

THE EPISTEMOLOGY OF THE 'TRANSFORMATION  
PROBLEM' IN MARX'S CAPITAL

by

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## ABSTRACT

This thesis introduces the arguments of the new French Structuralist school of Marxism led by Louis Althusser, and attempts to test the validity of their proposals by applying them to a traditional economic problem in Capital; that of the transformation problem.

The first chapter outlines the structuralist perspective, its uniqueness, and its effect on a reading of Marx, by comparing it to the more popular theoretical traditions within Marxism of historicism and humanism. The conclusions of this discussion, especially its epistemological ramifications, are then extended in a re-examination of Engels' relationship to Marx, and the determinate role which he (Engels) played in "interpreting" historical materialism.

Working from Engels' understanding of the transformation problem (the transition from volume I to volume III in Capital), the extant literature surrounding the debate is introduced in chapter three, and special attention is paid to how the basic premises of this problem have re-surfaced in recent neo-Ricardian debates. In other words, an attempt is made to construct a continuum between the early criticisms of Marx, -- Bohm-Bawerk, Bortkiewicz, etc. -- and the rationale of Pierro Sraffa's work as it has been employed by Maurice Dobb and Ronald Meek.

Following this discussion, the early theoretical roots of the labour theory of value -- i. e., Adam Smith and David Ricardo -- are developed so as to provide a basis for understanding Marx's theoretical "break" with the traditional object of political economy. Here, the emphasis is placed on the dissimilarity of Marx's problematic from that of classical political economy, and how this dissimilarity is due to his new epistemological presuppositions.

The intent of this study is to illustrate that, by following the structuralist interpretation of Capital, the "transformation problem" is, and never was, an obstacle in the logic of Marx's discourse; secondly, that the "issue" of the "transformation problem" has had its roots in a series of epistemological misconceptions over the real nature of Marx's problematic in Capital. In short, this thesis attempts to identify a new object in Marx's work according to the structuralist reading.

## TABLE OF CONTENTS

	Page
Title Page . . . . .	1
Abstract . . . . .	11
Table of Contents . . . . .	iv
List of Tables . . . . .	vii
Introduction . . . . .	1

### CHAPTER I

Questions Concerning Epistemology . . . . .	8
Meszaro's Humanism . . . . .	10
A Critique of Philosophical Anthropology . . . . .	24
Colletti's Historicism . . . . .	34
The Meaning of History . . . . .	37
Empiricism and Historicism, Both an Essential Hegelianism . . . . .	43
Summary . . . . .	54

### CHAPTER II

Engels on Marx's Epistemology . . . . .	57
Engels and Hegel . . . . .	58
Engels' Notion of Historical Materialism . . . . .	67
Engels' Interpretation of Marx's Concept of History . . . . .	71

	Page
The Transformation Problem . . . . .	78
Engels, and the Labour Theory of Value . . . . .	80
Marx's Transformation . . . . .	84
Von Bortkiewicz and 'Marx's Error' . . . . .	93
The Transformation Problem and the Return to Ricardo . . . . .	109

#### CHAPTER IV

The Form of a New Solution . . . . .	125
Part A: Theories of Classical Political Economy	
Adam Smith . . . . .	126
Embodied Versus Command Theory of Value . . . . .	130
David Ricardo . . . . .	137
Ricardo's Critique of Smith . . . . .	141
Part B: Marx Versus Political Economy . . . . .	155
Marx's Redefinition of Use-Value and Exchange- Value . . . . .	155
1) The Invariable Measure of Value . . . . .	170
Significance of Marx's Distinctions . . . . .	177
Summary . . . . .	185

#### CHAPTER V

Is the Transformation Problem Irrelevant? . . . . .	186
The Law of Value and the Equivalent Exchange . . . . .	190
How do the Structuralists Situate the Trans- formation Problem . . . . .	197
In Conclusion: Structuralism and the Sympto- matic Reading . . . . .	199

Bibliography . . . . .	203
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LIST OF TABLES

		Page
Table I	Marx's Transformation Table . . . . .	92
Table II	Equilibrium Model . . . . .	97
Table III	Marx's Value Model Under Equilibrium Conditions . . . . .	98
Table IV	Marx's Price Calculation . . . . .	98
Table V	Prices of Production According to Bortkiewicz . . . . .	99
Table VI	Sraffa's Subsistence Economy . . . . .	111
Table VII	Surplus Producing System . . . . .	113
Table VIII	A Random "Unproportioned" Economic System . . . . .	119
Table IX	'Proportional' Industry . . . . .	119

## INTRODUCTION

This thesis introduces what for many will be a new perspective in the tradition of Marxist philosophy. The challenge of introducing the arguments of Louis Althusser, and what has become known as the "structuralists" school has been motivated by the increasing number of world-wide and unusually sharp controversies on the left. In the last few years it has become more and more important, both politically and theoretically, for the principles of the structuralist's paradigm to be expanded and put to test and this is the endeavor of this thesis.

