism; it is a veritable prefiguration of 'the system of work in socialist society', 'the total number of workers divided into the total number of hours' (Trotsky 1973:128). It is utterly counterposed to the bourgeois-reformist conception of 'work-sharing' since it insists that any shortening of the work-week (facilitating the redistribution of working

hours) should entail no diminution in the living standards of the working class (hence the demand for '30 hours work for 40 hours pay'). The social message of this demand is clear: labor-saving technological innovation should accrue to the benefit of the workers rather than the capitalists. Similarly, the demand for a full sliding scale of wages (popularly known as 'indexation for inflation') seeks to guarantee the workers' share of national income by removing wage levels from the adjustments of the capitalist price structure. The thrust of the 'sliding scale of wages and hours' is to strike a blow against the reification of labor power in the capitalist economy by systematically challenging its status as a commodity. Of course, from the point of view of capital, the demand is utterly 'unrealistic' and even 'irresponsible'. Yet, once it is grasped as simply one component of a program which also calls for 'the expropriation of industry' and a 'workers government', its potential for heightening working class consciousness becomes obvious.

The transitional program and the strategic orientation it embodies for mobilizing the working class against capital is eminently consistent with Marx's value-theoretical analysis of capitalism. But certain limitations of this programmatic/strategic conception should be noted. First, its efficacy is predicated on the existence of wide-spread sympathy for socialism as the pre-eminent goal of the labor movement, as well as the existence of a strong 'vanguard' layer of the working

class which consciously seeks a recomposition of the leadership of the working class (i.e. an extrication of reformist and class-collaborationist labor leaders and their replacement by militants committed to a transitional program of struggle). Neither of these conditions obtain today in North America, and it is possible to argue that they are less present in contemporary Europe than they have been at any other time in the twentieth century.

This leads directly to a second consideration. Why has the 'subjective' basis for anti-capitalist struggle weakened so dramatically under advanced capitalism? This is a very difficult question to answer, but it clearly involves more than capitalism's alleged (and very arguable) 'increased ability' to 'deliver the goods' to the working class: for even a decade ago, the European labor movement appeared far more poised for serious anti-capitalist struggle than it was in the 1950's, a period in which living standards were well below the level of the 1970's. One of the elements of an answer to this question, it seems to me, has to do with a 'crisis of confidence' in socialism as an attractive model of social and economic organization -- even among those 'vanguard' layers of the working class traditionally most committed to the socialist vision. The disappointing or at least contradictory records of 'socialist construction' in the USSR, China and Eastern Europe have reinforced powerful tendencies inherent in the operations of the law of value towards cognitive dualism and

a consequent paralysis of action. This new 'crisis consciousness' which has afflicted the working class and rendered it less likely to pursue an alternative to the regime of capital can only be overcome to the extent that either a) 'actually existing socialism' redeems itself in the eyes of the international working class, or b) a new vision of socialism can be successfully articulated and promulgated as an indispensable component of socialist practice. What this vision would entail, however, cannot be divorced from a critique of 'actually existing socialism' and an analysis of what the latter's redemption would in fact necessitate.

14.2 Value Theory and Socialist Construction

The 'disappointment' in the record of twentieth-century 'socialist construction' to which I referred should be qualified. For several decades what was officially called 'socialism' in the USSR and other countries appeared to be working very well indeed. In the Soviet Union this corresponded to the period of 'extensive growth' -- or what Evgeny Preobrazhensky (1965) called 'primitive socialist accumulation'. To be sure, there were many unattractive features to Stalinist industrialization and agricultural collectivization -- features which were duly noted and often castigated (more or less hypocritically) by the ideologues of Western-style 'democracy', as well as by many sincere socialists. Yet the Soviet 'model' of socialist construction remained an immensely powerful pole of attraction for major segments of the Western working class as well as for

the impoverished masses of the colonial and semi-colonial world. The Soviet 'growth machine' -- and not, of course, the Stalinist political apparatus -- commanded the admiration of most who longed to throw off the yoke of capitalism and imperialism, and to embark on the construction of a socialist society free of want and extreme material inequality. It is not too surprising that many of these people regarded the draconian and anti-democratic aspects of the Soviet bureaucracy as either a 'necessary evil' or as 'fabrications' of those bent on destroying the conquests of the 1917 revolution. What was unarguable was that the Soviet system had eliminated unemployment, industrialized a vast and backward economy at break-neck speed, and provided (by the 1950's) a level of basic material security for the people of the USSR unprecedented in human history. By the early 1960's Khrushchev's boast that the Soviet Union would reach the stage of full-fledged 'communism' in the not-too-distant future appeared realistic to many who were already awed by the rapid recovery of the Soviet economy in the aftermath of the Nazi devastation.

As early as 1937 Trotsky accounted for the impressive accomplishments of the Soviet planned economy while also pointing to the limits and contradictions of the Stalinist bureaucratic-command structure administering it:

The progressive role of the Soviet bureaucracy coincides with the period devoted to introducing into the Soviet Union the most important elements of capitalist technique. The rough work of borrowing, imitating, transplanting and grafting was accomplished on the bases lain down by the

revolution. There was, thus far, no question of any new word in the sphere of technique, science or art. It is possible to build gigantic factories according to a ready-made Western pattern by bureaucratic command -- although, to be sure, at triple the normal cost. But the further you go, the more the economy runs into the problem of quality, which slips out of the hands of the bureaucracy like a shadow. The Soviet products are as though branded with the gray label of indifference. Under a nationalized economy, quality demands a democracy of producers and consumers, freedom of criticism and initiative -- conditions incompatible with a totalitarian regime of fear, lies and flattery. (1970:275-276)

Today even the Soviet leadership is giving a faint echo of Trotsky's indictment of bureaucratic commandism in the economy -- not because they are now prepared to relinquish the privileges and monopoly of power which their bureaucratic centralization of the economy was designed to safeguard, but because the accumulating problems of the Soviet economy can no longer be denied (or attributed entirely to the pressures of the arms race). Hence, Gorbachev's admission as part of his campaign for 'restructuring': 'A country that was once quickly closing on the world's advanced nations began to lose one position after another. Moreover, the gap in the efficiency of production, quality of products, scientific and technological development, the production of advanced technology and the use of advanced techniques began to widen, and not to our advantage'(1987:19).

Superficially it may appear that Gorbachev, with his policies of glasnost and perestroika, has come to embrace the programmatic admonition enunciated by Trotsky in 1932 that 'Only the interaction of three elements, of state planning, of the market and of Soviet democracy can provide the country

with correct leadership in the transitional epoch'(1973:275). But this is not at all the case. It is no accident that Trotsky's 'rehabilitation' is still far from assured while the leader of the so-called 'right opposition' to Stalin, Nikolai Bukharin, is now being hailed as the 'legitimate heir' to Lenin. For Bukharin was the prophet, within 'Marxist' thought, if not within the socialist tradition as a whole, of what is today referred to as 'market socialism' -- the tendency of Stalinist bureaucracies seeking to overcome the waste and lethargy of bureaucratically-centralized planning to move in the direction of a 'decentralization' of planning and an increased reliance on market mechanisms for economic rationalization. Bukharinism is the characteristic direction of economic reform in most of the 'socialist' countries not because it is the only 'practical' or 'feasible' alternative to bureaucratic commandism, but because it is the only alternative to it compatible with perpetuating the material privileges and political monopoly of the bureaucracy and with maintaining the traditional Stalinist perspective of constructing 'socialism in one country'. Bukharinism, in other words, is the 'right face' of Stalinism -- a programmatic thrust which seeks to resolve the economic problems of economies transitional between capitalism and socialism without introducing the political forms of a true workers democracy and without seeking a socialist division of labor on an international scale.

It is not possible to enter here into a full discussion of the (largely short-term) benefits and very real risks of 'market socialism' as an alternative to Stalinist bureaucratic commandism. The record of 'market socialism' is certainly a complex and contradictory one. But the growing strength of this 'program' as a pole of attraction not only for reform-minded Stalinists, but for socialist-minded workers and intellectuals in East and West alike should be regarded with some concern. Not only does 'market socialism' open these countries up to capitalist economic penetration; it also strengthens the capitalist ideological position that 'socialism doesn't work' and that the market, rather than a planning system, is the best guarantee of economic growth, labor discipline and productive efficiency -- in a word of 'rationality' at the level of the economy.

