CHAPTER 17

In Defence of the 'Third Thing Argument': A Reply to James Furner's 'Marx's Critique of Samuel Bailey'*

Examining Marx's theory of value through his critique of Samuel Bailey, James Furner intends to undermine Marx's 'third thing argument' – that exchange value expresses value – and to support Chris Arthur's proposal to reconstruct Marxian theory by introducing labour into the theory of value at the conceptual level of capital.[1] Furner concludes, 'It would therefore be surprising if Marxists were to continue to give much positive weight to the "third thing argument"'.[2] I believe that it is a serious mistake to dismiss the 'third thing argument'. Marx's theory of value cannot do without it, and if you are going to do without Marx's theory of value, you might as well do without his critical theory of the capitalist mode of production.

Furner separates his discussion of value theory into three parts, looking first at the simple commodity, then at money and capital. He claims that Marx's case in Chapter One of *Capital* against Bailey's identification of value with exchange value – and in favour of his own (labour) theory of value – is fallacious. According to Furner, Marx's polemic against Bailey's value theory, a forerunner of modern utility theories, becomes effective only when we advance to the theory of money (Marx's value theory explains the necessity of money where Bailey's does not) and, all the more so, when we move to the level of capital, where Bailey's insistence that comparisons of value across time are

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1 Marx's critique of Bailey is part of the manuscript of 1861–3; it was published in Part III of *Theories of Surplus-Value* (Marx 1971a, pp. 124–68).

2 Furner 2004, p. 108. It is not clear how much weight the argument is given presently. Allen Wood suggests (implausibly) that Marx himself did not take it very seriously, 'Despite its prominent place in *Capital*, Marx's "proof" of the law of value is not taken seriously as such by its author. I think it is best regarded as an expository device, part of Marx's avowed attempt to "popularize" his discussion of value in *Capital*' (Wood 1981, p. 228).

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nonsensical makes any understanding of capital impossible. Furner writes, with Chris Arthur and others in mind:

> Many discussions of Marx's theory of value focus on a couple of pages in Section One of Chapter One of *Capital*. In these passages, Marx is quick to distinguish between exchange-value and value as a purely social aspect of commodities and to identify its source in (abstract) labour. A number of contemporary advocates of Marx's theory of value stress that neither issue can be resolved at this point.[3]

Furner is not arguing that Marx's value theory – in particular, the claims that value is a 'purely social' objectivity belonging to commodities that is distinguishable, though inseparable, from their exchange value; and that value's 'source' is (abstract) labour – is indefensible. On the contrary, Furner writes as an advocate of Marxian value theory. His point is that Marx's theory cannot be established at the conceptual level of the commodity (Chapter One) and by means of the 'third thing argument' but only as we move to the more complex phenomena of money and capital.

Furner is right to contrast my view with Chris Arthur's:

> With regard to the relation between value and 'abstract' labour, a difference emerges between Patrick Murray's turn to Section Four of Chapter One on commodity fetishism, in which Marx sets out from a system of production organised in private yet materially dependent units in order to

3 Furner 2004, pp. 89–90. The idea that Marx identifies '(abstract) labour' as the 'source' of value is problematic since Marx calls '(abstract) labour' the 'substance' of value. Source and substance are two different concepts. The moon is the source of tides but not their substance; the connection between moon and tides is empirical, not conceptual. Marx argues that socially necessary 'abstract' labour of the social sort that produces commodities belongs to what value is. In Chapter One Marx distinguishes three inseparable aspects of the complex phenomenon of value and treats each in turn: the substance of value, the measure of value and the form of value. Marx identifies 'abstract' labour as the substance of value, labour time as the immanent (not directly observable) measure of value and exchange value as the form of value. That Furner says 'source' where Marx has 'substance' is not accidental; it exposes a dilemma facing Arthur's proposal for reconstructing Marxian value theory. If we can know what value is without any reference to labour, then labour ('abstract' labour) does not belong to the concept of value. Consequently, when labour is brought in (once we get to the level of capital, in Arthur's proposal), it will have to be brought in as value's 'source' rather than its 'substance'. If we cannot know what value is at the level of simple commodity exchange, how will we develop Marx's concepts of money and capital?

> demonstrate why commodities acquire an 'objectivity as values' [*Wertgegenständlichkeit*], and Chris Arthur's account turned towards the category of capital.[4]

Furner's conclusion that Marx's 'third thing argument' fails, and that it must do so, supports Arthur's reconstructive initiative. Since I maintain that Marxian value theory does not require the reconstruction Arthur proposes – what is more, I do not see how the reconstruction can work – I need to show that, where these conclusions are concerned, Furner is mistaken.[5] That is what I propose to do here.

1 Do Commodities 'Have' Exchange Values?

Furner argues that Marx's 'third thing argument', which is presented in the first section of Chapter One of *Capital*, begs the question. Furner first cites the passage where Marx reasons from the fact that a given commodity has multiple exchange values to the conclusions that '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'.[6] Furner comments:

> This passage begins by considering the fact of a given commodity's exchange with many other commodities. These exchange-values are said to be exchange-values the wheat 'has'. To say that the exchange-values belong to the wheat is taken to imply that there is something of which the wheat is further possessed by virtue of which it has exchange-values. To grant the wheat such an intrinsic property allows one to say that there is a constancy that x boot-polish or y silk or z gold each represent and which makes them 'of identical magnitude'. There is thus more to Marx's reference to equality than the fact that a diverse set of commodities exchange

4 Furner 2004, p. 90. If Furner's contrast is meant to imply that I adopt the traditional interpretation that Chapter One is about a pre-capitalist system of 'simple commodity production' – I am not sure that it is – it is mistaken. *Capital* is about the capitalist mode of production from the start.