The fundamental issues which are explored here concern the epistemological questions surrounding the later writings of Marx, and in particular those developing out of Capital. In the arguments which are to follow, I shall propose, by utilizing the structuralist reading of Marx, that the key to most of the misunderstandings in Capital are attributable to the incorrect epistemological presuppositions of the "orthodox left". To test the structuralist's position we shall examine a traditional economic problem in Capital (the transformation problem), in context of the broader epistemological questions which the structuralists have introduced. An objection may be made that, by accepting, rather uncritically, the premises of the structuralist's argument, this thesis fails in its attempt to test their suppositions. However, the intent of

this study is not as much to philosophically debate the validity of the structuralist paradigm<sup>1</sup> as to isolate and extend their epistemological ramifications onto those "so-called" anomalies within Capital. In this way, through what Thomas Kuhn has described as the process of "normal science", and which implies the provisional acceptance of a paradigm, I hope to be able to substantiate the claims of structuralist, and to all intensive purposes, further establish it as a compatible reading of Marx.

Unfortunately the development of this complex inter-relationship between questions of epistemology and the transformation problem has necessitated that I provide only vignettes, as it were, of the writings of the structuralist, and no attempt is made to treat their entire works in their systematic content.

Thus we begin, in chapter one, with a schematic presentation of the structuralist thesis by comparing it with two more popular "Marxist " theories; historicism and humanism. To be sure, the arguments of this first chapter may appear to be extraneous to the transformation problem, but through the course of this thesis I intend to demonstrate why in fact

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1. Paradigm, in this context, is similar to Thomas Kuhn's description of a paradigm as that process which re-constructs new fundamentals "handling the same bundle of data as before, but placing them in a new system of relations with one another by giving them a different framework". The Structure of Scientific Revolution, p. 85, 1962.



these arguments are vital to the solution of this problem. Among the more significant points established in this chapter are the radical distinctiveness of the structuralist position, that is to say, it's anti-humanist and a historical reading of Marx, as well as the epistemological roots for our later criticism of Engels' "historicism". Essentially we will be discussing the various ways one may schematize history, and the problems of perception which this question involves, between the object of knowledge and the object itself. Althusser has been accused in this debate of accepting a separation of subject and object, of reviving the Kantian duality, because he sees the order of concepts as being different from the order of the real. This does not mean that for Althusser the concepts are never adequate to their object, what it does mean is that the order in thought must be completely conscious of it's subject (i. e., because the subject may never really know the thing-in-itself). For Althusser the concept is adequate to it's object, which is an object in theory. The question basically revolves around the adequacy of the concept to it's object. He thus introduces the 'concept of representation' (as opposed to reflection) in the famous notion of Dart Stellung. In NO respect does Althusser agree with Kant, instead he deals with Kant's unknowable "thing-in-itself" as a fictitious object that is nothing more than the false knowledge of classical metaphysics.

In chapter two, the problems of Engels' epistemological assumption are examined in detail. The point to be made here,

following the first chapter, is that Engels does not progress beyond the confines of Hegel's perception of the object and subject relationship, and that in fact, he simply replaces the Hegelian "Absolute Idea" (as the subject of the process), with "Absolute History". By demonstrating an interconnection between Engels' epistemological suppositions and his explanation of the transformation problem, it becomes clear that Engels, and the "historicist" reading in general, does not identify the real problematic of Capital and hence cannot successfully resolve the transformation debate.

Finally, in chapter three, considerable time is spent outlining the transformation problem through a synopsis of the extant literature on the subject. More specifically, here we examine how and why such Marxist critics as Bohm-Bawerk, and Ludwig Bortkiewicz have located the transformation problem as "the Achilles heel" of Marx's system. Furthermore I attempt to prove that Bortkiewicz's argument is particularly significant in that the later day quantitative and empiricist readings of Marx directly appear to stem from these original criticisms. For example, the more recent writings of the Neo-Ricardians, especially Sraffa's discussion of the labour theory of value, are discussed in terms of their relationship with Bortkiewicz and Bawerk's problematic. Through this kind of investigation, an attempt is made to exemplify a continuum between these earlier arguments and some of the more recent efforts of Marxist economists. Ronald Meek and Maurice Dobb are used as examples to illustrate just

how the Sraffian problematic has been transferred onto the transformation problem by Marxists in hopes of countering criticism made by such recent opponents as Paul Samuelson. The theoretical core to both Meek and Dobb's position, we shall find, is that Marx did successfully "solve", or at least attempt to solve, the earlier difficulties encountered by Ricardo in his defense of the labour theory of value -- i. e., as the only means for standardizing a commodity's value.

However, this thesis argues that Marx did not simply extend the problematic of Adam Smith or Ricardo, even although their language was, by necessity, often similar. In other words, this thesis argues that Marx introduced a new paradigm which effectively transgressed the perimeters of classical economic thought, and that this new paradigm is located in the theoretical structure of mode of production. Moreover, it argues that we have not been able to recognize this "break" with the classical paradigm, in fact we have stifled such a notion as a "break", precisely because we have continued to read Marx's problematic only in terms of the classical notion of economics.<sup>2</sup> (footnote on next page)

Having at least posed the question in chapter three, it is the task of chapter four to enlarge upon the critical elements in Marx's break with classical political economy.