The optimal articulation of the three elements that Trotsky pointed to as indispensable to socialist economic development -- of state planning, the market and workers democracy -- is undoubtedly problematic; but a satisfactory resolution of this problem remains as distant in such 'socialist-market economies' as Yugoslavia and Hungary as it was in Brezhnev's USSR. But it will remain endemically resistant to a satisfactory resolution so long as debate is confined within the theoretical space defined by the following dilemma: either bureaucratic centralization or decentralized self-management within a 'socialist market economy'. The debate must also

encompass a third possibility, one recently debated by Ernest Mandel (1986, 1988) and Alec Nove (1983, 1987): a democratically-centralized planned economy characterized by decreasing reliance on market mechanisms for economic rationalization.

It is precisely this 'third option' of socialist construction which value theory directs us towards. For if it has been the diminishing viability of bureaucratic commandism that has prompted the search for alternative 'models', it is nevertheless quite clear that the the alternative favored by reform-minded bureaucrats -- a qualitatively strengthened role for market mechanisms -- can only serve to perpetuate and entrench the problems associated with the value relation, from unemployment to the mental-manual division of labor, that Marxist socialism has always set its sights on eliminating. Marx's theory of value stands as a constant 'reminder' of the limits to the historically-progressive role of commodity exchange and as a challenge to reconstruct society on fundamentally different foundations; as such, it directs us to look beyond 'that which exists' to that which should -- and just possibly could -- exist once the 'inevitalibilities' of the value form are socio-historically transcended and human beings once again determine to become conscious masters of their own collective destiny.

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EPILOGUE

Although Marxism has enjoyed many successes in recent years within the disciplinary domain of sociology (and, to a lesser extent, economics), Marxist social theorists working within the established social sciences have now reached something of a cross-roads. More than ever, scholars identifying themselves as Marxists are confronted with a choice between a watered-down and relatively impotent 'Marxism', conceived as a sort of 'tool kit' of fruitful concepts to be combined in different ways with the concepts of other 'paradigms', and a Marxism conceived in the way that Marx and Engels conceived their enterprise: as an integrated theoretical-political project, best defined by Engels' pithy but much-berated expression 'scientific socialism'.

That Marxist scholars should find themselves at such a cross-roads, at this point in history in particular, is not at all surprising. For if the tumultuous events and social radicalism of the 1960's and early 1970's provided the climate for a new openness to Marxist ideas, in both theoretical and political terms, the conservatism of the 1980's has encouraged a very real 'backtracking' on the part of many Marxist academics. With Marxist politics seemingly on the decline, Marxist theory is no longer as fashionable as it once was. Accordingly, pressures have mounted to 'redefine' what it means to be a Marxist, both politically and theoretically; and these pressures have invariably been in the direction of an accomodation with the capitalist order and with the ideas that sanction and legitimate that order.

Within this general intellectual and political context, the controversy surrounding Marx's theory of value has been a drama in which many of the tendencies and counter-tendencies of Marxism as a specifically academic enterprise have been played out. For, as I have sought to show in this study, Marx's theory of value is at the very heart of Marx's 'integrated project', of his 'scientific socialism'. To embrace it means to embrace a dynamic and living enterprise, one at war with the capitalist order and its ideological props, one straining for a fundamentally new mode of social existence. To reject it, while still claiming adherence to Marxism, betrays an appetite to dismember the project, to 'reproblematicize' the relationship between theory and practice, fact and value, structure and subject, 'what must be' and 'what ought to be'; it is to deny the theoretical and methodological principles which unify Marx's over-all project and which, taken together, fundamentally differentiate that project from the 'paradigms' of mainstream social science.

Why this should be the case has been one of the implicit themes of this study. In Chapter 9 I suggested that the unspoken question which Marx answered in Capital was whether or not there is a 'limit' to the role of value in promoting human progress, particularly progress in the productivity of labor. And I added that 'The real significance of the attempt to preserve Marx's value analysis is to preserve the legitimate elements of Marx's own answer to this question while also seeking to extend and complete it'. Marx's answer, of course, was

that there is such an historical limit to the 'progressive role' of value and that this limit is also the limit of capital. In Part IV I sought to outline the main elements of Marx's own analysis in this regard and to suggest some new elements which not only help to 'up date' Marx's analysis but also extend it in certain respects. Needless to say, a great deal more work needs to be undertaken in this general theoretical vein. But I believe that this work will be hastened and given greater focus to the extent that it is framed by the question: what are the limits of value as a social relation underlying socio-economic reproduction, cognitive 'breakthroughs' and general human progress? For value is a more general theoretical category than capital, and for just that reason its 'critique' has far more radical implications than the critique of capital alone.

I realize that by proposing such a theoretical agenda I am swimming against some very powerful currents. At a time when many Marxists are in retreat from the implications of a 'value-theoretical' analysis of capitalism, I wish to explore the implications of a value-theoretical analysis of pre-capitalist and 'actually-existing' post-capitalist societies. At a time when many Marxists are trying to find points of contact between Marxist and 'less radical' ideas, I wish to see the 'radical' potentialities of Marx's ideas and methods more fully elaborated and related to his political project.

Several implications follow from this for the practice of 'Marxist sociologists' seeking to influence the direction of the 'specifically sociological enterprise'. The first is that the very notion of sociology as a discrete 'disciplinary domain' or a 'specific' social-scientific enterprise needs to be exposed for what it is: a major concession to a dualistic social ontology and reductionist methodology which has drawn significant theoretical sustenance from the marginalist theory of value/price and from the 'scientific agenda' which that theory has set. The second is that the attempt to 'reconstruct' sociology on a Marxist basis must also be an attempt to win other sociologists to a Marxist political perspective, for separated from its practical-programmatic agenda, Marx's 'scientific socialism' is reduced to a mere 'critical' or 'conflict' theory -- that is, to a negation which itself has no prospect of being negated. The third is that Marx's value theory commits Marxist sociology to an historical materialist approach which views the material-social distinction and not the material-ideal distinction as the starting point of social-scientific analysis, in this way directing sociology away from all dualisms which drive a wedge between a material domain governed by 'natural law' and an ideal domain in which an allegedly 'free' subjectivity is permitted to voluntaristically 'construct' social -- but not 'economic' -- reality. Finally, the value-theoretical perspective defended above remains the sole basis for systematically disclosing the 'structural contradictions' of 'that

which exists' in such a way as to indicate a general direction for the kind of social change which can progressively realize a better society. By pointing to the 'necessity' (both 'structural' and 'humanistic') of overcoming exchange as the social form of production/reproduction, value theory directs social science away from the roles of 'apologizing for' or 'fine tuning' capitalist society and toward the struggle for a qualitatively different mode of human existence.

What are the implications for 'Marxist sociology' if the labor theory of value is rejected? It might be argued that much more than a 'dismembered' and 'devitalized' Marxism would remain following the excision of this supposedly 'discredited' theory. But the theoretical trajectory of those who have openly or even tacitly abandoned the theory, while claiming to still be 'Marxists', should give us pause. For in throwing out Marx's 'labor theory of value' these neo-Marxists have almost invariably also thrown out the theoretical and methodological precepts that this theory is based upon -- precepts without which 'historical materialism' is reduced to a doctrine of 'class struggle as the motor force of history' (at best!). A striking and highly instructive illustration of this is the evolution of the well-known Marxist sociologist Eric Olin Wright from a confused and rather positivistically-inclined 'defender' of Marx's value theory to a somewhat equivocal champion of the 'Analytical Marxism' pioneered by G.A. Cohen, Jon Elster and John Roemer.

Wright's disciplinary specialization within sociology concerns class theory. As I noted in Chapter 12, his early work on contradictory class locations is fully consistent with a value-theoretical perspective; indeed, it was informed by value theory to a significant extent, as was Wright's related work on the 'crisis tendencies' of capitalist economies (Wright 1978). But in 1985 Wright published a new work on classes under capitalism which not only presented fresh empirical findings, but also a revamped theoretical framework explicitly borrowed from the 'general theory of exploitation' elaborated by the neo-Marxist economist John Roemer. While Wright at no point clearly states his present opinion of Marx's theory of value and exploitation, it is at least clear that he prefers Roemer's. Moreover, it is well known that he aligns himself now with the school of 'Analytical Marxism', whose adherents are generally opponents of 'the labor theory of value'. This is not the place for a general review of Wright's latest work on classes or a comparison of it with his earlier work. But the consequences of Wright's abandonment of the labor theory of value and its replacement by the neoclassical concepts informing Roemer's theory have been well defined by Carchedi:

My thesis is ... that Wright has chosen a frame of reference in which the Marxist unit of analysis (classes) has been replaced by individuals; the Marxist labour theory of value has been replaced by an eclectic mixture of neo-Ricardian and neo-classical economics; the Marxist method of historically determined abstractions by the phantasies of game theory; the Marxist concept of classes rooted in

production relations by a concept rooted in distributional and occupational categories; Marxist dialectics by determinism; and the Marxist concern for social change by the concern for the explanation of individual consciousness. (1986:215)

If this is the case, and I agree with Carchedi that this is precisely what Wright has done, then what remains of Wright's professed 'Marxism'? The answer is: very little, beyond a vague identification with the anti-capitalist impetus of Marx's theory. But 'anti-capitalism' is not, in itself, the basis for any coherent social theory, much less one that claims to be Marxist. Of course, Wright is entitled to develop a new theory of class which stands outside of the traditional terms of reference of Marxist class theory; but to present it in such a way as to suggest that it 'resolves' long-standing problems within the Marxist framework is nothing less than sleight-of-hand.