5 I criticise Arthur's reconstructive initiative in 'The New Giant's Staircase', my contribution to *Historical Materialism*'s symposium on Arthur's book *The New Dialectic and Marx's 'Capital'*; see Murray 2005b, included in the present volume as Chapter 16.

6 Marx 1976a, p. 127, as cited in Furner 2004, p. 93.

> for the same amount of wheat. There is said to be some intrinsic aspect to a commodity that any number of other commodities may represent such that in representing it they are equal.[7]

Furner thinks that Marx begs the question by claiming that a given commodity 'has' an exchange value: 'To say that the exchange-values belong to the wheat is taken to imply that there is something of which the wheat is further possessed by virtue of which it has exchange-values'. Furner seems to be using the term 'imply' as equivalent to 'means'. In other words, Marx does not argue to the existence of a 'something of which the wheat is further possessed by virtue of which it has exchange-values'; he assumes it in assuming that exchange value is something that the wheat 'has'.[8] But Marx is not begging the question; he is arguing from something that commodities are observed to have, namely, 'valid' exchange values, to something further, something intrinsic to the commodity, value.[9]

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7 Furner 2004, p. 93.

8 I am not confident that I understand Furner's line of thought here. Furner may be using 'imply' in the usual way, but then it seems that Marx does just what he proposes to do, namely, argue from exchange values to value. Perhaps Furner thinks that Marx begs the question just by saying that a commodity 'has' exchange values. That criticism does not work either. To see why will require a closer look at what Marx means by claiming that commodities 'have' exchange values.

9 Value is intrinsic to the commodity not as a use value – it is not one more natural or physical property – value is purely social and supersensible. It is an unavoidable consequence of the peculiar social form of the commodity. Bailey cannot conceive of a property that is wholly social yet intrinsic to the commodity. In denying that value is anything intrinsic to the commodity, Bailey is trying to dispense with the reality of the commodity's social form. Neoclassical economists, in conceiving of value as something purely subjective, likewise deny that value is in any way intrinsic to the commodity. In doing so, they, like Bailey, try to brush off the reality of the commodity's social form. Ironically, in doing so, both Bailey and neoclassical economists pride themselves on overcoming what they regard as a double fetishism regarding commodities. First, they expose the supposed fetishism of classical (Ricardian) value theory, which claims that value is intrinsic to the commodity. Second, swept up in the subjectivism of modern philosophy, Bailey and the neoclassical economists consider the attribution of use value to commodities a further, less apparent, case of fetishism: usefulness, according to them, is purely subjective. Common sense, which takes usefulness to be objective (though not purely so), is living in a fool's paradise according to Bailey and the neoclassical economists. Marx shows this speculative daring to be based on two phenomenological errors. It is a mistake to think that usefulness can be wholly separated from the specific properties of a commodity. As for value's being intrinsic to the commodity, Marx would agree that there is something metaphysical in the derogatory sense about value.

Furner inverts Marx's reasoning. It is not the question-begging assumption of some 'intrinsic property' to the commodity that 'allows one to say that there is a constancy that x boot-polish or y silk or z gold each represent and which makes them "of identical magnitude"'.[10] Marx's argument is that the fluctuations of actual exchange values – it is the fluctuations in the prices of commodities that Marx has in mind – display a pattern.[11] Only on that basis do commodities have 'valid [*gültige*]' exchange values, and only on the basis of commodities having 'valid' exchange values does Marx claim that they are 'mutually replaceable' 'as exchange-values'.[12] If the 'valid' exchange value of a gallon of milk is three dollars and the 'valid' exchange value of a gallon of gasoline is three dollars, I can replace the milk with gasoline by selling the milk and buying the gasoline.[13] Marx takes the mutual replaceability of commodities to be sufficient evidence of their identical magnitude.[14] But if these diverse commodities share some magnitude, what is its dimension? It cannot be milk, money or oil. Since commodities have no sensible (phys-

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But Bailey and the neoclassical economists mistake the source of the problem; they blame it on a propensity to the metaphysical on the part of Ricardo and other classical value theorists. While Marx rejects as asocial the classical labour theory of value, he agrees with Ricardo that value is intrinsic to the commodity. In developing his purely social labour theory of value, Marx explains that this fetishism of the commodity, this intrinsic supersensible value that gives the commodity its clout, is an inescapable consequence of the peculiar social form of the labour that produces commodities. Value is intrinsic to the commodity because the commodity's specific social form is intrinsic to it. That is why the denial by Bailey and the neoclassical economists that value is intrinsic to the commodity amounts to a denial that the commodity's social form is intrinsic to it. Therein lies their second phenomenological error: they think that wealth can exist without any specific social form. They fall into what I call 'the illusion of the economic', that is, the illusion that the economy in general, the economy with no particular social form, can actually exist. Capital, not some metaphysical penchant on the part of economists, is the root of the bad metaphysics of value.