This is done in two ways; first, a lengthy synopsis of the works and thought of both Ricardo and Smith is presented to show the intrinsic similarity of their problematics. Secondly, an attempt is made to substantiate the uniqueness of Marx's notion of value, use-value, and exchange-value through his own comments and criticisms of classical economics as well as by reconstructing the questions which Capital addresses. It is especially through this latter perspective that the transformation, or the transition from volume one to volume three, can be understood and explained vis a vis the structuralist frame of reference. The theoretical movement within Capital is thus found not to proceed from the more abstract to the more concrete as Sweezy has stated, but from the general to the particular; i. e., volume one constructs the general notion of mode of production and volume three illustrates this construct under peculiar (capitalist) conditions.

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2. Marx's comments in a circular letter to Bebel are appropriate; "There are attempts to bring superficially mastered socialist ideas into harmony with the exceedingly varied theoretical standpoints which these gentlemen (petty bourgeois intellectuals in the party) have brought with them from the university or elsewhere and of which owing to the process of decomposition which the remnants of German Philosophy are at present undergoing, one is more confused than the other. Instead of thoroughly studying the new science themselves to begin with, each of them preferred to trim it to fit the point of view he had already brought along". (My Emphasis), Marx & Engels; Selected Works, Volume III, p. 93.

The final chapter tries to embricate the epistemological problems directly into the transformation problem, as well as pointing in general terms to the effect of the structuralist reading on the labour theory of value.

In summary, I propose to examine the epistemology of the transformation problem in five stages:

1. Examination of some of the divergent views on the questions of what historical materialism comprises, and in particular it's interpretation in *Capital*.
2. Illustration of how Engels, rather than being the orthodox interpreter of Marx, actually provided the stimulus for revising historical materialism into an Economism.
3. Articulation of the highlights of the transformation debate and correlate the arguments to recent Marxist tendencies.
4. Identification, through the development of classical economic theory, of the fundamental distinctiveness of Marx's problematic and the implications it has upon an understanding of historical materialism.
5. Summation of the structuralist contributions to an understanding of Capital, and it's effect on the labour theory of value.

"this frontier is impassable in principle because it cannot be a frontier, because there is no common homogeneous space (spirit or real) between the abstract of the concept of a thing and the empirical concrete of this thing which would justify the use of the concept of a frontier".<sup>1</sup>

## CHAPTER I

### Questions Concerning Epistemology

Essential to any understanding of Marx's writings is a knowledge of his epistemological presuppositions. Despite the seeming obviousness of this statement, it is of paramount importance, precisely because of the lack in Marx's own writings of a text clearly specifying his methodology. The problematical significance of Marx's method or of dialectical materialism is reflected in the money substitute which have been proffered in it's absence; and by the political deviations from scientific socialism which have characterized the Communist movement in the 20th century.

What I propose to attempt in this first chapter, is an introduction to some of the key theoretical positions in the epistemological debate amongst Marxist scholars today. You must recognize that this debate if it were developed

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1. Louis Althusser, Reading Capital, p. 190.

fully, would require a study in itself, so I have here circumvented all but the essential disparities. Before beginning, let me first comment on what I believe to be the fecundity of such a limited examination. First, in the explication of the specificity of what has been described as the 'structuralist'<sup>2</sup> position, I hope to be able to illustrate that, from this epistemological position, we may read Marx's Capital in a radically new fashion, one which promises to overcome some of the heretofore particularly enigmatic difficulties in Marx's discourse.

Secondly, I intend to show the effect of the epistemological position, or philosophical problematic, of certain theorists in their 'solution' of the 'transformation problem'. With this in mind, my extremely schematic presentation of the epistemological deliberation is, I think, justified if only because of it's ability to provide a sufficient basis for the reader to locate the unique rubrics of the argument which follows.

To facilitate the understanding of the 'transformation problem' debate I have decided to compare the 'structuralists' position -- the writings of Louis Althusser, Etienne Balibar, Jacques Rancière, etc. -- with the two pre-

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2. This is rather a vague and misleading term -- for the most comprehensive expression of it's principles one should refer to the respective authors mentioned below.

vailing interpretations of Marx's thought; the principles of The Humanists which are here represented by the writings of Istvon Meszaros, and those of The Historicists, represented by Lucio Colletti. I begin then with an examination of the Humanist's theses, working from the presumption that the reader has at least a limited knowledge of both 'Structuralism' and 'The Humanism'.

### Meszaros' Humanism

We find that in his recent book, 'Marx on Alienation', Meszaros depicts the principles of 'economics' within Marx's Philosophic and Economic Manuscripts of 1844 as a new phenomenon in the writings of the young Hegelians. It is this new element, which, he believes, linked with the phenomenon of 'estranged labour' and the 'supersession'<sup>3</sup> of labour's self-alienation, provides the real overriding problem within the Manuscripts. Indeed this problematic, Meszaros conjectures, stands unaltered even in Marx's later writings; in other words, the object of Capital like that of the Manuscripts continues to articulate the "'transcendence of labour's self-alienation'"<sup>4</sup>. For Meszaros, and many other 'Marxists', the uniqueness of Marx's theory of historical

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3. L. Althusser remarks on this "innocent but sly concept of 'supersession' (Aufhebung) ... (as) merely the empty anticipation of it's end in the illusion of an immanence of truth", For Marx, p. 82.

