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### Why labour is the starting point of capital

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# REVIEW ARTICLE

## Why Labour is the starting point of Capital

Geoffrey Kay\*

Eugen von Böhm-Bawerk (1851-1914) is one of those nineteenth century intellectuals remembered more today as antagonists of Marxism, than for the positive contributions they made to their own fields of study. It is true that Böhm-Bawerk's pioneering work on neo-classical economic theory, characterised contemptuously by Bukharin as the economic theory of a leisure class,<sup>1</sup> ensures him a place in the history of economic thought alongside the other founders of that doctrine. But as a critic of Marx from an economic point of view he stands alone. According to the editor of his collected works in the twenties, his recently republished book, *Karl Marx and the Close of his System*,<sup>2</sup> "was rightly regarded as the best criticism of the Marxian theories of value and surplus value". (p.IX) Paul Sweezy endorsed this view in his introduction to the English edition of 1949. "So far as the United States is concerned", wrote Sweezy, "all the serious criticisms of Marxian economics... recognise the authority if not the primacy of Böhm-Bawerk in this field; while the similarity of the anti-Marxist arguments in the average textbooks to those of Böhm-Bawerk is too striking not to be considered a coincidence" (pp. IX-X). The recent republication of Böhm-Bawerk's tract underlines this judgement: to this day it remains ahead in its field as the most coherent and systematic challenge to Marxism by any bourgeois economist.

From the time of its first publication in 1896, Böhm-Bawerk's critique has haunted Marxism, and response to it traces a theme in Marxist literature from the very first by Hilferding and Bukharin down to the present day. One reason for this is the close attention that Böhm-Bawerk pays to the text of *Capital* giving the reader the very definite impression that it is no simple ideological hatchet-job but a determined effort to wrestle with Marx on his own terrain. Another is that he touched a very sensitive area of Marxism when he raised the transformation problem as the Achillean heel of *Capital*. But most importantly, Böhm-Bawerk has haunted Marxism because his is a systematic positivist critique. It challenges not only the content of *Capital*, but also its method; and in this respect it engages with powerful tendencies within the Marxist movement itself. For the success of positivism as anti-Marxism is not

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1. Nikolai Bukharin, *The Economic Theory of the Leisure Class*, Monthly Review Press, London and New York, 1972.

2. Eugen von Böhm-Bawerk, *Karl Marx and the Close of his system*, Merlin Press, London 1975. This work also includes the response by Rudolf Hilferding entitled "Böhm-Bawerk's Criticism of Marx." All bracketed page references both in the text and in subsequent notes are to this book except where they are prefixed with "C". These references are to Marx, *Capital*, Volume 1, Penguin Books, London 1976.

confined to the development of social sciences whose content opposes Marxism directly—in this case neo-classical economics: if anything, its greater victory has been to penetrate Marxism itself and wage war as a fifth columnist. Böhm-Bawerk's polemic has played a most vital part in this counter-offensive and its republication today is no less a challenge to Marxism than it was some eighty years ago.

It was the publication of **Capital 3** in 1894 that spurred Böhm-Bawerk to pull his various attacks on Marx together. The chapters in this third volume dealing with the formation of the average rate of profit, the famous transformation problem, were, for Böhm-Bawerk, the "Russian campaign" of Marxism. "I cannot help myself," he confesses, "I see here no explanation and reconciliation of a contradiction but the bare contradiction itself. Marx's third volume contradicts the first. The theory of the average rate of profit and of the prices of production cannot be reconciled with the theory of value" (p. 30). Why? Because "the 'great law of value' which is 'immanent in the exchange of commodities'...states and must state that commodities are exchanged according to the socially necessary labour time embodied within them" (p. 12). But although the third volume is the taking-off point of Böhm-Bawerk's critique and his title suggests that his main concern is with the "close" or "completion" of the Marxist "system", the most significant section of his book deals with its "opening". "A firmly rooted system" such as Marxism, he writes, "can only be effectually overthrown by discovering with absolute precision the point in which the error made its way into this system..." (p. 64). And this point is right at the start of **Capital 1**, where Marx "in the systematic proof of his fundamental doctrine exhibits a logic continuously and palpably wrong" (p. 80). Tracking down and then demonstrating this "error in the Marxist system" is the actual more fruitful and instructive part of the criticism" (p. 65). It has another dimension. The critique of bourgeois economy runs seam-like through the whole of **Capital** but in the first few pages of **Capital 1** against which Böhm-Bawerk directs the main thrust of his attack, it forms the bedrock of the text. For in establishing his own theoretical ground, Marx simultaneously challenged the foundations of bourgeois economics. Whether Böhm-Bawerk was fully aware of the issues at stake, it is hard to say; even if he were not his instinct took him to the heart of the matter. "The theory of value", he recognised, "stands, as it were, in the centre of the entire doctrine of political economy". And once a "labour theory of value" is conceded, Marx' conclusions about surplus value, exploitation and the class struggle follow inexorably. "In the middle part of the Marxian system", Böhm-Bawerk concedes, "the logical development and connection present a really imposing closeness and intrinsic consistency" (p. 88). This is the first reason why it is so important for him to dismiss once and for all the "hypothesis" on which it is based—the proposition advanced right at the beginning of **Capital 1** that the value of commodities is determined by the amount of (abstract) labour socially necessary for their production. The second is that no other theory of value, and particularly the various forms of neo-classical value theory, can claim legitimacy until Marxism has been thoroughly discredited. Thus when Böhm-Bawerk locks horns with the opening pages of **Capital** it is not merely Marxism that is thrown into the melting-pot but the whole of bourgeois economy.