10 Furner 2004, p. 93.

11 See Campbell 1997 for the argument that Marx begins *Capital* with the assumption that there are commodities and money in the sort of society he is examining.

12 Furner says nothing about Marx's adjective 'valid'.

13 'Valid' exchange values require money. Only with money is there a unitary measure of value to provide a common scale with which to identify the fluctuations in exchange value.

14 'But although the commodity has a thousand different kinds of value, or a thousand different prices, as many kinds of value as there are commodities in existence, all these thousand expressions always express the same value. The best proof of this is that all these different expressions are equivalents which not only can replace one another in this expression, but do replace one another in exchange itself' (Marx 1971a, p. 147).

ical) feature in common, the dimension must be a 'supersensible' one. Marx's argument, then, goes from the observable replaceability of specific quantities of commodities (as determined by their 'valid' exchange values) to the identity of their magnitudes (taking replaceability as the test of identity of magnitude). Magnitude is always magnitude of; it always has a dimension, but the various commodities do not share a use-value dimension. Milk is not money; money is not oil. Consequently, argues Marx, there must be a supersensible 'third thing' intrinsic to commodities, whose dimension is common to them.[15]

What does Marx mean by talking about a commodity 'having' exchange values? Furner starts his commentary saying, 'This passage begins by considering the fact of a given commodity's exchange with many other commodities'.[16] This understates Marx's claim. Marx asserts not simply that commodities are exchanged but that they have 'valid' exchange values.[17] In assert-

15 Marx's argument is complicated by the fact that some commodities, land, for example, are not products of labour. This point has long been taken as an obvious objection to Marx's argument that the 'third thing' that commodities have in common is 'abstract labour', and it is an important consideration in Chris Arthur's call for a reconstruction of Marxian value theory. In 'The New Giant's Staircase' (Murray 2005b, included in the present volume as Chapter 16) I point out that this seeming objection was anticipated by Marx – he spells it out in his *A Contribution to the Critique of Political Economy*, 'the last, and apparently decisive objection [to any labour theory of value] … is this: if exchange-value is nothing but the labour-time contained in a commodity, how does it come about that commodities which contain no labour possess exchange-value' (Marx 1970a, p. 63) – and I argue that Marx answers the objection not only with his theory of rent but also with his strategy that makes capital in general, and the commodity as a representative (or aliquot) part of the 'heap' of commodities, the subject of investigation. Following that argumentative strategy, Marx need not make the claim, which he knows to be false, that every commodity is a product of labour. I know of no other strategy by which a Marxian labour theory of value can be developed.

16 Actually, this is misleading because it suggests a barter situation. Since it is a capitalist society Marx is writing about, all exchanges are between commodities and money. Marx does not consider goods exchanged in barter to be commodities, 'The direct exchange of products [barter] has the form of the simple expression of value in one respect, but not as yet in another. That form was x commodity A = y commodity B. The form of the direct exchange of products is *x* use-value A = *y* use-value B. The articles A and B in this case are not as yet commodities' (Marx 1976a, p. 181).

17 Marx takes it as a fact about the sort of society he is investigating, capitalist society, that wealth takes the commodity form and that commodities have prices. (That, of course, means that he takes the existence of money to be a fact of life in capitalism.) He writes, 'the endless series [of exchanges between money and all other commodities] is a socially

ing that commodities have 'valid' exchange values, Marx asserts that there are patterns to the fluctuations of exchange values. Indeed, Marx insists that the only way that 'valid' exchange values (prices) can exist is amidst fluctuations:

> The possibility, therefore, of a quantitative incongruity between price and magnitude of value, i.e. the possibility that the price may diverge from the magnitude of value, is inherent in the price-form itself. This is not a defect, but, on the contrary, it makes this form the adequate one for a mode of production whose laws can only assert themselves as blindly operating averages between constant irregularities.[18]

Marx's assertion that commodities 'have' exchange values is an empirical claim, not a question-begging assumption. Marx's 'third thing argument' cannot be made on the basis that goods exchange with other goods. If there were no money and prices and if there were no regularity to price fluctuations – if the law of value did not force its way through – there would be no 'valid' exchange values. Then there would be no basis on which Marx could assert that commodities can replace one another, hence no basis for asserting that they are of identical magnitude. That would eliminate the observational basis for asserting a 'content' ['*Gehalt*'] intrinsic to commodities that is distinguishable from their properties as use values. Without observable constancy in the fluctuations of prices, Marx's 'third thing argument' for value cannot be made.

That Furner fails to recognise what Marx means by the 'valid' exchange values of a commodity – hence fails to understand the observational basis for and

given fact in the shape of the prices of the commodities' (Marx 1976a, p. 189). It belongs to Marx's concept of a commodity that it 'has' a price. Marx says of the products of labour that 'their taking the form of commodities implies their differentiation into commodities [on the one hand] and the money commodity [on the other]' (Marx 1976a, p. 188, n. 1). In limiting the scope of *Capital* to those societies where the commodity form is dominant, Marx begins with a fact about capitalism: commodities 'have' prices. In *A Contribution to the Critique of Political Economy* Marx makes no bones about this: 'The busiest streets of London are crowded with shops whose show cases display all the riches of the world, Indian shawls, American revolvers, Chinese porcelain, Parisian corsets, furs from Russia and spices from the tropics, but all of these worldly things bear odious, white paper labels with Arabic numerals and then laconic symbols £ s. d. This is how commodities are presented in circulation' (Marx 1970a, p. 87).