4. Istvon Meszaros, Marx on Alienation, p. 19.



materialism in these early works is characterized by a synthesis of the problematic of the young Hegelians (the dialectic) and Marx's critical economic analysis (indeed Marx himself had remarked that his discoveries were established "by means of a wholly empirical analysis based on a conscientious critical study of political economy").<sup>5</sup> For them, the key to Marx's thesis is located in the conjuncture of Hegel and Political Economy, or better, in the product of this conjuncture -- Marx's theory of alienation. In reinforcing this proposition, Meszaros' book surveys in great detail the main phases in the development of the concept of alienation preceding Marx. For example in chapter two he follows the concept through the religious 'Judeo-Christian' sphere; feudal society; and the presuppositions of both the anthropological and idealist traditions. He divides the historical conceptual background into two ontological schools, the historical relativists (the philosophers of enlightenment, etc.) and the dialectical historicists (Hegel, etc.)

Both express fundamentally opposing approaches to the concept of man, either as anthropological man, or historical man in an idealist sense. What was necessary, according to Meszaros, for a real understanding of the phenomenon of alienation, was a materialist dialectical ontology. And the

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5. Marx, Philosophic and Economic Manuscripts of 1844, ed. Struick, p. 63.

credit, "the revolutionizing ideas of such a synthesis, however did not appear in the history of human thought before the sketchings of Marx's Economic Manuscripts".<sup>6</sup> The failure of all previous philosophers lay in their inability to go beyond the apriorisms of their ideological ontology. This shift in perspective which Marx is to make, (i. e., his great theoretical contribution), involved, at least for Meszaros "The critical adoption of the standpoint of labour from which the capitalistic process of objectification could appear as a process of alienation".<sup>7</sup> In illustrating Marx's position as one which is radically new he summarizes three general phases in the epistemological development prior to Marx's concept of alienation: first, the formation of a critique of alienation by Rousseau and Schiller; second, the speculative idealism of Hegel with it's necessity of suppression of capitalistic alienation; third, and finally, the school of young Hegelians whose proposition of eliminating capitalist alienation was based on a critical speculative method combined with moral

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6. Meszaros, p. 19.

7. Ibid., p. 64. Likewise Lukac's comments in 'History and Class Consciousness', "I can still remember even today the overwhelming effect produced in me by Marx's statement that objectivity was the primary material attribute of all things and relations. This links up with the idea already mentioned that objectification is a natural means by which man masters the world and as such it can be either positive or negative fact. By contrast, alienation is a special variant of that activity that becomes operative in definite social conditions", p. xxxvi.

postulates. Thus very little emphasis, in fact, very little mention is made by Meszaros, of Feuerbach, as being significant in the 'internal development' of the concept for Marx. Chronologically, in fact, he sees Marx confronting the problematic of alienation as early as the Critique of the Hegelian Philosophy of the Right (1843) and also in the Jewish Question (1843), however Marx's understanding of the problem at this particular time was hampered because he was economically naive, and thus his analysis was only partial. For Meszaros, the concept of alienated labour truly became manifest in it's universal explication within the 'Economic and Philosophic Manuscripts of 1844': He expounds, for instance, that "In the concrete realization of the potentiality of Marx's genius, his grasp of the concept of 'labours self-alienation' represented the crucial element: the Archemedian point of his great synthesis".<sup>8</sup> Thus it is in the "1844 Manuscripts" that Marx reputedly recognized productive activity (labour) as the mediator between man and nature; the nexus of his concept of alienation thus becomes characterized by the role which productive activity plays in the formation of social consciousness. It is through this central role (illustrated within the "Manuscripts") of activity, or labour's self-alienation, that the process of reification transfers social alienation into the consciousness of man. And it is the role of the mediator between Man

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8. Ibid., p. 76.

and Nature played by labour which ontologically links Marx with Hegel's monistic perspective of 'intellectual activity'. He writes, "It may seem paradoxical at first that, in spite of the materialistic conception shared by both Marx and Feuerbach, and in spite of the much closer political affinity between them than Marx and Hegel, the relationship of the historical materialist Marx and the idealist Hegel is incomparably more deeply rooted than Marx and Feuerbach".<sup>9</sup>

In other words, whereas for Hegel the notion of 'intellectual activity' was the inadversity of linking Man and Nature (of overcoming Kantian dualism), Marx's genius was to invert, to replace 'intellectual activity' with productive activity in general. Consequently Feuerbach's Kantian dualistic approach was irreconcilable with Marx, as Meszaros adds, 'For dualism remains dualism even if it is turned the other way around'.<sup>10</sup> The formulation of (alienated) labour's transcendental role (according to Meszaros) presents the underlying foundations of the whole of the later Marxian 'system' developed in Capital; it defines

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9. Ibid., p. 85.

