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# Introduction to the Reinterpreted Labor Theory of Value (RLTV): A Detailed Summary of "A Modern Reinterpretation and Defense of Labor Theory of Value"

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**Introduction to the Reinterpreted Labor Theory of Value (RLTV): A Detailed Summary of  
“A Modern Reinterpretation and Defense of Labor Theory of Value”**

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**Author Note**

This is a detailed summary article representing an introduction to the theories as presented in the main work which can be referenced as:

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### Abstract

This summary article offers a detailed overview and analysis of Jarold McWilliams's "A Modern Reinterpretation and Defense of Labor Theory of Value." McWilliams's work presents a *Reinterpreted Labor Theory of Value* (RLTV) as a superior framework for understanding modern capitalism, challenging both traditional LTV and neoclassical economics. We systematically examine the core arguments and propositions of the RLTV, highlighting its key innovations: the grounding of value in social relations directly rather than starting from the commodity standpoint, the dual determination of price and value, the contribution of both living labor and capital to surplus value, and the historical and path-dependent nature of value accumulation. The major consequences of these crucial insights are to effectively address most every long-standing issue of the traditional LTV. This summary also explores McWilliams's engagement with fundamental meta-physical concepts integral to the theory like *Inseparability* and *Oneness*, his critique of alternative theories, and his application of the RLTV to various economic contexts. The purpose of this article is to provide a detailed and accessible overview of McWilliams's contribution to value theory. The concluding analysis of the work suggests that the RLTV represents a significant advance on the traditional labor theory, and that it should also have the significant potential to supplant neoclassical theory and/or leading heterodox approaches in mainstream economic thought.

## I. Core Argument and Purpose:

The central argument of McWilliams's work is that a *Reinterpreted Labor Theory of Value* (RLTV) offers a superior framework for understanding modern capitalism compared to both traditional LTV and Subjective Value Theory (SVT), which underpins neoclassical economics. He doesn't just defend the traditional LTV; he significantly *revises* it to address its historical weaknesses, particularly the "transformation problem," and other major sticking points such as the value productivity of non-labor inputs. The RLTV retains the core strengths of the traditional labor theory of value in describing that value is a social relational process which originates in the sphere of production and that value is then realized in the sphere of exchange. The RLTV goes beyond the traditional theory in several key aspects though. The RLTV recognizes that Value and Price are dually determined in both of these spheres in a fundamentally social relational process. The theory fully integrates the historical and social determinants of value: the objective factors in the production sphere, along with both the subjective and objective factors in the sphere of exchange. RLTV has merit in more precisely describing value's origin and dynamic character, its social relational qualities, and its historical accumulation and path-dependent nature, and the theory recognizes that these prominent features are all easily recognizable in the predominant capitalist system that we live in. RLTV represents a significant advance over the traditional theory with profound implications for general economic theory and policy. The aim of the theory is that it can completely supplant both traditional LTV and neoclassical SVT approaches.

## II. Key Distinctions from Traditional LTV:

The RLTV is *not* simply a restatement of Marx or Ricardo, and it can even be said to follow a more Smithian tradition. Regardless, it makes several crucial departures:

1. **Capital Contributes to Surplus Value:** This is the most fundamental difference. Traditional LTV holds that *only* living labor creates surplus value. The RLTV argues that *both* living labor *and* capital (understood as embodied labor *and* accumulated surplus value) contribute to the generation of new surplus value. This is presented as the solution to the transformation problem.
2. **Historical and Path-Dependent Value Accumulation:** The RLTV emphasizes that value is not static but accumulates *historically* through processes of exploitation (of both

living labor and embodied labor in capital), reinvestment of surplus value, and technological change. This dynamic, evolutionary view is central to the RLTV's explanatory power.