18 Marx 1976a, p. 196.

the logic of the 'third thing argument' – shows itself in a point he makes against Andrew Kliman's defence of Marx. Furner distinguishes between 'actual price and average price over a certain period' and goes on to say: 'One does not need to think of average price as something a commodity "has"'.[19] True, but this is because the concept of 'average price' is purely mathematical; it applies whether there is a pattern to the prices of a commodity or not. Furner does not grasp Marx's concept of a 'valid' exchange value (price): 'valid' price and 'average price' are not the same. Every commodity has an 'average price' simply as a matter of computation; to have a 'valid' price, the fluctuations in a commodity's actual prices must display patterns, which we take to reveal something about the commodity. These patterns, to which Marx refers with his concept of the 'valid' exchange value (price) of a commodity, provide the evidence for Marx's argument that value is intrinsic to commodities. Reasoning along these lines, Kliman observes, 'whenever exchanges are merely contingent, ephemeral events', a commodity cannot be said to 'have' an exchange value.[20] Kliman adds:

> Marx could not successfully have derived the equivalence of commodities to one another from the mere phenomena of exchange … he instead derived it from a particular fact about capitalism – commodities 'have' exchange-value.[21]

So it is not surprising that Furner – overlooking Marx's concept of 'valid' exchange-value and the evidence to which he appeals – concludes that Marx's argument begs the question. Furner is right that it makes no sense to say that a commodity 'has' an average price, but it does make sense to say of a commodity whose prices present a pattern that it 'has' a 'valid' price.

Furner recaps his case for why Marx's 'third thing argument' begs the question, 'As the above discussion hoped to show, Marx actually begins his "third

19 Furner 2004, p. 96.

20 Kliman 2000, p. 101, n. 46.

21 Kliman 2000, p. 102, n. 46. What Kliman goes on to say, namely, that in capitalism 'we *think* and *say*' that a commodity has a price, is a step removed from Marx's point. In saying that commodities 'have' exchange values, Marx claims that prices exhibit patterns, not that people think that they do – though that is true too. Furner has a point, then, when he objects to Kliman's appealing to common sense to establish this premise as a 'fact' of everyday experience (Furner 2004, p. 95). The fact relevant for Marx's argument is a fact about prices, not what people think about them.

thing argument" by supposing exchange-values to be had by a commodity'.[22] I agree that Marx asserts that a commodity 'has' (replaceable) exchange values but disagree that he begs the question when he argues for value as distinct from exchange value. What Marx means is that commodities 'have' 'valid' exchange values, that is, fluctuations in their prices can be observed to show patterns. Furner does not recognise this; instead he interprets the meaning of 'has' in a way that leaves Marx begging the question. But there is nothing question begging in asserting that commodities 'have' 'valid' exchange values and arguing on that basis that they must have the supersensible, strictly social property of value.

Furner is no more convinced by Marx's follow-up argument, where he takes any two commodities that are exchanged for one another and represents their exchange as an equation. Marx argues that such an equation implies that there is a third thing, value, which is neither the one commodity nor the other, but exists in both. Furner focuses on a phrase that comes up on p. 152 of *Capital* (the 'third thing argument' comes up on p. 127), where Marx praises Aristotle for 'his discovery of a relation of equality in the value-expression of commodities'. Furner jumps on the phrase 'the value-expression of commodities', charging, 'With this phrase, exchange can no longer be seen as the logical starting-point of Marx's argument. Instead of value depending upon an equality, it is equality that is said to be found in the expression of value'.[23] Furner detects a circular argument that moves from value, to equality expressed in exchange-value, then back to value, but his case is forced. Marx makes his argument that exchange value presupposes value and is value's expression some twenty-five pages prior to his use of the phrase to which Furner objects! Actually, Marx's second argument builds on his first. If every commodity 'has' a 'valid' exchange value, every commodity is mutually replaceable with every other commodity having the same 'valid' exchange value. Mutually replaceable commodities, argues Marx, have the same magnitude. But two commodities having the same magnitude are equal to one another with respect to that magnitude. This allows Marx to represent their exchange as an equation, and that leads him to the 'third thing' (value) in answer to the question: What are these equal magnitudes, magnitudes of?

22 Furner 2004, p. 94.

23 Furner 2004, p. 95.

2 On Appealing to Common Sense

Furner reprimands Kliman for appealing to common sense:

> What lends this argument [Kliman's] a certain strangeness is that, at no point in Chapter One of *Capital*, could Marx be construed as providing a principled claim about extending validity to commonplace ideas. If anything, the way in which the idea of an intrinsic value is first introduced in contrast to what exchange-value 'appears to be [*scheint*]' suggests the inappropriateness of such an attempt.[24]

But Kliman does not assert that Marx considers common sense to be always reliable; neither is such a strong claim required to make his case. What is Furner's point? That Marx does not endorse common sense beliefs across the board? Who would doubt that? That no appeal to common sense beliefs is allowable unless all are? Why accept that? Furner's talk of the 'inappropriateness' of Kliman's appeal to certain common sense beliefs hardens later on: 'It is neither desirable nor possible to rescue Marx's "third thing argument" by appealing to commonplace patterns of thought'.[25] Is Furner suggesting that Marx excludes all appeals to common sense beliefs? But Marx regularly calls upon them, including in Chapter One. A striking example comes up in the context of Marx's praise for Aristotle's attention to the value form. Marx argues that Aristotle was unable to discover the truth about value 'because Greek society was founded on the labour of slaves, hence had as its natural basis the inequality of men and of their labour-powers'.[26] It was only the shift in common sense toward egalitarianism that made it possible to move forward:

> 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.[27]

Suspicion regarding some common sense beliefs is compatible with trusting others.