The road from Wright's 1978 work Class, Crisis and the State to his 1985 Classes is a remarkably well-documented one and highly revealing of the process through which Wright came to substitute the Roemerian theoretical framework for Marxist 'value-theoretical' one. An important watershed was Wright's intervention into the 'value controversy' (1981) in which he sought to 'reconcile' the irreconcilable: the Sraffian and Marxist accounts of profit determination. Chastened by the criticisms of the neo-Ricardians, Wright finally conceded that the defense of the labor theory of value has as much to do with 'politics and ideology' as it does with 'science' -- and perhaps more:

The labour theory of value has been so durable in spite of its critics and continues to serve as a point of departure for much Marxist thought precisely because of the ways in which it combines the agendas of Marxism as science, politics and ideology. And until such time as its scientific-theoretical inadequacies are definitively demonstrated, the labour theory of value can legitimately continue to fulfill this function. (1981b:162)

Such a weak and defensive response to the 'challenge' of neo-Ricardianism could hardly serve as a 'durable' basis for reaffirming the centrality of Marx's value theory to his integrated project; so it is not at all surprising that Wright soon became impressed by the scientific inadequacies of the theory as these had been disclosed by Roemer:

While Roemer's work should not be viewed as an example of the 'Sraffian' critique of the labour theory of value, he shares with Sraffian economists like Ian Steedman...the thesis that the labour theory of value should be dismissed entirely. It is, in Roemer's view, simply wrong as the basis for any theoretical understanding of exchange and unnecessary for any understanding of capitalist exploitation. (1985:99,n.4)

Roemer's criticisms of Marx's theory of value are not remarkable; they are the traditional ones of neoclassical economics, reinforced by certain neo-Ricardian observations. But what was 'new' in Roemer's work was his ability to generate 'exploitation' as a theoretical result of his application of neoclassical concepts. In a response to a critic, Roemer asserts that his theoretical model 'has "explained" some phenomena, in deriving them from logically prior data...[The] data are: differential ownership of the means of production, preferences and technology. Everything is driven by these data; class and exploitation are explained to be a consequence of

initial property relations' (quoted in Lebowitz 1988). It would seem, as Lebowitz points out, that Roemer, 'like Marx', starts from 'logically prior data' which 'are not the subject of his analysis (i.e. "unsubstantiated postulates")' (Lebowitz 1988: 203). But whereas Marx's 'unsubstantiated postulates' are taken from 'history, from real life, the real concrete', Roemer's are borrowed from the conceptual arsenal of neoclassical economics. Is there a reason to prefer the latter over the former? None whatsoever, unless one sets as his goal the persuasion of one's ideologically-blinded academic colleagues rather than the scientific exploration of the historical tendencies of capitalist exploitation, its origins, dynamics and limits. Here we arrive at the real heart of the matter. For regardless of the elegance of Roemer's 'proofs' of exploitation and his associated 'theorems' his commitment to neoclassical concepts and his rejection of Marx's makes it altogether impossible to specify the real conditions of capitalism, much less its 'laws of motion'. Capitalist 'property' relations, not capitalist social relations of production, constitute the starting point (and, for that matter, the ending point) of Roemer's analysis; but these 'property relations' -- the unequal distribution of property in the means of production -- are insufficient to generate any conclusions beyond the banality that capitalism involves exploitation. Roemer's 'framework' tells us nothing about the capitalist imperative to control the labor process; to reproduce the capital/wage-labor relation; and to subordinate the process of production to the goal of 'valorization' (profit

making). And it tells us even less about the 'crisis tendencies' bred by the contradictory character of capitalist social relations of production. As Lebowitz observes: 'By assuming...in his linear production models that a unit of labor-power exudes a certain quantity of labor (i.e. the quality and intensity of labor are presumably given technically), [Roemer] not only effectively assumes away the content of the Marxian distinction between labor-power and labor, but also leaves us with production considered merely as a technical process transforming inert products into final products' (1988:208). A familiar way of considering it indeed!

It is not entirely clear by what process of reasoning Wright came to prefer the Roemerian framework over Marx's value-theoretical one. However it should be noted that Wright's own inadequate understanding of Marx's theory of value, as revealed in his earlier work, must have paved the way for his eventual surrender to Marx's critics. In particular, Wright's failure to appreciate the methodological underpinnings of Marx's labor theory should be stressed. Without an understanding of 'abstract labor' as a 'real but "hidden" structure of relations standing behind and determining the value of commodities, as well as "mediating" the relation between the general "law" of the social distribution and division of labor and the particular products of labor created to satisfy social needs' (see p. 368 above), it is indeed difficult to sustain the theses of Marx's value-theoretical analysis of capitalism. And such an understanding is simply beyond the ken of one who

is not prepared to acknowledge the real existence of 'holistic' configurational entities.

Of course, Wright is far from being alone in having attempted to defend Marx's theory of value with inadequate methodological tools and mistaken theoretical preconceptions. We might even say that this has been the rule rather than the exception in Marxist attempts to 'salvage' the labor theory of value. But it is nevertheless clear that in choosing between Roemer's and Marx's frameworks, it is necessary to also choose between two diametrically opposed methods: the 'methodological individualism' which Roemer shares with other members of the 'analytical Marxism' school and the 'dialectical method' which posits the existence of configurational wholes. It is quite clear that in his latest book on Classes Wright has unequivocally opted for the former position. But a more recent article, co-authored by Levine and Sober (1987), indicates that Wright has moved towards an 'anti-reductionist' position expressly critical of methodological individualism. Whether this apparent methodological shift will be accompanied by further 'reconsiderations' on Wright's part of the Marxist theory of value remains to be seen. If it is, however, it can only reaffirm the central importance of methodological issues to alternative perspectives on the value controversy.

NOTES FOR PART ONE

1. In Kantian terms, the radical separation of these spheres invites treating them as instances of Müssen and Sollen: the economy as belonging to the realm of law-bound necessities, society as belonging to the realm of free will and ethical voluntarism in the service of some 'ought to be'.
2. Note the uncritical tenor of Parsons' appreciation of marginalism: '[the idea of marginal utility] rested on the insight that what was relevant to the determination of exchange value on the demand side was not the value in use of the total amount of a commodity consumed per unit of time, but the addition to this value -- to 'total utility' -- which could be imputed to the last unit in the supply; that is the difference it would make if a small change were made in the rate of consumption. It is this increment of value in use, of utility, which is called marginal utility. Once this fundamental principle had been discovered it was logical to follow out its implications into a far-reaching reconstruction of economic theory which eliminated the principal peculiarities of the classical system' (1937:130).
3. Of course, Parsons' and Homans' strategies differ considerably. Whereas Parsons has attempted to apply his functionalist sociological model to the analysis of the economy as a 'social system' (see Parsons and Smelser 1956), Homans has tried to apply the model of economic equilibrium to the analysis of social relations. Homans' direct point of departure is the conceptual apparatus of neo-classical economics, particularly its Paretian version, while the influence of neo-classical economic thought is somewhat more 'mediated' in the case of Parsons. It is impossible to conceive of Parsons affirming agreement with Homans when the latter states that 'social relationships will not persist, i.e. the exchange is discontinued, unless all parties involved are making a profit. Social behavior, like economic behavior, is a function of its payoffs' (Homans 1967:32).
4. These seven points of divergence concern: 'concept of the author', 'arena of action', 'types of economic action', 'result of economic actions', 'view of the analyst', 'concept of time' and 'general scientific method'. (See SHB 1987:174 for a useful chart comparison.)
5. In this connection, refer again to note 2 above, in particular the last sentence of the Parsons' quote.
6. T.W. Hutchison, The Politics and Philosophy of Economics: Marxians, Keynesians and Austrians, Oxford 1981, p. vi; quoted in T. Bottomore 1985:1.
7. See G. Therborn 1980:241-295