## “The error in the Marxist system”

According to Böhm-Bawerk, Marx's method of discovering the nature of value is “a purely logical proof” (p. 63). Starting with an “old-fashioned” idea derived from Aristotle that the exchange of commodities is a quantitative relationship pre-supposing some property they share in common, “Marx searches for the ‘common factor’ which is characteristic of exchange value in the following way: he passes in review the various properties possessed by objects made equal in exchange, and according to the method of exclusion, separates all those that cannot stand the test until at last only one property remains, that of being the product of labour. This therefore must be the sought-for common property” (p. 69). Although this method of “purely negative proof” does not commend itself to Böhm-Bawerk, he accepts it as “singular but not in itself objectionable”. (pp. 68-9). The problem is the way Marx made use of it. And on this point Böhm-Bawerk launches a three-pronged attack. First, he says, Marx rigged the result by leaving certain things out of his “logical sieve”. Second, letting this by, there are other common facts than labour that Marx has no right to ignore. And third, Marx' entire logic can be reversed and “value in use could be substituted for labour” (p. 77). These three lines of attack stake out in the clearest possible way the terrain of fundamental theory on which Marxism and neo-classical economics confront each other. The remainder of this section deals with each in turn.

1. Marx' commodity is not coterminous with goods that exchange in the market. The “gifts of nature”, land, natural resources, trees, minerals and so on, exchange in the same way as commodities but unlike them they do not embody labour. Thus Böhm-Bawerk concludes: “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” (p. 73). This is an ingenious gambit. It appears at one stroke to separate Marx's theory from the most obvious and easily verifiable features of reality, while at the same time opening the way for the alternative view that the real common factor of goods, natural as well as man-made, is their utility and scarcity. Furthermore it appears to expose Marx to another criticism that Böhm-Bawerk is quick to press home. Marx was fully aware that non-commodities exchange and their exclusion from the logical sieve can, therefore, be nothing more than a deliberate omission. “That Marx was truly and honestly convinced of the truth of his thesis I do not doubt”, patronises Böhm-Bawerk, “but the grounds of his conviction are not those which he gives in his system. They are in reality opinions rather than thought out conclusions” (p. 78). And later: “he knew the result he wished to obtain, and so he twisted and manipulated the long-suffering ideas with admirable skill and subtlety until they yielded the desired result in a respectable syllogistic form” (p. 79). In the language of modern bourgeois theory, Marx's failure to take account of exchangeable goods not produced by labour is evidence of the **ideological** nature of his theory, the unacceptable subordination of positive economics to value judgement.

Let us get to the heart of the matter—the significance of the undisputed fact

that non-commodities such as the free gifts of nature exchange as though they were commodities. Trees grown in a virgin forest, for example, can exchange, that is have a price,<sup>3</sup> in much the same way as commodities that embody labour. But this exchangeability does not arise out of their natural properties. It is true, as Marx emphasised continually, that only those items that satisfy some human need will enter into human intercourse; but the nature of this intercourse is not determined by the physical and natural characteristics of the items as such: these make the item a use-value not an exchange value. For virgin trees to be exchanged requires that they not only satisfy some human need—construction material or fuel or whatever—but that they are private property. The natural properties of trees that make them suitable for building or burning merely tells us that some men will make use of them: it does not tell us that these users will also be **buyers**. This requires further specifications: the users of trees must be prevented from appropriating them directly; or, what is to say the same thing, the trees must be the property of some individual whose claim over them is recognised and substantiated socially. 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 Böhm-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.<sup>4</sup> But what is even more to the point here is that not only is rent historically 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 neo-classical theory. The magnitude of rent does not determine the prices of commodities; on the contrary, it is determined by these prices. Thus in excluding non-commodities from his sieve Marx was pursuing a line perfectly in keeping not only with classical political economy but also with the school of thought which Böhm-Bawerk represents. This part of Böhm-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 analyse the exchange of non-commodities once we have analysed commodities stands its ground with ease.

2. The second prong of Böhm-Bawerk's attack is not dissimilar. He quotes

3. For example, Marx writes: "The price-form... (may)... harbour a qualitative contradiction, with the result that price ceases altogether to express value despite the fact that money is nothing but the price-form of commodities. Things which in and for themselves, things such as conscience, honour etc., can be offered for sale by their holders, and thus acquire the form of commodities through their price. Hence a thing can, formally speaking, have a price without having a value. The expression of price is in this case imaginary. On the other hand the imaginary price-form may also conceal a real value-relation, or one derived from it, as for instance the price of uncultivated land, which is without value because no human labour is objectified in it." (C. p. 197).

4. In colonies and parts of the world where commodity production was imposed from outside the process often happened in reverse. Thus in the Highlands of Scotland, for example, the imposition of money rent developed alongside and even preceded the emergence of commodity production and was widely used as an instrument to achieve this latter. See John Prebble, *The Highland Clearances*, Penguin London 1969. But this does not invalidate the general point in any way. For the use of money rent as a catalyst of commodity production in one part of the world depended upon the prior development of commodity production upon its own foundations in another.