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24 Furner 2004, p. 96.
25 Furner 2004, p. 97.
26 Marx 1976a, p. 152.
27 Marx 1976a, p. 152.

Furner argues against Kliman's claim that common sense and behaviour take 'commodities to have a worth independent of their actual exchange'.[28] (Or does Furner want to argue that common sense need not draw such a conclusion?) Furner maintains that one need not conceive of an unusually high or low price as lying above or below some price that the commodity 'has' and consequently being a 'rip-off' or a 'bargain.' Furner rightly connects the question of whether a commodity 'has' an exchange value with the question of justice in exchange. If there is no exchange value that a commodity 'has', there can be no question of its being sold above or below that exchange value: the discourse of justice and injustice in commercial transactions loses its grip. In place of a discourse of just and unjust exchanges based on commodities' 'having' exchange values, Furner recommends that we think of prices as either ordinary or unexpected, 'the only distinction that needs to be made is the distinction between actual price and average price over a certain period'.[29] Here Furner follows Bailey: since there is only exchange value (price), exchange value is not the expression of anything intrinsic to the commodity. Consequently, there can be no discrepancy between price and intrinsic value. Unjust exchange is thereby excluded in principle.[30] But common discourse pertaining to justice in commercial exchange cannot be collapsed into talk about ordinary and unusual prices.[31] Someone who says that a certain price is unjust does not mean that it is unusual.[32] Ordinary discourse is incompatible with Bailey's contention that value is established exclusively in the act of exchange.

28 Furner 2004, p. 96. One must be cautious in speaking of commodities having value prior to or independently of exchange. For Marx the potential value of a commodity is actualised only in exchange. To insist without qualification that value is independent of exchange is to slip into a Ricardian conception of value.

29 Furner 2004, p. 96.

30 Thus, Marx concludes from Bailey's theory of value, 'A commodity cannot be sold below its value any more than above it, for its value is what it is sold for' (Marx 1971a, p. 154).

31 St. Thomas Aquinas's statement 'it is contrary to justice to sell goods at a higher price than their worth, or to buy them for less than their value' (in Murray 1997b, p. 100) is representative of the common view.

32 'If 3 lbs. of coffee exchange for 1 lb. of tea today or would do so tomorrow, it does not at all mean that equivalents have been exchanged for each other. According to this, a commodity could always be exchanged only at its value, for its value would constitute any quantity of some other commodity for which it had been accidentally exchanged. This, however, is not what people generally *mean*, when they say that 3 lbs. of coffee have been exchanged for their equivalent in tea. They assume that after, as before, the exchange, a *commodity of the same value* is in the hands of either of the exchangers. The rate at which

In support of his claim that nothing in common sense or common practice requires us to hold that commodities 'have' prices, Furner cites this passage from Marx's critique of Bailey: '[T]he most ordinary merchant does not believe that he is getting the same value for his £1 when he receives 1 quarter of wheat for it in a period of famine and the same amount in a period of glut'.[33] But Marx's point here is the opposite of Furner's. It is not that the ordinary merchant sees that wheat does not 'have' an exchange value, so that all there is to say is that prices in conditions of famine or glut differ from the average price for wheat. Marx's point is that the merchant knows that the value of a measure of wheat – and, with the value, the price that the wheat 'has' – is not fixed: it will be greater in times of famine than in times of glut. The context of Marx's observation is his criticism of Bailey's identification of the value of one commodity with the amount of another commodity received in exchange for it (as opposed to the amount of *the value of* the other commodity); for example, the value of a day's labour power is a quarter of wheat. That makes the quantity of the latter commodity the (invariable) measure of the value of the first. Marx's point is that even an ordinary merchant knows that a quarter of wheat changes value in times of famine or glut; it is no fixed measure of value.[34] Correctly understood, this case of the ordinary merchant proves Furner wrong when he complains that it is 'neither desirable nor possible' to argue on the basis of 'appealing to commonplace patterns of thought'.[35] In this case of the ordinary merchant, that is exactly what Marx is doing. He refutes Bailey's assertion that the quantity of one commodity is an invariable measure of the value of a second commodity by appealing to fact that even the most ordinary merchant knows better.

3 *Must* the 'Third Thing Argument' Fail?

Furner pushes his criticism of Marx's 'third thing argument' further, arguing that defences of it 'necessarily fail' because, at the level of the argument in Chapter One of *Capital*, Marx cannot defeat Bailey's rival subjectivistic theory of value as 'relative esteem'.[36] Even if we grant Marx's contention that 'the

two commodities exchange does not determine their value, but their value determines the rate at which they exchange' (Marx 1971a, p. 132).