8. It should be noted that Pareto is a partial exception in this respect, even though he made the greatest independent contribution to the development of the neo-classical system of any of the early sociologists. Pareto saw economic value in terms of a 'functional interdependency' concept: 'If one thinks in terms of tastes, production being given, then the value in exchange is determined exclusively by tastes; and hence, the cause of value is ophelimity [utility]. On the other hand, for one who thinks in terms of obstacles [production], the cause of value is the cost of production. If with obstacles one stops to consider only labor, then the cause of value is exclusively in labor. Thus it was with Marx -- in his theory of value other conditions were eliminated such that values depended only on labor' (V. Pareto, Manuale d'economic politica, Milan 1906, p.234; quoted in Tarasco 1973). Tarasco points out that 'Pareto believed that by arguing that rareté was the reason for value in exchange, Walras was merely committing a methodological error similar to those who argued in favor of cost-of-production theories of value. Instead Pareto refused to argue in favor of either' (1973:142-143). Tarasco goes on to observe that 'for Pareto, the importance of the "new theories" of economics was not so much in their ability to explain 'value' as in their ability to relate a great deal of economic phenomena with the use of a rather simple hypothesis -- the hedonistic hypothesis....According to Pareto, the hedonistic hypothesis of the marginal utility school had been tried out, and the results of utility theory tended to agree with observed behavior. Therefore it was a useful hypothesis, even though it represented an application of the general observation of the utilitarians that men try to obtain the maximum pleasure with the minimum pain' (ibid:144-145).
9. Marginalist doctrine may actually be seen as an interesting case study of how 'subjectivism' and 'objectivism' are mutually-dependent poles of a dualistic problematic upon which both depend.
10. Cf. G. Therborn 1980:108
11. Despite Menger's utilitarianism, however, Weber wrote of 'the fundamental methodological distinction between historical knowledge and the knowledge of "laws" which the creator of the theory [Menger] drew as the first and only one' (quoted in Therborn 1980:290).
12. Clarke 1982:196. Another source of methodological influence should be noted. As pointed out by Colletti, Weber's 'ideal types' represent 'the confluence of neo-criticist and marginalist theory' (1972:37). Weber's adherence to neo-Kantian philosophical conceptions goes far to explain how he was able to reconcile historicist and positivist methodological positions.

13. Max Weber The Protestant Ethic and the Spirit of Capitalism
New York 1958
14. Tarasco points out that 'Pareto was quick to see that the 'marginalist revolution' transformed pure economics into a "man-less" science', but also that 'the mechanical nature of pure economics was seen by Pareto not as a 'fault' (contrary to many critics of marginalism) but merely as a limitation which could be resolved by (1) taking into account complexities through a process of successive approximation (at the theoretical level), (2) considering the effects of institutional factors, i.e. market structure, etc. (applied economics), and (3) a synthesis of the respective social sciences (sociology)' - [Tarasco 1973: 149 & 154]. But while marginal utility theory lent itself to a 'mathematization' of economic analysis, it possessed other implications more congenial to a 'free-will' praxiology. 'From this point of view', as Meek notes, 'the significance of marginalism lies precisely in its assumption that household activity, as well as the activity of capitalist firms, is conducted in accordance with rational, maximizing principles -- meaning by this, as Lange puts it, that there is a uniform aim which is the object of maximization and which integrates all the particular aims which correspond to different needs' (Meek 1973:240). Meek continues: 'As early as Pareto and Barone it became apparent that the principles of economic rationality which had been one of the main concerns of the earlier marginalist writers could be used not only as a basis for understanding what actually happened in a free enterprise system, and not only as a basis for checking the rationality of such a system, but also as a basis for deciding what ought to be made to happen under a controlled system' (1973:242).
15. V. Pareto Mathematical Economics, p.61; quoted in Tarasco 1973:149.
16. Associated with this is the need to distinguish between different forms of rationality -- a question we will turn to shortly. For further discussion, see N. Smelser's discussion of 'economic rationality' and what Smelser calls 'communal rationality', and their relationships to different modes of economic and social exchange, in 'On the relevance of economic sociology for economics', in T. Huppes (ed.) 1976.
17. To be precise, marginalism did not introduce this bifurcation, but presented it in a new form.
18. However the counterposition of economy and society was understood differently by Weber and Durkheim. In Weber's thought, the capitalist market economy was seen as the outcome of an historically-specific system of values, and was therefore, in a sense, socio-historically determined. For Durkheim,

by contrast, the market economy was the scene of a fierce struggle of human organisms, understood pre-eminently as biological entities, for survival. As Therborn notes, Durkheim saw the market relating to society only to the extent that 'it was controlled and regulated by values and norms' (1980:418).

19. In Durkheim's optimistic view, the 'moral milieu' constituting society was progressively encroaching upon and taming the competitive market economy. However, for Weber, the formal rationality of the capitalist market was destroying even those values which had given birth to capitalism.
20. For Weber, the development of market relations and the growth of bureaucracy are inexorable concomitants of an historical process of rationalization/disenchantment.
21. Ironically this has also found expression within the peculiar sociologies of Homans and Blau. Exchange theory shares some of the very characteristics of neo-classical economics which have come under attack from economic sociologists -- in particular, utilitarianism, atomism and behaviorism. (See T. Huppes 'Economic sociology or sociological economics?' in Huppes (ed.) 1976:32-38.) As Wallace and Wolf note, exchange theorists 'are generally not concerned with explaining the origins of people's beliefs, values and tastes but take them as given and address themselves to the behavior that follows' 1980:171).
22. Revealingly a young Talcott Parsons wrote that 'The central interest of Weber, as of Pareto, was in "economic" problems, the explanation of the phenomena of modern capitalism. But as he soon realized that economics is incapable of solving his problems, he pushed further on to develop a science of sociology' (1985:49).
23. See Pareto's solution to this 'limitation' of neo-classical analysis in note 14 above. This outlook was essentially shared by Weber.
24. Whenever Weber or Pareto turn to specifically 'economic' matters they share the marginalists' focus on questions of exchange, rather than the social production process. Non-Marxist sociology is as one with neo-classical economics in this orientation.
25. Tarasco 1973: 159
26. This inquiry is conducted solely at the level of empirical appearances and is therefore disqualified, in Marxist terms, from the designation 'scientific'. It nevertheless possesses certain scientific elements that are recognized by most Marxists. On the other hand, the Marxist project to disclose the 'essence' obscured by surface (market) appearances is regarded as entirely ideological and lacking in scientific interest by the marginalists.

27. L. Walras Elements of Pure Economics, 1954:145
28. As Meek observes: 'The fact that the marginalist doctrine, so often used in earlier days to justify free competition, has developed in such a way that it now serves as a basis for the economics of control should not surprise us unduly. Welfare propositions in fact lay at the very heart of marginalism, right from the very beginning. The starting point of every economy, says Menger, is "the goods directly available to economic subjects." The ultimate goal of all human economy is to "assure the satisfaction of our direct needs"' (Meek 1973: 242). It should nevertheless be emphasized that marginalism, in its original forms, was not concerned with the scientific analysis of social needs, but concerned itself with 'statistical cognition of individual preferences, all added together, among which it seeks to isolate a collective scale of satisfactions, so as to define the conditions of social welfare' (M. Godelier 1972:27-28).
29. This judgement holds to a large extent even if the revival of interest in other aspects of Marxian political economy and of the classical tradition within modern economics is taken into consideration.
30. Differences of opinion as to their proper definition exist not only between Marxism and bourgeois social theory, but also within each camp.
31. This is not intended to be an exhaustive catalogue of the properties of science, nor is it intended to be the only possible definition of scientific method.
32. D. Gleicher 'The Historical Bases of Physiocracy', 1982
33. Cf. Ronald Meek 1956
34. 'In that early and rude society which precedes both the accumulation of stock and the appropriation of the land the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging the one for the other' (A. Smith 1970).
35. Michael Hillard, 'Harry Magdoff and Paul Sweezy: Biographical Notes' 1985:401
36. Cf. G. Therborn 1980: 131
37. Quoted in Therborn 1980:134
38. The neo-Ricardians have often presented themselves as opponents of a deterministic or 'fatalistic' Marxism, which is allegedly sustained by the 'fallacies' of the theory of value, in particular Marx's law of the tendency of the rate of profit to fall. See for example G. Hodgson, Trotsky and Fatalistic Marxism, London 1975.