Marx to the effect that "if the use value of commodities be disregarded there remains only one other property, that of being the products of labour." And then adds: "Is it so? I ask today as I asked twelve years ago: is there only one other property? Is not the property of being scarce in relation to demand also common to all exchangeable goods. Or that they are the subjects of supply and demand? Or that they are appropriated? Or that they are natural products?...Or is the property that they cause expense to their producers... common to exchangeable goods?...may not the principle of value reside in any one of these common properties as well as in the property of being the products of labour? For in support of this latter proposition Marx has not adduced a shred of positive evidence." (p. 75). As this list could be extended indefinitely to include such things as being subject to the law of gravity, in orbit around the sun and so on Böhm-Bawerk surely did not intend that every item on it be taken equally seriously. Some anyway simply do not qualify. To say that all commodities are subject to supply and demand merely says that they are exchange values and therefore is no explanation. Others can be easily rendered consistent with the law of value. What is the expense suffered by producers other than labour? And leaving aside the idea of man's insatiability, for which as a general fact Böhm-Bawerk could not adduce a single shred of positive evidence that could not be countered by other equally positive evidence, is not labour the true scarce factor? The point is not worth pursuing further. 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. Böhm-Bawerk does not challenge this. He merely misrepresents Marx's argument as formalist—and this brings us to the crux of the matter.

3. The final thrust of Böhm-Bawerk's critique is a confrontation of his own theory with that of Marx in an attempt to show that if Marx had used his "purely logical method of deduction" correctly he would have reached the conclusion that labour was not the basis of value. "If Marx had chosen to reverse the order of the examination, the same reasoning that led to the exclusion of value in use would have excluded labour: and then the reasoning that resulted in the crowning of labour 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" (p. 77). At best then, the "negative" approach cannot dismiss use-value, so that Marx's method fails at one and the same time to establish the premises of its own theory upon an unambiguous base and provide a determinate criticism of the neo-classical alternative. At this point Böhm-Bawerk challenges the dialectical method head on.

We have seen that according to Böhm-Bawerk, Marx's method is "a purely logical proof, a dialectic deduction from the very nature of exchange". (p. 68). The fact that these two expressions are not equivalent does not strike the Austrian. "A dialectic deduction from the very nature of exchange" is not "a purely logical proof": the one refers to a method which is enquiring into a particular phenomenon—i.e. exchange; the other is as it says purely logical, it

has no particular object. If Marx's method had been of this latter kind it could be represented as follows: imagine a population **P** consisting of individuals each of which has two characteristics of properties, **A** and **B**. In every member of the population, these properties **A** and **B**, are present though in specific forms that vary from one individual to the next. Thus the generic property **A** presents itself as **a'**, **a''**...while property **B** presents itself as **b'**, **b''**...And under conditions such as these neither Marx nor anyone else could claim that property **B** is the only common property for it alone can exist in the general form **B**, while **A** can only exist in the specific forms **a'**, **a''**...For in a purely logical analysis there is no reason why one property should have different characteristics to another. Believing that Marx had in fact employed, and abused a logical method of this kind, Böhm-Bawerk claimed there is no reason why the particular types of labour that exist in commodities can be generalised as the common property of abstract labour, while particular use-value cannot be generalised in exactly the same way. He says this because he sees the problem as a logical one in which labour and utility are merely names given to symbols: the two are formal equivalents in a logical system therefore they are real equivalents. No logical method can distinguish the one from the other—hence the need for some positive proof. This brings the differences between the two methods into sharp focus. In neo-classical thought, theory is a purely formalist activity with no real content, and its link with the historical process it attempts to confront must be through a leap into observations which are not and cannot be organically related to the theory. The dialectical method makes no such separation. Its theory is never purely formal, but always has a real content. It is, therefore, never separated from the concrete by an unbridgeable gulf. Thus when Marx claims that the specific concrete labour that creates commodities is reduced to abstract labour, while use-value can only exist in particular forms and is not generalised in the same way; he is making a proposition that has to do with the real nature of labour and use-value. The asymmetry between his analysis of labour on the one side and use-value on the other, is not due to a false application of a logic which should treat them as though they were the same: the asymmetry follows from the different natures of labour and use-value. In other words, it is the category under examination that determines the path and the movement of logic in the dialectical method. The methodology of *Capital*, therefore, and here, particularly its opening section, is inseparably linked to its content, since Marx like Hegel, did not make the separation between logic and category that is characteristic of the model-real world separation that we find in the positivism of the social sciences. The issue at stake is the substantial one of discovering the basis of exchange in capitalist society, and Marx knew better than Böhm-Bawerk that this was not a task of pure logic.

The crux, then, of Böhm-Bawerk's criticism at this point is that the same reasoning that led to the exclusion of value in use (could) have excluded labour as the basis of value. (p. 77). Clearly he pre-supposes a method in which logic stands so to speak outside the object of study and the "reasoning" he talks of exists solely in the mind and has no organic relation with the world outside. In other words his formalist logic leads him to conclude that the abstraction from particular use-value to use-value in general is just as acceptable, in principle,



as the abstraction from concrete to abstract labour; and that, therefore, on strictly logical grounds there is nothing to choose between the two "models", one of which takes embodied labour as the common property of commodities and therefore the basis of value, and the other of which casts the function of commodities of satisfying needs in this role. At the centre of this argument lies the idea of general utility which Marx considered and dismissed in a few lines at the very start of *Capital*. "The usefulness of a thing", he wrote, "makes it a use-value. But this usefulness does not dangle in mid air. It is conditioned by the physical properties of the commodity and has no existence apart from the latter. It is therefore the physical body of the commodity itself, for instance, iron, corn, a diamond, which is the use-value or useful thing." (C. p. 126) In other words, for Marx, utility means nothing except when it has a particular material form. As something in general it has no existence and is therefore unreal.