10. Ibid., p. 86. On the same hand Althusser writes in For Marx "...the setting back on to it's feet' of the Hegelian philosophy (dialectic) for if it were really a matter merely of an inversion, a restoration of what had been upside down, it is clear that to turn an object right around changes neither it's nature nor it's content by virtue merely of a rotation'", p. 73.

the real perimeters of Marx's conceptual framework; "The Manuscripts of 1844, as we have seen" states Meszaros "lay down the foundations of the Marxian system, centered on the concept of alienation".<sup>11</sup> This is to say that Marx's later works (including Capital), empirically substantiate the concept of alienated labour, effectively illustrating how this alienation is reaffirmed by the mystifying bourgeois natural sciences, philosophy, and political economy, etc. In other words, we are told that Marx demonstrated how these disciplines reflect a fetishized existence through their integral relationship with commodity production, specifically because they act as reifications of the relations and means of production.<sup>12</sup> Hence alienation as seen through the eyes of the mediator (the labourer here as the subject of the process) is a socio-historical necessity, determined unconsciously, in response to the basic contradictions between private property and labour. A 'socio-historical necessity' also in the sense that labour acts as both the creator of new needs, and at the same time as the means for asserting man's supremacy over nature and consequently of satisfying these needs. What Meszaros portrays Marx as criticizing

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11. Ibid., p. 93.

12. Cf., pp. 112-4. Ibid. Or again Lukac's in History and Class Consciousness writes "This takes reification to its ultimate extreme: it no longer points dialectically to anything beyond itself: its dialectic is mediated only be (sic) the reification of the immediate forms of production", pp. 184-5.

within the 'Manuscripts', is not labour, but the social contradictions of wage labour; accordingly, he declares the "Transcendence of alienation is then a transcendence of the social contradictions and the fetishes of philosophy and political economy can only be provided from this perspective, or the critically adopted standpoint of labour in it's self-transcending universality".<sup>13</sup>

The distinctiveness of this new dialectical ontology for Meszaros was supposedly augmented by Marx's synthesis of the materialism of the classical political economist's analysis of man's productive activity. For Marx, we are told, the dialectical method of Hegel allowed the criticism of classical economists at the core of their failure, namely at their atemporal, and anthropological conception of man. But we may ask why indeed was this materialism so essential to the dialectical ontology? Meszaros tells us that "The very foundation of human existence and of all human attributes is the purposive productive activity which has, .... a relative priority over the concept of man; if one cannot present labour in a historical framework, showing the actual process in which purposive productive activity becomes wage labour (or 'alienated labour') one has no grounds for en-visaging a supersession".<sup>14</sup>

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13. Ibid., p. 113.

14. Ibid., p. 125.

In brief, we find that Meszaros credits on the one hand the classical economists (especially Adam Smith) for uncovering the fact that the accumulation of capital coincides with the division of labour, and that the governing power of modern society was in essence not political but economic (i. e., in the purchasing power of capital). On the other hand, their shortcomings were located in their inability to prove the assertion that the essence of private property is labour (Smith's first theory of value-labour quantified) and thus of linking the real nature of the division of labour with the theory of alienation. "One weakness, in the classical economists' materialism however, lies in their attempts at founding the division of labour in human nature" or in other words in Smith's confusion over the distinction between the social nature of the division of labour and the nature of the division of labour which was peculiar to his time. Subsequent to this confusion, Adam Smith's supposition (of man, as 'economic man', i. e., his propensity to truck, barter and trade) was perpetuated as the absolute preconditions for exchange, that is to say, as the condition indispensable for the division of labour, or as the condition which was beyond "supersession". From this light Meszaros tells us, that Marx was to criticize classical political economy by simply reversing the historical relationship between exchange and the division of labour; labour becomes responsible for exchange and private property -- consequently, his criticism culminates in a new concept of

man.<sup>15</sup> Indeed, Meszaros propounds "Marx's whole approach is characterized by a constant reference to man as opposed to wage-labourer. This is made possible only because his approach is based on a conception of human nature radically opposed to that of political economy".<sup>16</sup> The profundity of the conceptual analysis of the 'Manuscripts' is thus contained in Marx's 'species-being' as a historical concept: where man, through his own productive activity formulates a dynamic quality of human nature. Only then may private property and its human consequences be explained in terms of its mediations, and the possibilities of its transcendence be articulated or comprehended. Only then is it "expected that human nature (sociality) liberated from institutionalized egoism (the negation of sociality) will supersede 'reification', 'abstract labour', and imaginary appetites'".<sup>17</sup> This, of course, is to reduce the whole problematic of Marx's system down to the supersession (non-alienation) of productive activity in its threefold framework, i. e., to man's freedom from natural necessity (scarcity), in his freedom from unequal social relations (or 'the interfering power of other men') and finally, in the freedom for man to exercise his essential powers. However, it is through these three

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15. But even Ricardo was to criticize Smith's emphasis of the exchange process. We shall expand upon the nature of the classical political economists' analysis later in chapter IV.