39. Sraffa's famous demonstration of the 'reswitching problem' -- which showed no necessary relation between capital-labor ratios and profitability -- is one example. While Sraffa intended this as a critique of the marginalists' simple 'aggregate production function', it also appeared to have implications for aspects of Marx's theory, e.g. the theory of a decline in the rate of profit induced by a rising organic composition of capital.
40. These areas include: class and state theory, industrial and organizational sociology, social change and development theory, the sociology of knowledge and law, and women's studies (in particular, the question of 'domestic labor').

NOTES FOR PART TWO

1. A popular interpretation of the interrelationship of historical materialism and value theory, one which I will dispute, is expressed by an adherent of the 'analytical Marxism' school: 'In Marx there is a rich -- seemingly inexhaustible -- vein of theoretical insight, but there are only two theories. One of these, hardly more than a sketch, implies a long-range theory of history of the kind elucidated by Cohen. It might be called the general theory of historical materialism. In addition, there is a special theory of historical materialism, adumbrated in Capital, which refers to the capitalist regime of production alone' (Carling 1986:31). I will seek to show in the pages that follow that the 'special theory' elaborated by Marx in Capital is not only relevant to the analysis of the capitalist mode of production but to the satisfactory restatement of the basic theses of historical materialism as a 'general theory' of social development.
2. This is not to deny the interaction between program and theory, but to dispute the priority often accorded to theory within this interaction.
3. Again, theory is a necessary guide to practice; but it is mistaken to assume that theory in some sense 'precedes' programmatically-based practice, or even that it 'should' precede it.
4. The 'cosubstantiality' of what merely appears to be 'two realms' is, of course, conceived very differently in Marx's and Hegel's respective versions.
5. For a compelling argument which situates Althusser's structuralism within the tradition of philosophical idealism, see Timpanaro (1980), in particular his essay on 'Structuralism and Its Successors'.
6. Cohen quotes Marx from Capital II, Moscow 1957, p. 385.
7. The problem of 'social bonds' will be treated at length in section 4.2.
8. 'New productive forces may require new material relations of production, which in turn require new social relations of production, new forms of authority, and distribution of rights' (Cohen 1978:166).
9. These two sets of bonds may be analyzed both diachronically and synchronically.

10. A full discussion of the controversy surrounding the Asiatic mode of production concept is well beyond the scope of this study. However it is unnecessary to commit oneself to any particular position on this question to note that one of the distinctive features of the civilizations which Marx subsumed under this concept was their relatively under-developed systems of market exchange. While it is true that early European feudalism is similarly characterized, this is interpretable in terms of the specific historical conditions eventuating from the collapse of the Roman Empire; the dearth of trade in feudal Europe was not a defining or 'constitutive' feature of the 'feudal mode of production', whereas, arguably, it was in the case of those formations which Marx describes as instances of the 'Asiatic mode'.
11. See G.A. Cohen (1981). Cohen's argument will be critically evaluated in Part III.
12. Rubin also states: 'The method of abstraction is common to Marx and many of his predecessors, including Ricardo. But it was Marx who introduced a sociological method into political economy. This method treats material categories as reflections of production relations among people. It is in this social nature of material categories that Marx saw their "internal connections"' (1973:26).
13. It should be clearly understood that all references to 'exchange' in this discussion are references to market exchange. The problem of 'nonmarket transfers' of the type described in some anthropological and sociological accounts under the headings of 'simple', 'reciprocative', and 'redistributive' exchange do not, therefore, enter into the present discussion. For a discussion of such 'nonmarket' forms of exchange, see Neil J. Smelser, 'On the relevance of economic sociology for economics', in T. Huppes ed., 1976.
14. For example: 'value does not represent a "property" of the product of labor, but a determined "social form" or "social function" which the product of labor fulfills as a connecting link between dissociated commodity producers, as the "intermediary" or as a "bearer" of production relations among people' (Rubin 1973:68).
15. For a discussion of the ontological privilege accorded to the abstract over the concrete in idealist philosophy see E.V. Ilyenkov (1982), Ch. 1.
16. An important respect in which Cohen diverges from the Kantian approach is in the ontological privilege that he accords to content over form -- a necessary element of his 'technological' account of historical materialism and of his inchoate technological determinism.

17. That Engels could have been influenced by such elementary misunderstandings seems highly improbable.
18. Rubin refers to the following ironic comment in reproach of Torrens made by Marx: 'This law [of labor value] itself, and the commodity as the general form of products, are abstracted from capitalist production, and now supposedly cannot be applied to it'. But how conclusive is this statement? Certainly the comment demonstrates, as Rubin notes, that Marx disapproved of any notion that the law of value is 'a law which functions in the precapitalist economy, but not in the capitalist economy'. But this does not mean that Marx rejected the idea that the law of value operated in some attenuated or undeveloped fashion in precapitalist formations. Among Marx's comments which indicate his attachment to just this idea is the following: 'Prior to capitalist production a large part of what was produced did not take the form of commodities and did not go into the process of production as commodities....Nevertheless, within certain limits both goods and money were circulated and hence there was a certain evolution of trade: this was the premiss and point of departure for the formation of capital and the capitalist. We regard the commodity as just such a premiss and we proceed from the commodity as capitalist production in its simplest form. On the other hand, however, the commodity is a product, a result of capitalist production. What began as one of its components turns out later to be its own product. Only on the basis of capitalist production will the commodity become the general form of the product. And the more it evolves the more will all the ingredients of production become absorbed into the process' (Marx 1977:1059-1060).
19. Weeks states: 'The method of Engels, which is common to modern neo-Ricardians and Sraffians, is to move immediately from concrete labor to value-creating [abstract] labor; or, in other words, from the use value of labor immediately to exchange value'. But the 'immediacy' of such a movement is surely related to the level of development of commodity production and circulation. Engels appears to be arguing that this movement -- which must occur in some fashion -- is simply 'more immediate' in precapitalist economies than it is in capitalist economies (where, among other things, it is mediated by the tendency of the rates of profit to equalize).
20. For example, Weeks argues at one point that 'Marx is unambiguously clear in saying that commodities do not exchange at value before the development of money rent, a relatively late development; then they do so only as an approximation' (1981:34-35). Here Weeks is 'unambiguously clear' about the existence of commodities prior to capitalism and is simply disputing the mechanisms of their exchange.

It should also be noted, however, that the issue of commodities exchanging 'at value' is a complete red herring. As I shall argue later, the exchange of commodities at their values is not a necessary postulate of the law of value either under conditions of simple commodity production or under conditions of capitalist commodity production.

21. In Rubin's discussion, however, the phenomenon of socially-equalized labor is clarified through a comparison of the form it takes under capitalism (i.e. abstract labor) and the form it would take under full-fledged socialism ('planned labor', so to speak).
22. It should be recalled that Marx adhered to a dialectical not a 'mechanical' conception of 'social laws'. In his rejection of a mechanistic approach to scientific laws he was, as we shall soon see, foreshadowing several important developments in twentieth-century natural science and philosophy of science. See chapter nine for a fuller discussion of Marx's approach to scientific method.
23. Weeks 1981, Ch. 2. In his attempt to 'roughly categorize the laws of exchange under different modes of production', Weeks specifies two precapitalist laws of exchange and two 'clauses' of the law of value ruling capitalist commodity exchange. The 'law of subsistence' rules exchange for the direct producers when 'exchange is infrequent and the means of production unmonetized': 'Once the means of production start to take on a money form, the indeterminacy [in exchange ratios] is reduced, but remains. Here exchange is ruled by the "law of monetary costs and subsistence"'. Any talk of 'value', then, is inadmissible until labor power is monetized (commodified). Only then does the 'indeterminacy of exchange' disappear and exchange is subsequently ruled by the law of value. The first clause of this law -- the 'law of socially necessary labor time'-- results from the inter-capitalist competitive process which 'forces all producers to produce with the minimum input of concrete labor time'. The second clause, referred to as 'the law of the tendency of the rate of profit to equalize', is also a concomitant of capitalist competition, which enforces a tendency toward a 'normal profit rate' in all industries. In my opinion Weeks' interpretation of Marx's theory of value over-emphasizes the role of inter-capitalist competition and in this way slights the importance of the principle of the 'equality of commodity producers' as a social relation of production underpinning the law of value. See my discussion below on pp. 182-187.
24. These three forms of rationalization are: technical, practical and system. 'System rationalization' corresponding to the process of 'system maintenance' will not concern us here.