Thus at the very start of *Capital*, and on a point crucial to the distinction between Marxist and bourgeois theory, we see the close affinity between the methods of Marx and Hegel. In Hegel's objective idealism, the link between the phenomenal world of existence and the reality that stands behind it is indissoluble: in fact, reality is embodied in existence and only becomes real in this way. Thus when Marx says that usefulness has no existence apart from the physical properties of the commodity, he is following Hegel quite closely. For if use-value in general can, by its nature, have no existence, it can also have no reality—except, that is, in the mind of the neo-classical economist. It has the same reality as a dream, for instance, and while a dream might tell us something about the mind of the dreamer it is hardly a reliable guide to the world he inhabits.<sup>5</sup> Böhm-Bawerk does not understand this. He 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 Böhm-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.

The obvious rejoinder to this is that the same method can be used to disqualify labour as the common property of commodities and in a somewhat different context Böhm-Bawerk does in fact take this line.

"The plain truth is that...products embody **different kinds** of labour in **different amounts**, and every unprejudiced person will admit that this means a state of things exactly contrary to the conditions which Marx demands and must affirm, namely that they embody labour of the same amount and the same kind." (p.82)

It is only the qualitative aspect of labour that concerns us here, and Böhm-Bawerk is undoubtedly correct when he states that different

5. See, for instance, Walter A. Weisskopf, "Psychological Aspects of Economic Thought", *Journal of Political Economy* LVII/4 (August 1949), pp. 338-44.

commodities embody different kinds of labour. Labour as such must always take the form of concrete labour; it can only exist as this or that type of labour—tailoring or weaving. To posit abstract or general human labour is apparently, therefore, to advance an abstraction which has no more content than the category of general utility that Böhm-Bawerk's criticism implies. In short, because abstract labour can exist only as concrete labour, it is surely impossible to say that labour is the common property of commodities since different commodities are the products of different types of labour. The law of value, no less than the theory of utility, appears to collapse upon its own dialectical foundations.

It is certainly true that at times Marx's method of dealing with this problem is less than satisfactory. The position he appears to adopt at various points in his writings that all the different types of labour undertaken in capitalist society are nothing more than specific forms of abstract or average labour is, methodologically speaking, no different from Böhm-Bawerk's contention that the multitude of use-values produced and consumed are particular expressions of general use-value. And as such it exposes itself to exactly the same type of criticism. 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? Thus when Marx claims that "all human labour is an expenditure of human labour-power in a physiological sense and it is in this quality of being equal or abstract that it forms the value of commodities"; (C.p. 137) Böhm-Bawerk could easily retort that all use-values are use-values in a psychological sense and that it is here that we can discover the secret of value. In which case the method of the two theories is the same and Böhm-Bawerk's contention that the only way to chose between them is on the grounds of "positive proof" apparently rests on firm ground.

Let us take the point further. In the **Critique of Political Economy** Marx writes as follows: "This abstraction human labour in general exists in the form of average labour, which in any given society the average person can perform, productive expenditure of human muscles, nerves, brains etc."<sup>6</sup> This road to abstract labour is more or less the same as that Böhm-Bawerk would follow to reach general utility and the method employed certainly approximates very closely to that which Böhm-Bawerk characterised as "purely logical deduction." Whatever else may be said about it, it is certainly not dialectical for the abstraction it constructs is a purely mental category that has no existence in its own right. By analogy: to recognise cats and dogs as mammals—specific forms of a genus—may represent a step forward in the biological sciences insofar as we no longer see each species as totally separate and distinct; on the other hand, nobody has ever seen and examined a mammal as such. It is a purely classificatory category and as such has no existence. In the same way, 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. In analysing exchange value, Marx remarked that "it cannot be anything other than the mode of expression, the 'form of appearance' of a

6. Marx, *A Contribution to the Critique of Political Economy*, Lawrence and Wishart, London 1971, p. 31.

content distinguishable from it." (C.p. 127) The distinguishable content he was referring to here was of course value. Similarly we can talk of concrete labour being the form of appearance of a content distinguishable from it, here meaning abstract labour. But abstract 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 one of the dog. It cannot be distinguished quite simply because there is nothing to distinguish, because it does not exist.

Moreover, as the few lines cited above show, this method of procedure leads inexorably towards a dehistoricisation of the categories. For if our abstractions are derived merely as common properties—i.e. from specific form to genus—not only can they have no form of existence at all, but equally they have the same status, the same possibility of non-existence and therefore existence, at all periods in history. As regards our immediate subject, labour: if abstract labour is merely the common property of concrete labour, then as concrete labour indisputably exists in every form of society, it must follow that abstract labour has the same universal presence. And if abstract labour is universally present then its product value cannot be far from the scene, even where we do not find the definite historical form of commodity production. Thus wherever we depart from dialecticism and employ a mode of abstraction that moves from specific form to genus, we inevitably lose the historical dimension which is such a vital element of Marx's theory.