33 Marx 1971a, p. 150.

34 See Marx 1976a, p. 130.

35 Furner 2004, p. 97.

36 Furner 2004, p. 98. Furner passes over in silence the complications for Bailey's theory of

exchange of commodities in given proportions could not proceed if it were not underpinned by some sort of qualitative homogeneity', that will not prove that there is some supersensible property, value, that is intrinsic to commodities.[37] Furner's intention is not to defend Bailey's theory that the 'qualitative homogeneity' underlying commodity exchanges is nothing intrinsic to commodities but rather purely subjective relative esteem. Furner is simply proposing that, at this level of argument, Marx cannot defeat Bailey and establish his own (labour) theory of value. But, like generations of interpreters and critics of Marx going back to Böhm-Bawerk, Furner overlooks the fact that, both in *Capital* and in his critique of Bailey, Marx mocks the very idea of subjective value theory. Here is what Marx has to say (in the fifth paragraph of *Capital*) about the idea that usefulness is something purely subjective, that is, wholly separable from all particular features of the useful thing, 'The usefulness of a thing 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'.[38] The brevity of Marx's critique does not detract from its profundity and finality. The idea that usefulness is something 'qualitatively homogeneous' is simply a non-starter. Marx does answer subjective value theory in the first chapter of *Capital*; it is just that few seem to notice.[39]

value raised by introducing 'relative esteem'; for example, if value is 'relative esteem', then the exchange relation is not value – as in Bailey's official theory – but the expression of value.

37 Furner 2004, p. 99.

38 Marx 1976a, p. 126. Marx directs this point explicitly against Bailey's subjectivistic theory of use value, 'it is through its own properties, its own qualities, that a thing is a use-value and therefore an element of wealth for men. Take away from grapes the qualities that make them grapes, and their use-value as grapes disappears for men and they cease to be an element of wealth for men' (Marx 1971a, p. 129). See also Marx 1971a, p. 144. Marx closes Chapter One of *Capital* on this point, chiding those economists – he has just quoted Bailey – who 'find that the use-value of material objects belongs to them independently of their material properties' (Marx 1976a, p. 177).

39 In this criticism of subjective value theory, we glimpse Marx's rejection of the subjectivism of modern thinking, what Marx often called the 'bourgeois horizon' common to modern philosophy and political economy. Conversely, it may be taken as an indication of Marx's renewal of Aristotelian philosophy, which opposes the bifurcations of modern thinking. Perhaps that explains why it has been overlooked.

4 Is Bailey's Theory of Value Transhistorical?

Furner examines and sets aside one possible argument for the superiority of Marx's value theory over Bailey's, namely, the charge that Bailey uses 'a transhistorical category', relative esteem, 'to explain a historically specific phenomenon'.[40] After granting that there is a 'real slackness about the way in which Bailey jumps from using transhistorical to historical terms', Furner lets him off the hook because 'in practice, Bailey used the concept of esteem in connection with terms particular to commodity production such as market competition'.[41] Here, I think Furner underestimates Bailey. Bailey's conception of 'relative esteem' is not transhistorical even in theory.

In his *Critical Dissertation on Value* (1825), Bailey introduces 'relative esteem' as follows:

> It is only when objects are considered together as subjects of preference or exchange, that the specific feeling of value can arise. When they are so considered, our esteem for one object, or our wish to possess it, may be equal to, or greater, or less than our esteem for another; it may, for instance, be doubly as great, or, in other words, we would give one of the former for two of the latter.[42]

Bailey does slur 'preference' into 'exchange', proving Furner's point about his 'slackness'; still, it is fair to say that Bailey believes that 'the specific feeling of value' arises only where we have a social practice of commodity exchange. In putting the term 'exchange' into his explanation of 'relative esteem', he introduces the idea that value exists only where there is generalised commodity exchange. In fact, Bailey says as much. Writing of Torrens's 'excellent' observation 'that value is not essential to the idea of riches', Bailey wonders 'whether it [value] is not always implied, and whether the latter term would have been invented in a state of society in which there was no interchange of commodities'.[43] This conceptual link between 'relative esteem' and commodity exchange is further confirmed by Bailey's praise for Smith's definition of value as purchasing power, 'the definition of Adam Smith, therefore, that the value of an object "expresses the power of purchasing other goods, which the possession of that

40 Furner 2004, p. 100.

41 Furner 2004, p. 100.

42 Bailey 1967, p. 2.

43 Bailey 1967, p. 166, n.

object conveys", is substantially correct'.[44] Bailey's conception of value as 'relative esteem' incorporates the phenomenon of commodity exchange; contrary to Furner, it is not transhistorical, even in theory.[45]

We might say that, when Bailey insists that 'relative esteem' must be expressed in the exchange of commodities, he injects value-form theory into a conception of value meant to be purely subjectivistic. But how can value-form theory, which conceives of exchange value (price) as the necessary form of appearance of value, be an ingredient of a purely subjectivistic account of value? Commodity exchange is an objective and historically specific social practice. If commodity exchange belongs to the concept of value, as it appears to in Bailey's theory, the intent to frame a purely subjective theory of value is violated. Value-form theory is incompatible with any purely subjectivistic value theory. So Bailey's stab at a subjectivistic theory of value does not represent a viable alternative to Marx's value theory, as Furner claims. If Bailey's theory of value were transhistorical, Marx would be justified to criticise it as such, as Furner grants. But not being transhistorical does not make Bailey's theory of value a viable option; instead, the theory implodes.