3. **Social Relations as the Starting Point:** Instead of beginning with the commodity (as Marx did), the RLTV starts with *social relations* – specifically, the power relations between capital and labor – as the foundation of value. This leads to a more "metaphysical" (as opposed to "materialistic") understanding of value.
4. **Value and Price are Dually Determined:** Unlike some interpretations of the traditional LTV, which see a significant gap between (labor) value and market price, the RLTV argues that value and price are *dually determined* and fundamentally aligned under normal market conditions. They are two sides of the same social process, reflecting both the sphere of production (socially necessary labor and accumulated surplus value) and the sphere of exchange (market realization). This directly addresses the transformation problem.
5. **Value Beyond Equilibrium:** McWilliams asserts that the RLTV is not restricted to an equilibrium state. Price and Value align, and are dually determined, even under conditions of market shortage or surplus.
6. **Rejection of Marginal Productivity Theory:** The RLTV explicitly rejects the neoclassical concept of marginal productivity as an explanation for factor payments (wages, interest, rent). It argues that marginal productivity theory is circular and ignores power relations.

### III. Structure of the Work:

The work follows a logical progression, building its argument step-by-step:

1. **Abstract and Introduction:** Sets out the core argument and the goals of the RLTV.
2. **Review of Traditional LTV:** Summarizes the contributions of Smith, Ricardo, and Marx, highlighting key concepts (embodied labor, socially necessary labor time, surplus value, use value vs. exchange value) and the historical development of the theory. This section is approached from the lens of the RLTV and takes a critical and historical-logical

approach to differentiate itself from the traditional theory. It acknowledges the transformation problem as a major weakness of Marxist LTV.

### 3. Critique of Traditional LTV (Contemporary Issues):

- **"Simple Attacks":** Addresses common criticisms of the LTV (that it ignores capital, demand, etc.) and shows how the traditional LTV (or its proponents) can respond.
- **"Complex Attacks" (Sticking Points):** Discusses more fundamental challenges, such as the role of entrepreneurship, the transformation problem, and the economic calculation debate. Acknowledges that the traditional LTV struggles to adequately address these. The RLTV is presented as a potential solution to address these more complex attacks.

### 4. Presentation of the Reinterpreted Labor Theory of Value (RLTV): This is the core of the paper. It lays out the key principles of the RLTV:

- Initially (9) core propositions summarizing the RLTV, later expanding to twelve.
- Explanation of how both living labor and capital contribute to surplus value.
- Emphasis on the historical and path-dependent nature of value accumulation.
- The social nature of value, arising from power relations in production and exchange.
- The dual determination of value and price, resolving the transformation problem, as well as the social relational nature of the law of value.
- Discussion of concepts like "exploitation" (in a technical sense), the "economic base structures," and the "inseparability" of capital, labor, and technology.
- Brief but unique discussions on Land and Interest.

### 5. Reconciliation with Modern Financial Valuation: A novel attempt to link the RLTV to Discounted Cash Flow (DCF) analysis and the income statement. Argues that financial practices implicitly reflect the principles of the RLTV.

6. **Reconciliation with Growth Theory:** Briefly connects the RLTV to the Harrod-Domar growth model, highlighting the role of reinvested surplus value in driving economic growth.
7. **Alternative Conceptions of Value:** Mounts an extensive, critical attack on subjective value theories, including a scathing attack of marginal productivity theory.
8. **Conclusions:** Summarizes the advantages of the RLTV and its potential to provide a more realistic and comprehensive understanding of capitalism.

#### IV. Key Concepts and (Re-)Definitions:

- **Embodied Labor:** Labor that has been previously expended and is now "stored" in capital goods (machines, tools, etc.). Also referred to as "dead labor" or "distilled labor".
- **Living Labor:** The human labor currently being expended in the production process.
- **Surplus Value:** The difference between the value created in production and the value paid to labor (and, in the RLTV, the value necessary to reproduce capital). It's the source of profit, interest, and rent.
- **Exploitation (Technical Sense):** The appropriation of surplus value by the capitalist class by exploiting both living labor and historically accumulated (embodied) labor. Not necessarily a moral judgment, but a description of the capitalist production process.
- **Socially Necessary Labor Time (Modified):** In the RLTV, it's not just *time* that matters, but the *value* represented by that socially necessary labor (and capital). This value is historically determined and shaped by power relations. Also satisfactorily explains skilled vs unskilled labor differentials, via (historical and institutionally derived) human capital components and social power relationships and reproduction of values, in a significant advance over traditional theory.
- **Economic Base Structures:** The available capital stock, the labor force, the level of technology, and the institutions that govern economic activity. These are historically accumulated and shape the possibilities for value creation.