The plain fact is that despite the odd remarks we might find in *Capital* and elsewhere in Marx's works to the contrary, abstract labour is not the common property of concrete labour, nor is concrete labour the mode of existence of abstract labour.<sup>7</sup> If we take Marx's analysis as a whole and not focus our attention on individual passages this becomes abundantly clear.

There is no doubt that part of the difficulty in this case arises from the term "abstract", the alternative term that Marx sometimes employs, **social labour**, is preferable in that it is much less prone to ambiguity. While it can easily appear that abstract labour is somehow the interior essence of concrete labour, so that the two cannot exist together on the same plane so to speak; the terms individual or specific when substituted for concrete labour on the

7. The problem of concrete and abstract labour has become confused with another related question, that of the reduction of skilled to unskilled labour. This issue, which has surfaced again recently—see Bob Rowthorne, "Skilled Labour in the Marxist System," *BCSE*, Spring 1974 and Geoffrey Kay, "A Note on Abstrn-Bawerk," *BCSE*, March 1976—finds its source, like so many other confusions, in the work of Böhm-Bawerk. (pp. 80-5). Part of the problem is terminological. In the *Critique of Political Economy*, for example, Marx talks of simple labour where in context he clearly means abstract labour, but Maurice Dobb, who edited the English edition, clearly had in mind only the foreground meaning of the word—i.e. easy—when he added the footnote that "English economists call it 'Unskilled labour' ". (The German word *einfahrt* also has the foreground meaning of 'easy'). But the background meaning of "simple", namely "uniform" is clearly the one Marx had in mind and this lessens the purely terminological possibility of assimilating the notions of abstract and unskilled labour. Whatever ambiguities might arise from language, in theory at least the relationship between skilled and unskilled labour is not that of concrete and abstract labour. The categories of skill can apply only to concrete labour and even if all concrete labour were unskilled in the sense that it could be performed without any special training or faculties, it would still assume different forms—machine minding and cleaning for example—and therefore would not be uniform like abstract labour. Insisting upon this, that concrete labour can never be the immediate form of abstract labour, does not mean that we dismiss the idea advanced by Marx in the *Grundrisse* (p. 297) that the process of capitalist development tends towards abstracting labour in the sense of reducing it to a formal activity emptied of content. Only this process of abstraction does not follow immediately from the category of abstract labour but from the development of the capitalist mode of production as a whole. Harry Braverman, *Labour and Monopoly Capital*, Monthly Review Press, London and New York, 1974, p. 181-2. is actually sensitive to this issue but he presents it in a facile fashion.

one side, and social for abstract labour on the other, do not present the same confusion. For in the first place, these terms do not impede us in understanding that any single piece of labour is, at one and the same time, individual in the sense that it is carried out by a particular worker, and social in the sense that it is an organic part of the labour of the whole society, and, moreover, derives a part of its significance from this fact. In other words, it is much easier to understand labour as being both individual and social at the same time than it is to understand its being both concrete and abstract simultaneously. And secondly, the terms offer us no temptation to believe that we are dealing with an abstraction to genus from specific forms. In other words when we talk of the common property of individual labour that makes it social, we are not tempted to think in terms of the expenditure of muscles and brains etc., but of the fact that each individual labour shares the character of being part of the labour of society, no matter how different its particular content might be. Whereas the opposition, concrete-abstract labour, can all too easily suggest a tendency for all the different forms of concrete labour to be reduced towards a common content; the opposition, individual social labour, carries no such connotation. In this respect it does not confuse one of the essential features of Marx's theory, that it is variations in the content of individual labour rather than its homogeneity that constitute the real basis for commodity production and the emergence of abstract labour.

Consider an elementary act of exchange where one individual makes a coat and exchanges it for twenty yards of linen made by another individual. In the case of both individuals, the labour is specific and concrete; tailoring in the one case, and weaving in the other. But when they exchange their commodities in order to acquire a different use-value, each individual learns in the most practical way possible that through the expenditure of his own particular type of labour he can acquire the product of another particular type of labour. Through the process of exchange the tailor can by tailoring acquire the product of weaving. When exchange becomes general and all use-values enter the market as commodities, any one type of labour becomes the means to acquire the product of any other type of labour. As Marx puts it: "one use-value is worth just as much as another provided only that it is present in the appropriate quantity." (C.p. 127) Which means that any one type of labour when embodied in a commodity becomes the equivalent in a qualitative sense of every other type of labour that is also embodied in commodities no matter how different they may be. Thus it is not the disappearance of differences among all the various types of concrete labour that provides the form of existence of abstract or social labour; on the contrary it is these differences and their development that provide the necessity for such a form. As concrete labour becomes more varied, that is to say as the division of labour develops and with it commodity production; individual labour ceases to be exclusively individual and increasingly becomes an aspect of social labour. Or to look at it another way, labour remains specific, it is still this or that type of labour, but it does not and cannot operate in isolation. Under a situation of generalised commodity production, even when production is organised on an individual basis, labour is at once individual but also social, at once specific but an organic part of social labour, at once concrete but also abstract. Thus

Böhm-Bawerk's criticism that the existence of different forms of labour, particularly skilled and unskilled labour, excludes the possibility of abstract labour, labour as the common factor, is completely superceded, since these differences far from being ignored by Marx or conjured away by some trick of dialectical logic, are posited as the very basis for the existence of abstract labour.