25. A change in the social form of technical rationality should entail a substantial reorientation with respect to those problems which Habermas deals with under the rubric of 'practical rationalization'.
26. I hasten to add that this observation does not entail a characterization of either Giddens or Weeks as 'structuralists'.
27. The quoted passage is cited from Pierre Clastres 1977, p. 165.
28. Concerning the distinction between 'class-divided' and 'class' societies Giddens writes: 'In none of the [pre-capitalist, 'class-divided'] societies was class, as founded on control of private property, unimportant; but in none of them was class domination in any direct sense the basis of state power. I define a class-divided society as "a society in which there are classes, but where class analysis does not serve as a basis for identifying the basic structural principle of organization of that society" (p.108). By contrast, capitalism, I argue, is in certain very definite respects specifically a class society' (1981:7).
29. 'Actually-existing' social formations may be theoretically investigated through an analysis of the most significant relations of the 'dominant' mode of production, in abstraction, as it were, from the totality of relations within the social formation (a procedure followed by Marx in his analysis of capitalist societies); or they may be analyzed with a view to illuminating the complex 'articulation' of different sets of production relations (sometimes referred to as the 'articulation of modes of production'). Analysis at both levels of abstraction is necessary to appreciate the concrete historical processes which led to the emergence of capitalism (both as social formation and as mode of production). It has been one of the merits of Althusserian structuralism to have 'reminded' Marxists of this. At the same time, however, the Althusserian habit of identifying Marx's 'economic structure' with 'mode of production' leads to significant theoretical confusion, and makes it extremely difficult to specify the forces-relations dialectic in a fashion which allows for the influence of factors exogenous to 'individuated' modes.
30. In this view, the 'economic structure' refers to the totality of social relations of production existing within a concrete social formation, relations that may correspond to more than one type of mode of production. The forces-relations dialectic is a dialectic of actually-existing societies, not of societies conceived exclusively in relation to their

'dominant' modes of production. Accordingly, the forces-relations dialectic, while it can be abstractly appreciated as a process endogenous to particular modes of production, can provide the key to real historical processes only if it is defined in terms of the totality of elements making up the economic structure.

31. I have defined these laws elsewhere as laws which take as their point of departure 'the global context...', recognizing that individual social formations may be characterized by a combination of property forms and social relations corresponding to different modes of production, and that these social formations develop unevenly as a result of both "local peculiarities" and "global" pressures, constraints and potentialities'(Smith 1984:9).
32. Specifically, property rights in the means of production. Other kinds of property rights pertaining to the exchange of commodities are left unspecified in the 'technological' conception of social production relations.
33. Cohen provides an important terminological clarification in this respect: 'The Marxian phrase normally translated "productive forces" is Produktivkrafte. This English translation is so entrenched that we shall employ it, but it is well to note that it is not a literal one. "Productive powers" would be more exact. But Marx himself used "forces productives" when writing in French, so the non-literal translation has an authoritative origin' (1978:37). Cohen makes a good argument for the notion that productive forces ought to be defined in terms of 'what is used in production' (ibid:41). Of labor -power he says: 'the development of the productive forces is very largely the growth in knowledge of how to control and transform nature, and that is a development of labour power. Marx writes that "the hand-mill gives you society with the feudal lord, the steam mill society with the industrial capitalist', but these economic structures may be inferred from the presence of those means of production only because the latter give evidence of particular and different levels of technical knowledge'(ibid: 41).
34. Once again it should be noted that the dominant metaphor of the 1859 'Preface' (the 'base-superstructure' metaphor) lends itself to easy dualistic interpretation.
35. It should nevertheless be noted that Cohen does recognize the validity and importance of the use value/ exchange value distinction from which the greater part of what Sohn-Rethel has to say about exchange as an original source of abstraction is derived.

36. 'Commodity exchange, when attaining the level of a monetary economy, gives rise to the historical formation of abstract cognitive concepts able to implement an understanding of primary nature from sources other than manual labour. It seems paradoxical, but is nevertheless true, that one has first to recognize the non-empirical character of these concepts before one can understand the way in which their indirect natural origin through history achieves their validation. One might speak of science as a self-encounter of nature blindly occurring in man's mind' (Sohn-Rethel 1978: 75).
37. Sohn-Rethel's insight represents an important new element relevant to Marx's argument in The German Ideology: 'Division of labour only becomes truly such from the moment when a division of material and mental labour appears. From this moment onwards consciousness can really flatter itself that it is something other than consciousness of existing practice, that it is really conceiving something without conceiving something real; from now on consciousness is in a position to emancipate itself from the world and to proceed to the formation of 'pure' theory, theology, philosophy, ethics, etc.' (Marx 1947:20).
38. One interesting aspect of Marx's theory of capitalist development concerns the socially-imposed limitations of productivity-increasing technology under capitalism. Thus, while the logic of the capital-labor relation and of inter-capitalist competition leads to the displacement of living labor by productivity-increasing 'dead labor' (machinery), this very displacement results in a crisis of the value-producing process, which, contrary to Giddens, is often incompatible with that qualitative development of the material forces of production associated with increasing labor productivity. One could say that it is the increasing contradiction between the material-production process and the social-valorization process which repeatedly restrains the 'generalization' of a technical-scientific consciousness, encouraging the continual revival of anti-scientific, obscurantist and irrational forms of consciousness reflecting a fundamentally 'ambivalent' posture by capital toward the progress of the sciences. In particular, for capital the 'proper domain' of science is the 'economy' -- the realm of production, while 'society' is the sphere in which 'science' poses a potentially fatal threat to existing social relations.
39. In this context 'economic role' refers to the lending of 'social form' to production, rather than to the content of that production.
40. This is my expression, not Sohn-Rethel's.

41. The 'laws of exchange' referred to here are 'fundamental' ones. While these are 'invariant' in a certain sense, it is important to recognize that these laws assume different social forms at different stages of the development of commodity production. Thus, for example, the 'law of the equalization of the rates of profit' effects a transformation of commodity values to prices of production which is unknown in precapitalist commodity exchange; but this transformation is not a 'law of exchange' as we understand this concept here. Indeed, it will be argued later that the tendency towards a uniform rate of profit is not at all a 'key' element of the way in which Marx specifies the operations of the law of value even under capitalism.

NOTES FOR PART III

1. This way of presenting the problem is borrowed from I.I. Rubin 1973, p. 224.
2. Perhaps the most enduringly contentious aspect of Hilferding's response to Boehm-Bawerk concerns the 'skilled labor reduction problem' -- a 'technical' aspect of Marx's value theory which has not loomed large in the contemporary value controversy. For a treatment of this issue sympathetic to Hilferding's basic approach, see Bob Rowthorn, 'Skilled Labour in the Marxist System' in Rowthorn 1980, pp. 231-249. For a different approach, see Shane Mage 1963, pp. 42-45.
3. Bukharin argues that 'The economic subject, in its actions, adapts itself to the given condition of the social phenomena; the latter impose barriers upon his individual motives, or, to use Sombart's words, "limit them." This holds true not only of the "economic structure of society", i.e. of the production conditions, but also of the social-economic phenomena arising on the basis of a given structure' (1972:42).
4. It should be noted that von Bortkiewicz's contribution was inspired and informed by the earlier critique elaborated by the 'Marxist' economist Tugan-Baranowsky. However the importance of Tugan's article is largely confined to its impact on von Bortkiewicz's thinking. Von Bortkiewicz's two articles are 'On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of Capital', originally published in 1907 and reprinted in Sweezy, ed. (1975), and 'Value and Price in the Marxian System', reprinted in A. Peacock, ed. (1952).
5. The formula Marx provides for simple reproduction is $IIc = Iv + Is$ (assuming two departments of production), where the value of the constant capital used up in Department II is equal to (and replaced by) the expenditure of the net product of Department I.
6. What we know today as the 'Cambridge School' only took definitive shape in the 1950's under the leadership of Robinson, Sraffa, and Kaldor, among others. But it had its beginnings in Sraffa's famous critique of Marxshall in the 1920's and in the rather strained relationship of Keynes toward the standard-bearers of marginalist orthodoxy.
7. Sergio Latouche, "Quelques Reperes pour Analyser la Signification Historique de la Theorie du Professeur Piero Sraffa", Cahiers d'Economie Politique, No. 3, Amiens, 1976; quoted in Hector Guillen Romero, 'Marx, Sraffa and the Neo-Classicals in Context', in Ricardo, Marx and Sraffa: The Langston Memorial Volume, eds. Mandel and Freeman (1984:7).