- **Inseparability:** The idea that capital, labor, and technology are not independent factors of production but are deeply intertwined and mutually dependent. It is not proper to separate these factors under analysis or growth.
- **Oneness:** The principle that, for analysis of complex interrelated systems like an economy, a single multi-faceted concept of value is necessary.
- **Dual Determination of Value and Price:** The core idea that value (determined in production) and price (realized in exchange) are two aspects of the same social process and are fundamentally aligned.
- **Historical Accumulation:** The ongoing process by which surplus value is reinvested, leading to the growth of the capital stock, technological progress, and the expansion of the economic system.

#### **V. Major propositions of the Reinterpreted Labor Theory of Value (RLTV):**

1. The fundamental unit of analysis is not the isolated commodity, but rather the social relations of production and exchange within a historically evolving capitalist system. These relations, particularly the power relations between capital and labor, shape the creation, distribution, and realization of value.
2. The relative exchange values of commodities are primarily determined by the socially necessary effort required for their production, encompassing both the living labor directly applied and the past labor embodied in the capital goods used in the production process.
3. Capital, in its physical form, represents historically accumulated labor and surplus value, taking the form of means of production. While ultimately derived from past labor, capital, in conjunction with living labor, contributes to the creation of new surplus value in the present.
4. Exchange-value reflects the social relations of production and exchange under capitalism. While a commodity must possess use-value (utility) to be exchanged, this qualitative aspect does not determine the quantitative ratio of exchange (exchange-value). Exchange realizes and validates the socially necessary labor embodied in commodities.



5. Surplus value is generated in the sphere of production through the application of both living labor and the accumulated past labor embodied in capital. The capitalist appropriates and realizes this surplus value when the finished commodities are sold.
6. Value is a social relation, created in the sphere of production and realized through exchange.
7. Both living labor and capital (I.e. embodied labor values) contribute to surplus value generation in the production process; these values accumulate historically, creating a path-dependent trajectory for the economic system.
8. The economic system is characterized by the dynamic and inseparable interaction of technology, the accumulated stock of capital (embodied labor and accumulated surplus values), the skills and organization of labor, power relations, and the institutions and social norms that structure production and exchange. These elements evolve historically and are interdependently and dynamically related, shaping each other over time.
9. Use-value, representing the specific utility of a commodity, is inherently qualitative and not directly commensurable with exchange-value.
10. Effective demand, conditioned by historical accumulations of labor and surplus value, plays a necessary role in the realization of value, but remains subordinate to historically determined, path-dependent conditions of socially necessary labor in production. The extent to which demand is a determinant of value is exactly that extent to which it can reproduce the labor and surplus values.
11. The RLTV framework does not rely on equilibrium assumptions or idealized market structures; it is fully applicable under disequilibrium conditions and in situations involving market power, accurately reflecting the dynamics and historical contingency of real-world capitalist systems.
12. Individual subjective valuations, such as marginal utility and willingness-to-pay, fail to capture the historically contingent, objective social relations that fundamentally determine economic value.

## **VI. Strengths of McWilliams's Work:**

- **Original and Ambitious:** A bold attempt to revitalize and revise the LTV.
- **Resolves the Transformation Problem:** The core argument about capital contributing to surplus value is presented as a solution.
- **Historical and Dynamic Perspective:** Emphasizes the historical and path-dependent nature of value.
- **Focus on Social Relations:** Highlights the social and power dynamics underlying value creation.
- **Critique of SVT:** Strong arguments against the foundations of neoclassical economics.
- **Connection to Finance:** Novel attempt to link value theory to financial practices.

## VII. Overall Impact and Significance:

McWilliams's work is a significant contribution to the ongoing debate about value theory. It offers a fresh perspective on the LTV, attempting to overcome its historical limitations while retaining its core insights, and substantially improving on the traditional theory. It challenges the dominance of neoclassical economics and even the dogma that has crept into heterodox economics. It provides a framework for understanding capitalism as a dynamic, historical, and social process. Whether the RLTV can become a dominant paradigm remains to be seen, but it's a provocative and well-argued work that deserves serious consideration by economists and social scientists. It has the potential to stimulate a renewed debate about the fundamental nature of value and its role in shaping economic systems.

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