But one problem still remains: if concrete labour is not and cannot be the form of existence of abstract labour what then, is its form? For it must have one otherwise it can achieve no reality. Marx poses and resolves this question in section 3 of the first chapter of *Capital*, The Value-form or Exchange Value. Labour only becomes abstract once it is embodied in a commodity and constitutes the value of that commodity, so in searching for the form of existence of abstract labour we are merely looking for the value-form. Now in an elementary exchange that involves two commodities, the value of the one is expressed as a definite amount of the other. In Marx's example, where 20 yards of linen exchange for a coat, the coat becomes the form of existence of the linen: "Use-value becomes the form of appearance of its opposite, value." (C.p. 148) That is to say, when an individual exchanges his commodity for another, the labour he has put into his commodity is now represented directly, and actually, in the use-value of the commodity he acquires.<sup>8</sup> When a commodity represents the value of another, Marx calls it the **equivalent form of value**. In a situation of simple exchange, one commodity acts as the equivalent form of value of another; but when exchange becomes more systematic, a single and universal equivalent emerges—i.e. one commodity emerges to act as the form of value of all other commodities: **money**. 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 labour.

### Quantity and Quality

We can now pick up an important matter mentioned in passing at the start: Böhm-Bawerk's firmly held conviction that if the law of value means anything it is that the prices of commodities are proportionate to their values. For him there can be **no solution** to the transformation problem, for any systematic deviation of prices from (relative) values stands in flat contradiction to the theory of value which he finds in *Capital 1*. There are two aspects to this issue. The first concerns the quantitative relationship between value and price (of production), and here it can be shown with ease that Böhm-Bawerk defined the question too narrowly. He sees the magnitude of value as the sole determinant of price, whereas it is the magnitude of value in conjunction with its composition that in fact determines prices—and, this, of course, is

8. "The value of the (commodity) can be expressed only as an "objectivity", a thing which is materially different from the (commodity) itself and yet common to the (commodity) and all other commodities." (C. p. 142) "Thus the commodity acquires a value-form different from its natural form." (C. p. 143)

perfectly consistent with the general proposition that the prices of commodities are determined by their values. In so far as the problems raised here exist on the same plain of abstraction they are of little fundamental importance, and in this sense Joan Robinson was right to call the transformation problem "merely an analytical puzzle which like all puzzles ceases to be of interest once it has been solved."<sup>9</sup> The second aspect of Böhm-Bawerk's critique is much more than a puzzle as it comprises what is perhaps the most important point of separation and opposition of Marxism and bourgeois economics—the relationship between quantity and quality.

We have seen that the contentless abstraction is characteristic of the positivist method with the consequence that theory is separated from the historical process by an unbridgeable gulf. Its concepts cannot progress from the abstract to the concrete through a series of **specifications** and **mediations** because they contain nothing that can be specified or mediated. They must therefore attempt to grasp reality directly, **immediately**. So at the very moment that the theory of positivist science is organised around empty abstractions it prizes the operationality of its concepts. Thus Böhm-Bawerk simultaneously proposed a theory of value based upon the utterly intangible notion of generalised utility and advances the immediate explanation of relative prices as the criterion by which a theory of value is to be judged: a theory must explain the magnitude of value at the same time as it explains its nature. In contradistinction to some modern streams of economic thought, Böhm-Bawerk did not think that "the whole thing (i.e. value theory) analytically considered was a great fuss about nothing."<sup>10</sup> He recognised that economic magnitudes could not be explained in terms of each other like a carefully constructed dome that floats of its own accord without any supports. He accepted the need for a theory of value but only in so far as it gave an immediate and direct explanation of relative prices. Thus when he turned to **Capital**, he took it for granted that the proposition that the value of a commodity is determined by the amount of labour socially necessary for its production meant that commodities would actually exchange for each other, in practice, in a ratio proportionate to their relative values. A cursory reader of the text who has already got a firm idea of value and price from neo-classical economics might find ample evidence to support this view, but in point of fact, it is absolutely inconsistent with Marx's method and entirely unnecessary to the elaboration of his theory.

If the idea that equivalent exchange was in some way or other an essential part of the theoretical structure of **Capital** was held only by economists such as Böhm-Bawerk, it could be cited simply as a misreading that arose from pre-conceived notions. But in fact the idea recurs continuously within the Marxist camp. In his reply to Böhm-Bawerk, Hilferding toyed with the idea suggesting that "under certain specific historical conditions exchange for corresponding values is indispensable." By adding later that "Marxist law of value is not cancelled by the data of the third volume but merely modified in a definite way" (p. 157) he gives the impression that the departure from equal exchange is a movement from a norm. In a contemporary contribution