5 Money

Furner is correct that Marx's theory of money is superior to Bailey's because he explains what money expresses and why it exists. This provides a good reason to judge Marx's theory of value to be superior to Bailey's. Equally, though, it can be said of Bailey's theory of value that it fails to explain why value exists. Though Bailey recognises value as specific to societies where there is commodity exchange, he has no account of why there is such a practice, hence why there is value, any more than he has an account of why there is money – and for the same reason. Bailey has no notion of the inseparability of forms of production and forms of distribution (exchange). Bailey is oblivious to the topic of the social form of production. Lacking that idea, Bailey cannot say why commodity exchange attains prominence in a society, which on his terms is the same question as why there is value. This counts against Furner's claim that the superiority of Marx's theory of value first appears when he gets to money. Marx can account for why there is value; Bailey cannot.[46]

44 Bailey 1967, p. 4.

45 Compare Marx 1971a, p. 163.

46 Consequently, Bailey's theory of value is, as Marx calls it, fetishistic: 'Bailey is a fetishist

Furner's critique of Bailey's thinking about money sidesteps several of its severe shortcomings. (i) Bailey does not understand what money is; that is, he lacks the proper concept of money.[47] Bailey does not recognise that money must be the exclusive commodity in what Marx calls the general equivalent form of value; money is the one and only commodity that is 'directly social', that is, directly and universally exchangeable.[48] This connects to Bailey's failure to recognise that commodities 'have' exchange values, since that is possible only where there is money (properly understood). (ii) Bailey cannot get money right because – though in identifying value with exchange value, he insists on the relational character of value – he does not see the *polarity* of exchange value.[49] He misses its polarity because he does not recognise the root of that polarity, the double character of commodity-producing labour. Consequently, as Marx points out in a passage that Furner quotes,[50] Bailey fails to see that money, and money alone, answers the need for a qualitative transformation of commodity-producing labour, from privately undertaken into socially valid labour. (iii) Bailey's theory of money as the measure of value will not work because his general theory of measuring the value of any two commodities in a third commodity does not work. (iv) Because Bailey excludes the possibility of comparing the value of any commodity (the money commodity included) across time, he cannot make sense of money's functioning as a measure of value

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in that he conceives value, though not as a property of the individual object (considered in isolation), but as a relation of objects to one another, while it is only a representation in objects, an objective expression, of a relation between men, a social relation, the relationship of men to their reciprocal productive activity' (Marx 1971a, p. 147).

47 Furner observes: 'Marx claims that Bailey cannot say what money is an expression of and thus why it exists at all' (Furner 2004, p. 102). True, but Marx claims that Bailey does not even understand what money is.

48 Marx 1976a, p. 161. This involves an observational lapse on Bailey's part, for the exclusivity of money's character as directly and universally exchangeable is observable to the ordinary participant in a capitalist society: 'Everyone knows, if nothing else, that commodities have a common value-form which contrasts in the most striking manner with the motley natural forms of their use-values' (Marx 1976a, p. 139). It is a singular strength of Marx's theory of money that it accounts for this phenomenon.

49 Furner never mentions the polarity of the value form. Polarity comes up in Marx's treatment of the simple form of value (in section three of Chapter One), which constitutes a reply to Bailey (Campbell 1997, p. 94): 'The relative form of value and the equivalent form are two inseparable moments, which belong to and mutually condition each other; but, at the same time, they are mutually exclusive or opposed extremes, i.e. poles of the expression of value' (Marx 1976a, pp. 139–40).

50 Furner 2004, p. 101.

or a store of value (means of payment).[51] Let us consider the first and third points in more detail.

(i) One could say that Bailey's is not so much a theory of money as a denial that money exists.[52] Money, according to Marx, is the commodity that exclusively occupies the universal equivalent form of value and thereby directly incarnates value. According to Bailey, there is no such thing. Bailey regards each commodity as a new kind and a new measure of value:

> The value of any commodity denoting its relation in exchange, we may speak of it as … corn-value, cloth-value, according to the commodity with which it is compared; and hence there are a thousand different kinds of value, as many kinds of value as there are commodities in existence, and all are equally real and equally nominal.[53]

With Bailey, everything is money and nothing is money.

(iii) Furner is right to trace Bailey's theory of money back to his idea that the values of two commodities, A and B, can be compared only by seeing how each relates to C, a third commodity. Bailey explains:

> If we wish to know whether A and B are equal in value, we shall in most cases be under the necessity of finding the value of each in C; and when we affirm that the value of A is equal to the value of B, we mean only that the ratio of A to C is equal to the ratio of B to C.[54]

But the ratio of A to C (say, ten gallons of milk to one ounce of gold) cannot equal the ratio of B to C (say, ten gallons of gas to one ounce of gold) unless A and B are commensurable. A subtle bait and switch is going on here. Bailey conflates the ratio of the units of A to the units of C with the ratio of the number of units of A to the number of units of C (ten to one). By eliminating the dimensions of

51 See Marx 1971a, p. 162.

52 Likewise, one can say that Bailey's is not so much a theory of value as the denial that value exists. (i) Bailey denies that value is any one thing; rather, there are as many kinds (and measures) of value as there are commodities. (ii) Against Ricardo, Bailey insists that value is not a property of commodities; in fact, it is not a property of anything: nothing has value.