8. The later works of Dobb and Meek make this continuity quite clear. See Maurice Dobb (1973) and Ronald Meek (1977).
9. An expanded version of this argument can be found in Section 8.3 below.
10. Susan Himmelweit, to cite one example, entered the controversy as a neo-Ricardian, but has subsequently become a leading representative of the neo-orthodox school. Ben Fine and John Weeks, on the other hand, perhaps because of their abiding interest in crisis theory, share with the fundamentalist school an interest in Marx's law of the falling rate of profit (although they have a very different understanding of that law than most fundamentalists).
11. Ben Fine, for example, argues that 'Each commodity-producing society has a set of relations of production which determine both the conditions under which value is formed (what sort of value is produced) and the conditions which lead to a divergence of market price from value' (1986:149).
12. Hence Shaikh's harsh judgement of Himmelweit and Mohun: 'Naturally, if value is price, surplus-value is profit, and there can be no question of any discrepancy between the two realms' (1981:299).
13. See Robert Langston, 'A New Approach to the Relation between Prices and Values' in Mandel and Freeman, eds. 1984; see also Emmanuel Farjoun and Moshe Machover (1983) and Farjoun and Machover (1985).
14. A number of books and articles concerned with philosophical and methodological issues have informed the following discussion. Among the more important are: Russell Keat and John Urry, Social Theory as Science (2nd edition, 1982); Roy Bhaskar, The Possibility of Naturalism (1979); T. Johnson, C. Dandeker and C. Ashworth, The Structure of Social Theory: Dilemmas and Strategies (1984); Ted Benton, 'Realism and Social Science' (1985); A. Levine, E. Sober and E.O. Wright, 'Marxism and Methodological Individualism' (1987); Norman Fischer, 'The Ontology of Abstract Labor' (1982); E.V. Ilyenskov, The Dialectics of the Abstract and the Concrete in Marx's Capital (1982); James Gleick, Chaos: Making a New Science (1987). The writings of Marx and Engels, however, remain the primary source of inspiration.

15. It might be objected that 'social laws' -- as historically-specific manifestations of 'natural laws' having an 'objective' status -- cannot themselves have an entirely 'objective' character, since an important element of the social structural intermediation of natural laws and concrete particulars concerns the role of human subjectivity in shaping particular 'social relations' or 'social forms'. While this objection rightly directs our attention to the possibility of a world in which 'social laws' will be dominated by the conscious designs and calculations of human beings, it attenuates the key insight of Marx's doctrine of commodity and capital fetishism -- namely that human beings relate to one another in commodity-producing economies primarily through the mediation provided by objects of market exchange, rather than through such 'direct' mechanisms as conscious 'planning'. As was pointed out in Chapter 7, human beings may 'voluntarily' and 'consciously' enter into relations with one another based on the exchange of commodities; but, having done so, they substantially relinquish the 'control' that they previously enjoyed in relation to the products of their labor, as well as their ability to shape their 'social destiny' unfettered by the 'objective parameters of action' imposed by the law of value. A conscious decision may be involved in the action of entering a labyrinth; but once one has lost oneself in it, the 'subjectivity' of the individual is henceforth constrained and shaped by the conditions of action imposed by the maze. Only by finding one's way out of the labyrinth can one hope to achieve a truly free, non-alienated and potent subjectivity.
16. It should be noted that even the notion of 'necessity' is a tendential one in Marx's thought. There is of course no more a 'natural necessity' for a human division of labor than there is for the species called homo sapiens, which, as a consequence of its biological, cultural and social evolution, discovers the 'need' to allocate given fractions of the human labor available to different productive tasks. Ultimately the notion of 'the human necessity to articulate a division of labor' is based on a conception of 'human nature' which recognizes the internal dialectical relation between the (biologically specifiable) 'natural' capabilities and propensities of human beings and the variant social forms through which these are manifested. Furthermore, when I say that the 'human necessity to articulate a division of labor' is 'subject to counteracting developmental tendencies', I mean to suggest that the tendencies in question militate in favor of a change in the historically-specific social form of this necessity. Incidentally, changes in social form are always accompanied by changes in the definition of 'human needs'.

17. Again, Marx's discussion of the 'real subsumption of labor under capital' provides some of his most cogent observations concerning how capitalist social relations find material expression with the development of the 'specifically' capitalist mode of production. Capital seeks to make itself as 'independent' as possible of the living labor-power it sets in motion to produce surplus-value, and, in this connection, it resorts to technologically sophisticated machinery which 'embody' the skills formerly employed by skilled workers. The laborer is thereby 'deskilled' and reduced to a mere 'detail function' of the total production process, even though his (now unskilled) labor is still the sole basis for the production of surplus value. The instruments of production, then, increasingly become material expressions of capitalist social relations -- in particular capital's drive to 'really' subsume labor under itself. See 'Results of the Immediate Process of Production', appended to Marx (1977).

18. An illustration of the 'real contradiction' existing within capitalism is the fact that capitalism is simultaneously governed by the principle of the formal equality of commodity producing labor (and of a 'free citizenry' within the marketplace) and the 'principle' of the exploitation of labor by capital (whose province is not the sphere of circulation but the sphere of production -- the 'despotism of the factory regime'). Controversy abounds concerning the notion of 'dialectical contradiction' and its relation to Marx's thought. Giddens, a non-Marxist, provides a definition adequate to our present purposes: 'Opposition of structural principles, such that each depends upon the other and yet negates the other; perverse consequences associated with such circumstances' (Anthony Giddens, The Constitution of Society: Outline of the Theory of Structuration Berkeley and Los Angeles: University of California Press 1984:373). Also Therborn (1980:393) who defines dialectical contradiction in terms of a 'unity of opposites': 'To speak of contradictions in society is to acknowledge a basic unity between the parties to fundamental conflicts and between the parts of fundamental structural incongruities. Contradiction in this sense constitutes the relationship between social classes (in the Marxist theory) and (at a certain stage) between the relations and forces of production'.

19. Says Marx: 'There is no royal road to science, and only those who do not dread the fatiguing climb of its steep paths have a chance of gaining its luminous summits' (1977:104). It is interesting to note that for a long period of time the most common strategy of Marx's critics within the social sciences and the philosophy of science was to dismiss his method as 'non-scientific' on the grounds that it did not conform to the methodological individualism which was perceived to be the bedrock of the natural sciences. All attempts to defend Marx's scientific enterprise on the basis of a naturalistic conception of this enterprise (i.e, one which accepts the epistemological unity of natural scientific and social scientific knowledge) were perceived to be 'naive' both by Marx's 'positivist' critics and by his 'social-constructionist' or 'conventionalist' would-be defenders. Recent developments within the natural sciences, however, illustrate just how prescient Marx's observation quoted above was with respect to the natural as well as the social sciences. The new 'chaos' paradigm which has crystallized over the past fifteen or so years is now poised to completely overturn the Popperian equation of 'science' with methodological reductionism. In the words of James Gleick, the new science's most accessible chronicler: 'To some physicists chaos is a science of process rather than state, of becoming rather than being.... Chaos breaks across the lines that separate scientific disciplines. Because it is a science of the global nature of systems, it has brought together thinkers from fields that have been widely separated...Chaos poses problems that defy accepted ways of working in science. It makes strong claims about the universal behavior of complexity. The first chaos theorists, the scientists who set the discipline in motion, shared certain sensibilities. They had an eye for pattern, especially pattern that appeared on different scales at the same time. They had a taste for randomness and complexity, for jagged edges and sudden leaps. Believers in chaos -- and they sometimes call themselves believers, or converts, or evangelists -- speculate about determinism and free will, about evolution, about the nature of conscious intelligence. They feel that they are turning back a trend in science toward reductionism, the analysis of systems in terms of their constituent parts: quarks, chromosomes, or neurons. They believe they are looking for the whole' (1987:5). The new science of 'chaos' or 'non-linear dynamics of complex systems' is a striking illustration of how, at the methodological level, Marx's scientific investigation of social phenomena actually anticipated a development in the natural sciences which took fully a century to emerge.