9. Joan Robinson and John Eatwell, *An Introduction to Modern Economics*, McGraw Hill, London 1973, p. 30.

10. Joan Robinson, *Economic Philosophy*, Penguin Books, London 1962, p. 41.

Morishima and Catephores<sup>11</sup> deny the idea that conditions of equal exchange have existed historically: that is to say they deny the historical existence of a society of simple commodity production where equivalent exchange took place. But their adherence to the idea as an essential part of Marxist theory is so strong that it surfaces again immediately, only now as a heuristic device, a "logical simulation": "the model of simple commodity production (which) is different from the capitalist production model only with respect to the ownership of the means of production." We are back in a positivist world and soon we learn that not only is the idea of equal exchange merely an element of a model but value itself is an "analytical device." Engels's rejection of Sombart's "interpretation of the concept of value as only a logical tool" is not, so it is suggested fully consistent with the "evidence on the total approach of Marx to the question of value that we have tried to present here..." It is interesting that Böhm-Bawerk, though for different reasons, criticised Sombart on the same grounds as Engels. "For my own part", he wrote, "I hold it (i.e. value as merely a tool of logic) to be wholly irreconcilable with the letter and spirit of the Marxian teaching." (p. 103)

These two contributions separated by seventy years testify the on-going fascination of Marxists with the idea of equal exchange. They also specify the only two grounds on which it can be treated: (1) as a real process that existed under definite historical conditions; or (2) as a model. But since the first grounds is not historically valid and the second requires a positivism which is utterly inconsistent with Marxism, only one conclusion is possible—equal exchange plays no fundamental part in Marxism. Marx at times might use the idea for simplicity, or exposition, but no substantial part of his theory is dependent upon it. This can be demonstrated through the two most vital points of Marx's theory: first, the establishment of value as a category; and second, the theory of surplus value.

1. The logic Marx uses to track down value at the start of **Capital 1** seems very definitely to imply an assumption of equal exchange. "The valid exchange values of a particular commodity," he says, "express something equal." He then gives as an example "1 quarter corn = x cwt. iron. What does this equation signify?" he asks, "It signifies a common element of identical magnitude in two different things—in 1 quarter of corn and x cwt. or iron." (C.p 127) Böhm-Bawerk clearly believed that the dimension of "equal quantities" was so essential to the argument that he did not draw special attention to it when he cited the passage (p. 10). But it is clearly remarks of this nature, several of which can be found in the early sections of **Capital 1**, that give the impression that Marx was for one reason or another, making substantial use of the notion of equal exchange or simple commodity production. But in this context, which is perhaps the most important, it can be seen that equal exchange is not at all necessary. For the conclusion to which Marx is working, that aside from being use-values "commodities...have only one common property left, that of being products of labour," in no way depends upon equal exchange. Suppose double the amount of labour-time is needed to harvest the corn than to smelt the iron, so that the corn has double

11. M. Morishima and G. Catephores, "Is There an Historical Transformation Problem?", *Economic Journal*, June 1975.

the value of the iron. An exchange of these commodities still brings a given quantity of the one commodity face to face with a given quantity of another. What does this tell us? It tells us that in two different things, to paraphrase Marx, there exists something common to both, **though not necessarily in equal amounts**. In other words, the position advanced by Marx that the process of exchange reveals the most diverse use-values to share the common property of being the products of labour does not mean, nor does it depend upon, a quite different proposition that only commodities that contain the same amount of labour exchange with each other. Consider the exchange 1 quarter of corn =  $\frac{1}{4}$  cwt. of iron. Here the iron is the equivalent form of value; that is to say its **use-value** not its value, represents the value of the corn. It is true that only a commodity that is itself a value can get into the position of being an equivalent, but once in this position it is its use-value that represents the value of the relative form. Thus of the side of the equivalent form there exists the "possibility of a quantitative "incongruity" between the value the equivalent (use-value) represents, and its own value. This incongruity is an essential feature of Marx's analysis on money and in so far as it presupposes unequal exchange, then, to that extent, it is possible to go beyond arguing that not only does the law of value not rest upon equal exchange, but that in fact the reverse is true: **the law of value presupposes unequal exchange**.

The importance attached to equal exchange by Böhm-Bawerk is understandable. As Hilferding says, his "mistake is that he confuses value with price, being led to this confusion by his own theory" (156). Marx's position in the opening pages of **Capital 1**, that commodities are alike in that they are the products of labour, and that this only becomes apparent and real through the process of systematic exchange, is not a theory of prices as understood in neo-classical economics. It is no part of Marx's purpose at this stage of his work to provide a theory of the rates at which commodities exchange for each other; before this can be done it is necessary to discover the nature of the value- and price-forms. In other words, the opening chapters of **Capital 1** are an enquiry into the **nature** of value, value as a **quality**; the progress from this to the quantitative aspect of the question moves through many mediations. But positivist thought, whether it presents itself in a neo-classical or even a Marxist guise, disregards this progress and leaps directly from quality to quantity. In its modern vulgar form it ignores quality altogether. Böhm-Bawerk's critique collapses on this point which is, one way or another, the most vulnerable of the whole neo-classical edifice.