16. Ibid., p. 148. (My Emphasis)

17. Ibid., p. 149.



forms (with Man as the subject of the process) that Meszaros' 'historical species being' remains at the level of speculative anthropology. The alienation of the 'essential powers' of man, is the alienation of "the specific human powers and characteristics, i. e., those which distinguish men from other parts of nature".<sup>18</sup> In other words, labour as the freely determined activity of man, may be contrasted with the baser animal functions of eating, drinking, and procreation which belong to the realm of necessity. And it is because man is enslaved by the labours of necessity under capitalism, that his 'essential powers' are sublimated, and that there exists such a 'fragmented society' composed of 'impoverished' individuals. In this instance wage labour therefore becomes reflective of the process of alienation; the activities of human labour no longer belong to the worker; hence alienated labour represents an inversion of his essence. "Human freedom" Meszaros argues "is not the negation of the specifically natural in the human being -- a negation for the sake of what appears to be a transcendental idea -- but on the contrary it's affirmation".<sup>19</sup> In fact he depicts Marx as presenting a two-fold 'real' human being, one in which Man exists as alienated 'commodity man' and another potentially in what Marx, and Meszaros, calls the "rich human being". The concept of the individual is thus dependent upon it's form being

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18. Ibid., p. 157.

19. Ibid., p. 162.

imposed by the natural and historical needs of man, and by the productive activity of human labour. If there is a congruency between these two, if labour is directed to the natural needs of man, he is a being for himself, he is truly a 'rich species being'.

In this sense, the 'social being' or historical species being is necessarily a "social" self whose nature is outside itself. Meszaros affirms to us, that "'having one's nature outside oneself' is the necessary mode of existence of every natural being"<sup>20</sup> and also that "society is man's 'second nature', the sense in which the original natural needs are transformed by it, and at the same time integrated into an enormously more extensive network of needs which are all together the product of socially active man".<sup>21</sup> Alienation therefore results in the divorcing of the individual 'species being's' needs from the social, or better, the natural from the self-conscious; i. e., alienation transforms spontaneous activity into 'coerced labour' an activity which is a mere means to obtain essentially animal ends (eating, drinking, procreating), and thus "what is animal becomes human and what is human becomes animal".<sup>22</sup> In

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20. Ibid., p. 169.

21. Ibid., p. 170.

22. Ibid., p. 159.

short, this means that the nature of man is a reification of his interrelationship with nature (productive activity) on the one instance, and also as a reification of his interrelationship with others in the historical form of the division of labour. New needs and demands are thus produced within the second nature of man which are alien, and estranged from the first, i. e., "there is nothing inherently human about the accumulation of wealth. The aim should, according to Marx, be the enrichment of the human being, of his inner wealth, and not simply the enrichment of the 'physical subject'".<sup>23</sup>

What Meszaros is attempting to confer here as Marx's problematic is a dualistic conception of man, much like that of Feuerbach's, and yet, in actual fact, we find that Meszaros distinguishes Marx from Feuerbach's conceptual framework. This interrelationship with Feuerbach for example, is found quite clearly in Feuerbach's Essence of Christianity where "Man", in distinction from the brute, "has both an inner and an outer life. The inner life of man is the life which has relation to his species -- to his general as distinguished from his individual nature ... Man in fact is at once I and Thou; he can put himself in the place of another, for this reason that to him his species, his essential nature and not merely his individuality, an object to which a subject

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23. Ibid., p. 178.

essentially, necessarily relates, is nothing else than this subject's own but objective nature ..."<sup>24</sup> According to Meszaros, the Marx of the 'Manuscripts' is disillusioned with Feuerbach's political and critical tendencies. For Meszaros, the point of connection between Marx and Feuerbach is more terminological than anything else. Subsequently, he contends that "Terminology in Marx's sense of course; i. e., implying that even a mystified terminology reflects a problem of reality that ought to be grasped in its proper setting. In other words, this kind of terminology contract should not be crudely simplified as 'lip service' or mere 'tactics'".<sup>25</sup> Meszaros reasons that, behind the terminology of Feuerbach, Marx conceals a new conceptual framework in contradiction to its heritage. This is due, as he argues, to the transition in the object or problematic by the synthesis of classical political economy with Hegel's dialectic. Together they emanate into a new conception of alienation and species being. Thus Feuerbach's species being recedes in the terminology of the presentation. When Marx is speaking of 'species being', it is not in a Feuerbachian sense but as a

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24. Struick, '1844 Manuscripts' by Marx, p. 241. Synonymously Marx writes "Man makes his life activity itself the object of his will and of his consciousness. It is not a determination with which he directly merges. Conscious life activity distinguishes man immediately from animal life activity. It is first because of this that his is a species being; or rather it is only because his is a species being that he is a conscious being".

25. Meszaros (1972), p. 236.

'real historical man', which is in uniformity with his most mature works. Hence Meszaros postulates throughout his book that Marx was not aligned with an idealistic notion of anthropological being in his early writings, that it is historical and therefore "quite the opposite of a break (between the earlier and later writings of Marx); the most remarkable continuity"<sup>26</sup> exists.

In summary then, we may say that Meszaros views Marx's real conceptual framework as that of alienation with historical men as it's subject, and it's significance, it's centrality, as not limited just to the early works, but rather "as we have seen in various parts of this study, the concept of alienation is a vitally important pillar of the Marxian system as a whole, and not merely one brick of it".<sup>27</sup> Also, what supposedly supports this 'system', is Marx's methodological perspective which as he says, is a product of his unique synthesis (and critique) of traditional philosophy and political economy. In other words, it is the insights which Marx has gained from the study of political economy combined with his philosophical criticism, i. e., his new methodology of historical materialism, which make him more profane and comprehensive than ever before. As a result, we find that for Meszaros, it is proper to identify Marx's his-

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26. Ibid., p. 220.