53 Bailey 1967, p. 39. Furner does not mention this passage, though Marx quotes it in Marx 1976a, p. 155, n. 25. Bailey gets even more explicit in rejecting the exclusivity of money, and thereby rejecting money's existence, 'Money-value has no greater claim to the general term "*value*", than any other kind of value' (Bailey 1967, p. 58).

54 Bailey 1967, p. 8.

A and C (milk and gold), the latter expression reduces to a number, ten, which could be compared to the number obtained by handling the ratio of B to C in the same manner. If the numbers are the same, we say A and B have the same value. But there is no justification for dropping the dimensions to arrive at this number. That leaves us comparing a ratio of ten gallons of milk to one ounce of gold with a ratio of ten gallons of gas to one ounce of gold.[55] There is no way to equate these two ratios and determine that A and B have the same value except to make the assumption that, as values, A, B and C are homogeneous: they have a common dimension. Only then would the dimensions of A over C and B over C cancel out. But, to concede that A, B and C have a common dimension is to concede the point of Marx's 'third thing argument'. Nothing in Bailey's official conception of value allows us to do this.[56]

6 Capital

In his section on capital, Furner points up problems that Marx identifies in Bailey's theory of profit. One problem goes to capital's root: determining profit involves comparing the value of one's investment with the value of the return, but Bailey excludes comparison of values across time.[57] No doubt, this counts heavily against Bailey's theory of value. Furner raises a further problem with Bailey's theory of profit. Due to the multiplicity of kinds and measures of value in Bailey's theory, profit, understood as the capitalist's portion of the commodities sold, could go up while the value of profit could go up, stay the same, and go down – all at the same time – depending upon which measure of value one employs. Furner quotes Marx: 'It merely amounts to a repetition by Bailey of his proposition that value is the quantity of articles exchanged for an article'.[58]

55 Furner even quotes a passage from Marx where he effectively makes this argument: 'The value of A expressed in B must be something quite different from the value of A in C, as different as B and C are. It is not the same value, identical in both expressions, but there are two relations of A which have nothing in common with each other, and of which it would be nonsense to say that they are equivalent expressions' (Marx 1971a, p. 150, as quoted in Furner 2004, p. 99).

56 That Bailey has no way to compare the values of different commodities is one more count against his theory of value.

57 'Is it not a fact that, in the process of circulation or the process of reproduction of capital, the value of one period is constantly compared with that of another period, an operation upon which production itself is based?' (Marx 1971a, p. 154).

58 Furner 2004, p. 104.

Referring to this passage Furner mentions 'the confusion between use-value and value that arises within Bailey's discussion at the level of the commodity'.[59] Ironically, by identifying value with the use value of the commodity for which another commodity is exchanged, Bailey finds himself making that use value an invariable measure of value.[60] If, in the course of a year, wages go from one bushel of wheat to two, they have doubled according to Bailey's thinking. But, as Marx pointed out in his appeal to the common merchant, everyone knows that the value of a bushel of wheat does not remain constant. Value is not use value. By identifying value with use value, Bailey wants the impossible – to wipe away the inescapable fetish character of the commodity form of wealth without changing the social form of production. Contrary to Furner's thrust, this gives us a good reason to prefer Marx's theory of value to Bailey's even at the level of the commodity.

There is a problem with Furner's argumentative strategy that cuts across his sections on money and capital. He reasons that Marx's theory of value is superior to Bailey's since, in the case of money, it can explain what money expresses and why it exists, while, in the case of capital, Marx's theory of value allows, as Bailey's does not, for comparisons of value across time, without which the circuit of capital makes no sense. All true, but one wants to know with what justification Furner introduces Marx's theory of value in these sections. After all, he has argued that Marx's own case for his theory of value, which goes through the 'third thing argument', begs the question. So how do we get to Marx's theory of value at all?[61] Furner provides no alternative line of argument. Rather, value drops into his sections on money and capital like a *deus ex machina*.

I have tried to make the case that Furner is wrong to think that, in assuming commodities 'have' exchange values, Marx's 'third thing argument' begs the question. It is wrong to think that there is any level at which Bailey's subjective value theory can compete with Marx's labour theory of value. With regard to the latter point, I have argued both that Marx directly attacks the idea that value can be purely subjective – the very idea of purely subjective utility is

59 Furner 2004, pp. 104–5.

60 Actually, this is doubly ironic: first, because Bailey was so critical of Ricardo's search for an invariable measure of value, and, second, because Bailey's insistence that comparing value across time is senseless puts the whole issue of the variability or invariability of value out of bounds. On the latter point, see Marx 1971a, pp. 150–1.

61 Marx emphasises the necessity to develop the concept of value at the level of the commodity, not capital, toward the end of his critique of Bailey, Marx 1971a, pp. 164–5. See also p. 131.

bogus – and that, because Bailey's value theory incorporates the idea that value ('relative esteem') must be expressed in the exchange of money and commodities, it undermines its own claim to be purely subjective. One purpose I have in defending the way Marx develops his theory of value is to show that a reconstruction of Marx's value theory along the lines suggested by Chris Arthur is unnecessary. I hope that none of this will detract from the service Furner has done by calling attention to Marx's critique of Samuel Bailey and by forcing us to think through what it means for a commodity to 'have' an exchange value.