Comment on REUTEN by MOSELEY

1. Internal and external measures of value

Geert argues that the internal measure of value is labor-time, and the external measure of value is money. But Geert seems to suggest that there is no connection between these two measures of value in Marx’s theory. According to Geert, Marx first introduces the internal measure of value in Sections 1 and 2 of Chapter 1, and then switches to the external (“extroversive”) measure of value in Section 3, and the internal measure no longer plays a role.

However, according to Marx’s theory, there is a strict logical connection between the internal and the external measures of value. The external measure (money) is derived as the necessary form of appearance of the internal measure (labor-time). In other words, the external measure is the external measure of labor-time. An external measure of labor-time is necessary because abstract labor is not directly observable as such.

In particular, the quantitative magnitudes of the prices of commodities (the external measure) are determined by the magnitudes of labor-time contained in commodities (the internal measure). This theory of prices is first derived in Section 3 of Chapter 1, and then further developed in Chapter 3.

I agree that money is the only observable measure of value. Abstract labor is not directly as such. But Marx’s theory assumes that abstract labor exists, as definite quantities, although not directly observable as such. In this way, the quantities of abstract labor are objectively expressed in terms of quantities of money-prices; or the quantities of money-prices are determined by the quantities of abstract labor.

Marx expressed this point in the following passage from Chapter 3 of Volume 1:

Although invisible, the value of the iron, linen, and corn exists in these very articles; it is signified through their equality with gold. (C.I. 189-90; emphasis added)

These points will be discussed in further detail below.
2. “Fundamental break” in Marx’s theory?

2.1 Section 3 of Chapter 1

Geert has argued in previous papers that there is a “fundamental break” between Sections 1 and 2 of Chapter 1 of Volume 1 and the rest of Capital, beginning in Section 3. According to Geert, in Sections 1 and 2, Marx’s theory of value is an “embodied” labor theory, similar to Ricardo’s theory. However, beginning in Section 3 of Chapter 1, Marx switches over to a “value-form” theory, in which quantities of embodied labor no longer play a role, and the focus switches entirely to money and prices. This current paper says very little about Section 3 of Chapter 1; the focus instead is on Chapter 3. So it is not clear (to me at least) whether Geert still thinks that a fundamental break occurs in Section 3. But, just to be sure, and to lay the groundwork for a consideration of Chapter 3, let me briefly review my argument that there is no fundamental break in Section 3 of Chapter 1.

In Section 3, money is derived from abstract labor. Money is the necessary form of appearance of abstract labor. And, in particular, the quantities of the equivalent commodity that are equal to given commodities (eventually the prices of commodities) are derived from (i.e. are determined by) the relative quantities of abstract labor contained in the given commodities and the equivalent commodity, as expressed by the equation \( P_c = \frac{L_c}{L_e} \). I presented clear, unambiguous textual evidence to support this interpretation in my comment on Duncan’s paper. Thus, there is no “fundamental break” between Sections 1 and 2 and Section 3. Rather, there is a rigorous logical continuity between these sections.

Marx emphasized this logical continuity between Sections 1 and 2 and Section 3 in several places in Chapter 1, including the following:

After deriving abstract labor in Section 1 as the substance of value that determines their exchange-values, Marx previews his later derivation of money as the necessary form of appearance of the this substance of value of abstract labor in Section 3, as follows:

\[ \textit{The progress of our investigation will bring us back to exchange-value as the necessary mode of expression, or form of appearance, of value.} \textit{ For the present, however, we must first consider the nature of value independently of its form of appearance.} \ (C.I.: 128; emphasis added) \]

Toward the end of Section 1, there is a similar summary of the argument thus far and another preview of Section 3 on the form of appearance of the substance of value (abstract labor).

\[ \textit{Now we know the substance of value. It is labour. We know the measure of its magnitude. It is labour-time. The form, which stamps value as exchange-value, remains to be analyzed. But before this we need to develop the characteristics we have already found somewhat more fully.} \ (C.I.: 131; emphasis in the original) \]
In the beginning of Section 3, Marx stated:

… we started from exchange-value, or the exchange relation of commodities, in order to track down the value that lay hidden within it. We must now return to this form of appearance of value. (C.I: 139)

Later in Section 3, Marx summarized his analysis of the simple form of value in the following passage, which clearly states that the exchange-values of commodities “arise from” (i.e. are determined by) the values of commodities, not vice versa (the “delusion” of the Mercantilists and the “modern bagmen of free trade”).

Our analysis has shown that the form of value, that is, the expression of the value of a commodity, arises from the nature of commodity-value, as opposed to value and its magnitude arising from their mode of expression as exchange-value. This latter view is the delusion both of the Mercantilists … and their antipodes, the modern bagmen of free trade, such as Bastiat and his associates. (C.I: 152-3; emphasis added)

Similarly, in the First Edition of Capital, Marx concluded his derivation of the necessity of money in Section 3 by emphasizing the same point (“decisively important”), in more Hegelian language:

What was decisively important was to discover the inner, necessary connection between value-form, value-substance, and value-amount, i.e. expressed conceptually to prove that the value-form arises out of the value-concept. (bold emphasis in the original).