27. Ibid., p. 227.

torical materialism, his philosophy of history, as simultaneously his theory of alienation, i. e., "The Marxian ontology is dynamically historical and objectively dynamic".<sup>28</sup> Marx does not 'deduce' human society from an abstract set of categories but on the contrary sees the society as specific modes of existence of the social being. As such, he defines the ontological substance of this conception as "the self-mediating being of nature; i. e., as an objective being who cannot help being inherently historical",<sup>29</sup> or even more simply "History is the true natural history of man".<sup>30</sup> In a very programatic manner then, these are the outlines of Meszaros' argument. We have skipped many of the nuances which he introduces, but the above should provide sufficient material for a comparison with the epistemology of the structuralists.

### A Critique of Philosophical Anthropology

In polarity to Meszaros, we find that Althusser considers Marx as philosophically aligned with Feuerbach in the early writings (including the 'Manuscripts'). Hegel, we are told, projected history as self-creating; this is to say, subjective thought produces it's own existence and history moves in accordance to the movement of these 'rational ideas'.

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28. Ibid., p. 244.

29. Ibid., p. 251.

30. Ibid., p. 170.

But Feuerbach replaces the Hegelian 'Idea' with real concrete MAN as both the subject of history, and the commander of it's movement. Man again becomes the subject of history, not it's object. Clarifying Marx's relation to Hegel in these early writings, Althusser proclaims "Not only is Marx's terminology from 1842 and 1845 Feuerbachian (alienation, species being, total being, inversion of subject and predicate, etc.) but what is probably more important, so is the basic philosophical problematic".<sup>31</sup> In fact Marx's early critique of Hegel was posited from similar philosophical and humanist perspective as that of Feuerbach, a perspective, which Althusser contends he was later to break from in 1845. "Marx set himself apart from Feuerbach when he realized that the Feuerbachian critique of Hegel was a critique from within Hegelian philosophy itself".<sup>32</sup> For example, we find that Feuerbach in Essence and Christianity, poses "Man" as making God a projection of his best attributes. Alienation therefore becomes defined as the process of projecting man's attributes onto a foreign object. Religion in this instance, is the process of alienation. But more than this, Feuerbach reduces all philosophical questions down to the question "What is Man? ", and the answer to this question is found for him by examining religion, because religion is the

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31. Louis Althusser, For Marx, p. 45.

32. Ibid., p. 48.

alienated reflection, the mirror image, of the attributes of man. Thus Feuerbach replaces the Idea of Hegel with Man, Humanity (species being), becomes the subject-object of the process, and the original grounds for consciousness. All objects thus become an alienation (not of the Idea) but of humanity. The young Marx's concept of essence is founded on the metaphysical Feuerbachian concept of essence. For Marx, the alienation process is located in the productive activity of wage labour, that is to say, the labour process produces the alienation of the products of labour from the labourer, the alienation of the process of labour, the alienation of oneself (one's species-life), and finally the alienation from one's fellow-man.

Therefore, whereas for Feuerbach man produces God, for Marx the worker produces commodities. For both Marx and Feuerbach the products of labour contain a subjective part of the producer in their alienation. One of Althusser's primary contentions then, is that the young Marx, (up to and including ... 'The Holy Family' and 'The 1844 Manuscripts') has a similar problematic to Feuerbach, at least in his point of departure.<sup>33</sup>

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33. Engels' comments on Marx's further development of Feuerbach's thought, in Ludwig Feuerbach, "But the step which Feuerbach did not take nevertheless had to be taken. The cult of abstract man which formed the kernel of Feuerbach's new religion had to be replaced by the science of real men and of their historical development. This further development of Feuerbach's standpoint beyond Feuerbach himself was inaugurated by Marx in 1845 in The Holy Family", p. 41.



This link within the 'Manuscripts', between Feuerbach and Marx, is exacerbated by Marx's use of the concept of species being. Indeed for Althusser, Marx may be portrayed as simply transferring the concept of alienation from the realm of Feuerbachian theology to the economic anthropology of Adam Smith, although Althusser qualifies this in stating that Marx is unconscious of these conscious theoretical transfers. Consequently, in response to Meszaros' argument that Marx was simply utilizing an inverted Hegelian problematic, Althusser replies that "if it were really a matter of an inversion, a restoration of what had been upside down, it is clear that to turn an object right around changes neither it's 'nature nor it's content by virtue merely of a rotation".<sup>34</sup> In other words, a simple inversion will not remove the false problematic which sees the concept of man as the subject of the process of history from it's ideological domain. Thus the real significance of Marx's affinity with Feuerbach is in their communality of problematics. Indeed, by "borrowing a systematically interrelated set of concept, borrowing a real problematic cannot be accidental, it bends the borrower",<sup>35</sup> or more explicitly, for Althusser "a comparison of the Manifesto and of Marx's early works shows quite clearly that for two or three years Marx literally espoused Feuerbach's problematic; that he profoundly identified himself with it".<sup>36</sup>

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34. Ibid., p. 73.