NOTES FOR PART IV

1. See Bertell Ollman, Alienation (1976), and Henri Lefebvre, The Sociology of Marx (1969).
2. Both the rate of profit and the organic composition of capital are value expressions in Marx's argument. As we shall soon see, the determinate relationship between the organic composition of capital and the rate of profit is dependent on a particular definition of the organic composition of capital as the ratio of dead to living labor in value terms. Once the organic composition is defined in this way then it can be shown that even if the workers 'live on air', a rise in $C/s+v$ must entail a fall in s/C . Indeed, once the rate of surplus-value (s/v) rises to infinity (meaning $v=0$), any increase in $C/s+v$ is equivalent mathematically to a fall in s/C .
3. The key word here is 'corresponding'. A rise in the organic composition of capital is generally associated with attempts to increase the productivity of labor. Therefore, even though less labor is being employed in production, more output is possible in both material and value terms. Marx is of the view however that the increase in magnitude of the surplus-value produced will not be proportional to the increased value represented by the stock of constant capital. Ultimately, Marx's argument is predicated on the premise that a rising technical composition of capital will not bring in its wake a comparable increase in labor productivity, such that a rising technical composition will be accompanied by a constant or falling organic composition of capital. For a 'logical' argument supporting Marx's presupposition, see Smith 1984, pp. 144-147, and Mage 1963, pp. 158-159. For empirical studies supporting Marx's point of view, see pp. 436-449 below.
4. See Thomas Weisskopf, 'Marxian Crisis Theory and the Rate of Profit in the Post-War U.S. Economy', Cambridge Journal of Economics, Vol. 3, 1979. See also Samuel Bowles, David Gordon and Thomas Weisskopf, Beyond the Wasteland (1984).
5. For a good survey of the literature and for a stimulating argument concerning 'capital-dominated' simple commodity production in underdeveloped contexts, see Jacques Chevalier, 'There is Nothing Simple About Simple Commodity Production', Studies in Political Economy, No. 7, Winter 1982.

6. The most obvious of these have already been discussed in relation to Habermas's critique of historical materialism. There I noted that Habermas's appetite to 'limit' technocratic forms of consciousness to production betrayed a capital-fetishistic belief in the 'neutrality' of technological and scientific progress, at least as this relates to material production. Such faith in the 'independent power' of capital is a primary target of Marx's criticism in his analysis of the 'real subsumption of labor under capital'. It bears stressing once again that Marx regards the social form and material content of production as internally and dialectically related. The specific technological characteristics of a given industrial production process is in some measure defined by the way in which the labor process is being organized; and this organization in turn is dictated by the capitalist imperative to maintain control over the labor process, while depriving the immediate producers of knowledge of the way in which production, taken as a whole, is carried out. The segmentation of tasks may have a compelling technical rationale in terms of productive efficiency; but the exclusion of the workforce from 'conception', the organization of production in such a way as to reduce workers to 'detail functions' and mere appendages of machines -- these aspects pertain merely to the capitalist form of production. It should be pointed out that the material or technical organization of production need not always evince such overtly 'alienating' characteristics, even under capitalism. Experiments in 'industrial democracy' and the episodically-fashionable ideas associated with 'socio-technical systems', 'quality of working life', 'job enrichment' and 'co-participation' attest to a certain flexibility on the part of the capitalist class with respect to the 'material form' assumed by capitalist relations of domination within the sphere of production. The 'limits' to such 'experiments' under capitalism have little to do with 'technical expediency'. They have much more to do with the vicissitudes of the class struggle. For it is one thing to devise schemes for allaying the discontent of workers (and possibly increasing productivity in the process); but it is quite another to create a climate in which workers might begin to question the objective bases of their alienation and to disentangle the issue of the 'sources of authority' from the problem of the 'functional articulation of authority' (Mandel 1971:203). For, as Mandel points out: 'It is not the technical inevitability of this functional articulation [of authority] that makes it impossible to "democratize the enterprises". It is not the complexity and the increasing differentiation of tasks that hinder this democratization. The insurmountable obstacle under capitalism is the ultimate right of making the final decisions which the big shareholders and their allies and representatives, the managers, want to keep for themselves' (1971:204).

7. By proclaiming socialism to be already in existence in their countries, such 'post-capitalist' states as the Soviet Union, China, Yugoslavia, etc. also contribute to a blurring of the 'original' conception of socialism enunciated by Marx and Engels, most notably in Marx's Critique of the Gotha Programme. This conception entails the complete disappearance of production for exchange and the generalization of production geared towards use. It also holds out the promise of a qualitative expansion of 'democracy' and its extension to every sphere of social life -- a genuine 'democracy' of the associated producers. Neither the elimination of commodity production nor the extension of democracy have been realized in the nominally socialist countries -- a fact which serves to reinforce the ideological prejudices rooted in commodity and capital fetishism that a 'division of rulers and ruled' is inevitable and that market exchange remains an indispensable mechanism of labor and resource allocation in all complex, industrialized societies.

NOTES FOR PART V

1. The link between the bureaucratization of the workers movement and the interpretation of Marxism as a rigidly deterministic theory is to be found primarily at the level of program. Both social-democratic reformism and Stalinism were, at bottom, conservative reactions to the revolutionary political implications of authentic Marxism. Both sought to justify their cautious and often counter-revolutionary policies by suggesting that the 'objective conditions' were not yet ripe for revolutionary anti-capitalist action. Marxist theory, it was said, taught that revolutions were the product of 'objective contradictions' not 'voluntaristic action', and that it was the responsibility of Marxist leadership to 'guide' the class struggle in such a way that none of the 'necessary' stages of the revolutionary process were bypassed. In practice, this 'guidance' often amounted to little more than open sabotage of the anti-capitalist struggle. Accepting the Social-Democratic/Stalinist dichotomization of objective conditions and revolutionary voluntarism, other Marxists simply opted for a concept of Marxism as the 'theory of the proletarian revolution', dismissing any Marxist claim to 'scientificity' and agreeing with the young Gramsci that the October Revolution was a 'revolution against Capital'. Representative of this school was Karl Korsch, the young Lukacs, and many former anarcho-syndicalists who found themselves in the so-called 'ultra-left' of the early Communist International. Trotsky, priding himself as the heir to authentic revolutionary Marxism, rejected both poles of this dualistic problematic, remarking at one point that consciousness and class practices were elements of the 'objective situation', and that any attempt to assess the revolutionary potential of a particular situation must take account of these 'subjective factors' as well as such factors as the 'maturity' of the economic conditions for social transformation.
2. It might be objected that there is a prima facie link between the deficiencies of a theorist and the deficiencies of the theory that the theorist is working with. The point, however, is that the theory that the theorist is claiming to base his work upon is not always the theory that he is actually using. Marx's theoretical legacy is an exceedingly rich one, but it is also notoriously susceptible to misinterpretation, vulgarization, distortion and one-sided development. The fact that different Marxist theorists can come to very different conclusions about a host of issues attests to the fact that different Marxists bring different agendas to their 'Marxist' analyses, as well as different capabilities, prejudices, loyalties and interests.

It is undoubtedly the case that there are many subjects that received insufficient attention in the 'classical' expositions of historical materialist analysis, among them some of the issues that we have just identified: sexual oppression, the national question, and humanity's relation to its natural environment. But the question is: does historical materialism possess the theoretical and analytical resources to contribute to a clarification of these questions, or does historical materialism, 'constitutionally' as it were, evince an inability to come to grips with them? Do these questions constitute the 'Achilles heel' of historical materialism, or are they questions that have been 'overlooked' for many of the same reasons that much of Marx's thought has been overlooked by his nominal 'followers'? The answers to these questions, I believe, are plain for all those prepared to examine the historical record. Consider first the Marxist position on the emancipation of women. Contemporary feminists are quick to blame the disappointing record of 'actually existing socialism' in the area of gender relations on the 'male chauvinism' of the Marxist heritage and the 'sex-blindness' of Marxist theory. But the fact of the matter is that the classical tradition of orthodox Marxism was strongly committed to the social emancipation of women. This found expression in the organization of 'women's sections' of the classical social democratic parties, in the elaboration of a system of demands pertaining to the situation of women (particularly working class women), and in the fierce battle waged by Marxists against the feminist ideologies and movements of the time. Far from being 'sex-blind', the early Bolshevik government abolished 'illegitimacy' in law, declared marriage to be a contract between free and equal individuals which could be dissolved at the request of either partner, legalized abortions, established hundreds of institutions for the care of mothers and children, assured equal pay for equal work, brought literacy and an end to 'bridal price' for the women of the Soviet East, and opened up unheard of opportunities for women in industry, the professions, the party and government. In all this, the first Marxist government on Earth went far beyond the goals of turn-of-the-century and most modern feminists. The subsequent erosion of these gains for women under Stalin's regime was one consequence of a bureaucratic counter-revolution which also suppressed workers' democracy and eliminated many of the other conquests of the revolution. It was by no means the result of classical Marxism's 'disinterest' in the woman question or its failure to accommodate what was and remains an antagonistic ideology, feminism.

Many of the same sorts of arguments could be made concerning the Marxist analysis of the national question. The failure of most 'Marxist' theorists who grew up in the Stalin school to adequately address the complex of issues surrounding socialism and the national question would seem to have much more to do with the Stalinist resurrection of 'Great Russian

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chauvinism' -- another consequence of the bureaucratization of the Soviet workers state -- than with any 'incapacity' on the part of Marxist theory to provide a fruitful framework of analysis of the national question.

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