These passages are not “approximations” or “simplifications” for philosophically unsophisticated readers, but rather are important methodological comments about the basic logic of Marx’s theory; and, in particular, about the strict logical connection between the substance (abstract labor) and magnitude (labor-time) of value and necessary form of appearance of value as money. There is no “fundamental break” between Marx’s derivation of abstract labor and socially necessary labor-time in Sections 1 and 2 and the derivation of money in Section 3. Rather, there is a rigorous logical connection between the two.

I think that Marx’s derivation of the necessity of money from his basic theory of value in Section 3 of Chapter 1 is a unique and very important achievement in the history of economic theory. No other economic theory has been able to accomplish this, before or since; not neoclassical theory, nor Sraffian theory, nor any other theory.
2.2 Chapter 3

Similarly, there is no “fundamental break” in Marx’s logic in Chapter 3, which is Geert’s main focus in this paper. Marx does not reject in Chapter 3 his derivation of the necessity of money from abstract labor in Section 3 of Chapter 1, nor his determination of the prices of commodities by the quantities of abstract labor-time contained in commodities. Instead, these conclusions of Chapter 1 are presumed in Chapter 3, and then developed further.

Section 1 of Chapter 3 is about money’s function as the “measure of value”. On the first page of Chapter 3, Marx summarizes his derivation of money as the necessary form of appearance of abstract labor in Section 3 of Chapter 1, in the following important passage:

It is not money that renders the commodities commensurable. Quite the contrary. Because all commodities, as values, are objectified human labor, and therefore in themselves commensurable, their values can be communally measured in one and the same specific commodity, and this commodity can be converted into the common measure of their values, that is into money. Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labor-time. (C.I: 188; emphasis added)

Geert acknowledges that this passage appears to contradict his interpretation, but he argues that it is “synthetically overruled in Chapter 3. I don’t see how. Geert emphasizes that the “extroversive” measure of value is something new in Chapter 3, which “overrules” the “introversive” measure of Chapter 1. However, money as the external measure of value is nothing new in Chapter 3. Money as the external measure of value has already been derived in Section 3 of Chapter 1, as the passage just quoted indicates.

One of the main points of Section 1 is that the prices of commodities depend in part on the value of the money commodity, i.e. \( P_c = \frac{L_c}{L_e} \), as derived in Section 3 of Chapter 1 (where \( L_e \) is the value of the money commodity). Thus prices will be different if different commodities function as the money commodity, or prices will change if the value of the money commodity changes. In the course of this discussion, Marx refers explicitly back to his earlier discussion of the quantitative determination of the exchange-values of commodities in Section 3 of Chapter 1 (which I discussed in my comment on Duncan’s paper), and he states that fluctuations in the prices of commodities are “subject to the same laws” as analyzed earlier in Chapter 1.

Just as in the case of the estimation of the value of a commodity in the use-value of any other commodity, so also in this case, where commodities are valued in gold, we assume nothing more than that the production of gold costs, at a given period, a given amount of labour. As regards the fluctuations of commodity prices in general, they are subject to the laws of the simple relative expression of value which we developed in an earlier chapter. (C.I: 193; emphasis added)
It seems quite clear that there is no “fundamental break” in Marx’s theory of prices between Chapter 1 and Chapter 3, but rather a strict logical continuity.

Similarly, in Section 2 of Chapter 3 (on money as “means of circulation”), there are further clear indications that prices continue to be determined as before, i.e. by the relative quantities of the labor-time required to produce commodities and gold. Most importantly, Marx’s critique of the quantity theory of money (pp. 210-20) presumes that the prices of commodities are determined before commodities enter circulation, and that these prices are determined by the quantities of labor-time contained in commodities and gold. It follows from this theory that a change in the value of gold will change the prices of commodities, and hence will change the quantity of money required for circulation. As Marx put it:

> We know however that, the values of commodities remaining constant, their prices vary with the value of gold (the material of money), rising in proportion as it falls, and falling in proportion as it rises. Given that the sum of the prices of commodities falls or rises in this way, it follows that the quantity of money in circulation must fall or rise to the same extent. (C.I. 213)

Thus, there is no new and different theory of prices presented in Chapter 3, no “fundamental break”. Rather, there is a further development of some of the logical implications of the theory of prices presented in Section 3 of Chapter 1.
3. Abstract labor cannot be added up

Geert asserts that abstract labor cannot be added up. But he does not explain why abstract labor cannot be added up. Presumably, because labor cannot be made homogeneous, due to unequal skills and unequal intensities? Or something else?

Marx, on the contrary, assumed that labor could be made homogeneous by the conversion of all the different kinds of labor into simple labor of average intensity. More precisely, Marx assumed that an hour of skilled labor is equivalent (i.e. produces an equivalent amount of value) as some multiple of simple, average labor.