2. The relationship between economic forms (quality) and their magnitudes (quantity) is just as vital in the theory of surplus value though generally speaking it has received less attention. Böhm-Bawerk deals with the matter only in passing for fairly obvious reasons. "In the middle part of the Marxian system," he writes, "the logical development and connection present a really imposing closeness and logical consistency" (p. 88). This gives an important clue to the manner in which Böhm-Bawerk would have criticised the theory of surplus value had he thought it necessary. In the Marxian system, he would no doubt have argued, labour-power is a commodity which like other commodities exchanges at its value. But remove this false premise and the theory comes apart, for once the wage is no longer tied to the value of labour-power, not only does the rate of surplus value become totally



indeterminate, but even its existence as an economic category is called into question. For surplus value is essentially a quantitative phenomenon. It is the difference between two magnitudes, the value produced by a given expenditure of labour-power, and the value of this labour power. Marx took it for granted that the difference between these two magnitudes was positive, but he knows that is not sufficient to prove his point. In order for capital to appropriate this difference as surplus value and profit, it is necessary for him to show that wages will be consistently less than the value labour-power produces, and this is possible only within the framework of his system by assuming what he never establishes positively—namely that wages equal the value of labour-power. “In this case, as in many others, he manages to glide with admirable dialectical skill over the difficult points of his argument.” He introduces equal exchange but not for what it is, the only and necessary support for his argument, but as a virtue, as though it were a difficulty for him to overcome. “Our friend, (Moneybags)...must buy his commodities at their value (and) must sell them at their value,” he writes in *Capital 1*. (C.p. 269) In *Value, Price and Profit* he sets himself the same difficult problem. “To explain the general nature of profits you must start from the theorem that, on an average, commodities are sold at their real values, and that profits are derived from selling them at their values...If you cannot explain profit upon this supposition you cannot explain it at all.”<sup>12</sup> Whichever way you look at it, Böhm-Bawerk might well have concluded the existence of surplus value as a consistently positive magnitude depends upon the equal exchange of the commodity labour-power. This is why the proposition that commodities exchange at their value is the pivot of the whole Marxist system. Drop it and you drop what Marx readily admits to be his most important category—surplus value and exploitation. **Hic Rhodus, hic salta.**

It is as well to acknowledge from the outset that the existence of surplus value as a category of capitalist political economy does involve and must involve a tendency for labour-power to exchange at its value. Marx would have been the last person to deny this. But for him the connection between the value of the wage and surplus value was quite the opposite of that attributed to him by the positivist. That is to say for Marx the tendency of the wage to equal the value of labour follows from the existence of surplus value as a category and vice versa. Demonstrating this point quickly is virtually impossible, as it involves nothing less than tracing the movement of his theory through the first six chapters of *Capital 1*, but we can note, at least, the vital point that he has already arrived at the concept of surplus value in **Chapter 4** well before he has turned to the buying and selling of labour-power in **Chapter 6**. Summarised in the most sketchy detail, the path of his logic passes the following points. In the systematic exchange of commodities, value finds for itself a form of social existence in the use-value or body of one commodity that becomes the universal equivalent—money. The money commodity starts life like any other commodity, but as its role of being universal equivalent becomes socially established, it separates itself off and becomes a commodity on its own. Its own particular use-value drops into the background and it exists more and more exclusively as the form of value of all other commodities.

12. Marx, *Selected Works*, Vol. 1., FPLA, Moscow 1962, p. 424.

It is at this point rather than through some artificial assumption of equal exchange that we get the transformation of quality into quantity. As value, commodities are indistinguishable from one another except in respect to their size, and money, the value-form, confirms this is so far that sums differ from each other only as magnitudes. In the simple circulation of commodities,  $C-M-C$ , where money acts merely as a medium of exchange, this property is still latent or secondary. But when we move to the circulation of value,  $M-C-M$ , the transformation of money into capital, it becomes manifest and determinant. The reason of the circulation of value is surplus value, the exchange of one sum of money,  $M$ , for a larger sum,  $M'$ . By the time labour-power comes on to the stage as a commodity, circulation as a whole is firmly subjected to this reason. It must, therefore, like any other commodity act as a medium of circulating value and subject itself to this reason. In the case of labour-power, however, this has special implications. We know that this is a special commodity in that its use-value is to produce all value, surplus value included. Thus if capital is to appropriate the surplus product of society, wages must lie below the value labour produces, i.e. the value of its use-value. At the same time, the purely quantitative nature of value means that the appropriation of surplus value is simultaneously the appropriation of maximum surplus value. Thus capital is driven by its own position not merely to force the wage down below the value produced by labour, but to the lowest possible level—namely the value of labour-power. In a word, the magnitude of the wage, and with it the rate of surplus value, follows from the nature of surplus value as an economic category. Nowhere can the subordination of economic magnitude to economic forms, of quantity to quality, be more vividly apparent.

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The conclusion that follows from all this is that Böhm-Bawerk's critique does not have a single point of validity. The Marxist need not concede a single thing to him. But paradoxically, this is what makes his book so valuable, for refuting it, as we have tried to show, involves reaching down to the very fundamentals of Marxism. At the same time, **Karl Marx and the Close of his System** is undoubtedly the most substantive criticism that any bourgeois economist has ever levelled against **Capital**. It has inspired all other criticisms as Sweezy points out. But more than this, it lays neo-classical theory on the line. For in attempting to attack Marx on what was, if anything his strongest front, the opening of **Capital**, Böhm-Bawerk revealed the foundations of his own science, and revealed them to be faulty. The Russian retreat of Marxism turns into the Waterloo of neo-classicism, but sadly it has not been banished to obscurity. Its flourishing survival, though, is perhaps the least of problems in itself: more important for the working-class movement is the damaging effect its positivistic method has had upon Marxism from within. With the collapse of neo-classicism under the weight of its misconceptions and inconsistencies, this becomes even more important. Within the realm of economics Marxism can no longer be challenged frontally from a neo-classical perspective; it can however be emasculated from within. The republication of Böhm-Bawerk's book will be a timely and valuable addition to the literature only if it is read with this danger in mind.