More complicated labor counts as intensified, or rather multiplied, simple labour, so that a smaller quantity of complex labour is considered equal to a larger quantity of simple labor. (C.I. 135; emphasis in the original)

[More complicated labour] resolves itself into simply labour; it is simply raised to a higher power, so that for example one day of skilled labour may equal three days of simple labour. (Critique. 31; emphasis added)

Marx did not explain what determines these multiples that convert different kinds of labor into equivalent quantities of simple, average labor, but just took them as given, as did Smith and Ricardo before him. “The laws governing this reduction do not concern us here.” (Critique. 31)

The absence of an explanation of these conversion multiples is no doubt a shortcoming of Marx’s theory. But it does not necessarily mean that the theory is wrong. I argue that this is not a serious shortcoming, because it does not affect the main conclusions of Marx’s theory (surplus-value is the result of surplus labor, conflict over the length of the working day and over the intensity of labor, inherent technological change, etc.) (We will see below that Marx made a similar argument in Chapter 7 of Volume 1.) But how serious a shortcoming is the subject of another discussion. And this discussion should be a comparative appraisal of the shortcomings of Marx’s theory compared to the shortcomings of other theories (no theory is without its shortcomings). Even though Marx’s theory is incomplete, because it does not explain the determination of the conversion multiples, at least it provides a theory of prices (and hence a theory of surplus-value). Geert’s alternative “value-form” theory (as I understand it; please correct me if I am wrong), does not provide a theory of prices at all.

My point here is that Marx made this assumption, and that this assumption should be recognized and dealt with, not ignored.
4. Abstract labor and concrete labor

Geert also argues that, after Chapter 3, Marx’s discussions of “labor” generally refer to *concrete* labor, rather than *abstract* labor. In particular, according to Geert, surplus-value is explained by Marx in terms of *concrete* labor, rather than abstract labor.

However, according to Marx, *abstract* labor has to do with the production of *value*, and *concrete* has to do with the production of *use-values*. Marx emphasized this crucial distinction at the beginning of Section 2 of Chapter 1. Marx said:

I was the first to point out and examine critically this twofold nature of the labour contained in commodities. As *this point is crucial to an understanding of political economy*, it requires further elaboration. (C.I. 132; emphasis added)

Geert (and others), do you really think that, after Chapter 3, this distinction between abstract and concrete labor ceases to be important, and that (and surplus-value) is produced by *concrete* labor, rather than *abstract* labor?

Marx’s theory of surplus is presented in Chapter 7 of Volume 1. As is well known, this chapter is divided into two sections (the “labor process” and the “valorization process”). The “labor process” refers to the production of *use-values*, and the “valorization process” refers to the production of value and surplus-value.

In the second section on the “valorization process”, Marx emphasized again the distinction between abstract labor and concrete labor, and, in particular, that concrete labor produces use-values (as in Section 1) and abstract labor produces value and surplus-value (as in Section 2). Marx said:

The next point to be considered is what part of the value of the yarn is added to the cotton by the labour of the spinner.

We have now to consider this labour from a standpoint quite different from that adopted for the labour process. There we viewed it solely as the activity which has the purpose of changing cotton into yarn … In that case the labour of the spinner was specifically different from other kinds of productive labour, and this difference revealed itself both subjectively in the particular purpose of spinning, and objectively in the special character of its operations, the special nature of its means of production, and the special use-value of its product… Here, on the contrary, where we consider the labour of the spinner only is so far as it creates *value*, i.e. is a source of value, that *labour differs in no respect* from the labour of the man who bores cannon, or (what concerns us more closely here) from the labour of the cotton-planter and the spindle-maker which is realized in the means of production of the yarn. It is solely by reason of this *identity* that cotton planting, spindle-making and spinning are capable of forming the component parts of the whole, namely the value of the yarn, *differing only quantitatively* from each other. Here we are no longer concerned with the quality, the character and
the content of the labour, but merely with its quantity. And this simply requires to be calculated. We assume that spinning is simple labour, the average labour of a given society. *Later it will be seen that the contrary assumption would make no difference.* (C.I. 295-96)

The later discussion of the assumption of simple labour to which Marx refers in the last sentence of this passage is on pp. 304-06, at the end of Chapter 7. Here Marx argues that the simplifying assumption of simple labour does not affect the conclusion that surplus-value is the result of surplus labour. Even though the skilled labour is paid a higher wage than unskilled labour, skilled labour also produces more value per hour than unskilled labour (by some multiple). Therefore, in both cases, it takes only a portion of the working day for the skilled worker to produce an equivalent to his/her wage, and the remainder of the working day is surplus labor, in which surplus-value is produced. Marx concludes:

> In both cases, the surplus-value results only from a quantitative excess of labour, a lengthening of one and the same labour process …

But, on the other hand, *in every process of creating value the reduction of the higher type of labour to average social labour, for instance one day of the former to \( x \) days of the latter, is unavoidable*. We therefore save ourselves a superfluous operation, and simplify the analysis, by the assumption that the labour of the worker employed is average simple labour. (emphasis added)

Therefore, I conclude that Geert’s interpretation that Marx’s explanation of surplus-value is in terms of concrete labor, rather than abstract labor, is clearly wrong.