35. Ibid., p. 46.

36. Ibid.

But what implications did this common problematic have upon Marx's writings? Feuerbach, according to Althusser, succeeded in doing what Marx has been accredited; he "poses the problems of German idealism with the intention of giving them a Hegelian type of solution: indeed, he tries to pose the unity of the Kantian distinctions or abstractions in something resembling the Hegelian idea. This 'something' resembling the Hegelian idea, while being it's radical inversion, is Man or Nature or Sinnlichkeit (simultaneously sensuous materiality receptivity and sensuous intersubjectivity)".<sup>37</sup> What this means is that Feuerbach succeeds in the impossible, he unifies, via the concept of species being or concrete man, the contradictions which had haunted the German philosophical schools for centuries, i. e., the subject vs object -- and yet he succeeds in this undertaking as a prisoner of their immense layers of ideology. Althusser comments "Thus, with Feuerbach, Man is the unique, primordial and fundamental concept, the factotum, which stands in for Kant's Transcendental Subject, Noumenal Subject, Empirical Subject and Idea, which also stands in for Hegel's Idea".<sup>38</sup> The subject of history, all of history's nuances, each event, becomes but a moment of Man's mediation with nature; the concrete is unified with the ideal, the theoretical to the practical, god with man, etc., ad nauseum. Likewise for Marx,

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37. Louis Althusser, Politics and History, p. 178.

38. Ibid., p. 179.

Man becomes the subject of history, not as an Anthropological Man as proffered by the Classical Economists, but as a historical "Man". This then is the kind of philosophic humanism which Marx projected in the 1844 Manuscripts and earlier to criticize Hegel, and this is the same philosophical humanism which is advanced today as Marxism by Meszaros. The young Marx thus did not work a transformation on Hegel's dialectic -- he simply substituted in the order of Hegel's dialectical logic the concept of historical men for the Absolute Idea. For Hegel, the notion of history lacked man as it's subject, history's development was projected as the development of ideas, the 'spirit' acted as it's subject. "History is not the alienation of Man (for Hegel) but the alienation of the idea of the spirit, i. e., the ultimate moment of the alienation of the idea".<sup>39</sup> In other words, for Hegel, history is the process of the alienation of ideas, a process with the structure (alienation) as it's subject. But for the '1844 Marx', history is the process of alienation with Men as it's subject. The alienation process is hence between men and human relations and this is also the problematic which Meszaros presents as that of the mature Marx. Capital would therefore become simply the expression of an ethical critique of the prevailing form of (historical) Man, of Man's sublimation of his 'Rich Self', of his violation of his human

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39. Ibid., p. 182.

essence, etc., via the process of alienation and the social relations of the division of labour.

And this is precisely why Althusser, contrary to Meszaros, regards these early works, especially the 'Manuscripts', as just a more profound application of the Feuerbachian concepts of alienation, and as such, just as false; false in the sense that they are cloaked with the ideology of Feuerbachian humanism which distorts reality -- but I shall say more on this later.

Althusser, in direct polarity, has tendentiously situated a 'break' in Marx's writings; this break (approximated around the 1845 Thesis on Feuerbach and The German Ideology) was not corroborated by Marx's examination of new elements, but rather by their formulation into a new conceptual framework, a new paradigm, which allows Marx to break with his 'erst-while philosophical consciousness', and introduce a new science of history. In a premature way, the Thesis on Feuerbach announces this new science ("The philo-

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40. Mind you the 'Eleventh Theses' proclamation for Althusser, (in his earlier texts up to, and including Lenin & Philosophy), was simply ahead of it's time in announcing a new philosophy. The philosophy of Marx (dialectical materialism) was to follow much later his new science of history. More recently in his self-criticism within Marxism Today (November 1972) he writes "You can of course argue quite seriously that there is a sense in which philosophy, as Hegel said ... always "lags behind" science or the sciences; but from another point of view which is essential here, you have to say the opposite and argue that in the history of Marx's thought the philosophical revolution necessarily 'preceded' the scientific breakthrough", p. 346. (See next page)

sophers have only interpreted the world in various ways, the point is to change it")<sup>40</sup>, although it is spoken silently in the 'language' of Feuerbach. In other words, at this particular time we find that Marx's problematic is indeed concerned with alienation of a historical species being, but the question remains, does it form the 'object' of Capital? In the final analysis the two problematics of early and later Marx, prove to be incongruous. For within the '1844 Manuscripts' the central noumenon is the relationship between person and things, i. e., between man and nature, whereas within Capital -- following the structuralists -- the subject (person) acts as an agent of the structure (production process) and similarly the things (nature, etc.) are merely it's supports. As agents to the production process their place and function becomes determined by the process; the agent of production (Man) thus becomes defined as a support (or conscious personification) of the process (of the means and relations of production). Man for Althusser, "intervenes here not as a constitutive subject but as a perceiving subject trying to explain to itself the economic relations that it perceives".<sup>41</sup> In other words, in Capital Marx writes:

"... we are not dealing with concrete men, but only with men insofar as they fulfil certain determinate functions in the structure: - bearers of labour - power...

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41. Jacques Rancière, "'The Concept of Critique' and 'The Critique of Political Economy'", Theoretical Practice, Number two.

To designate these individuals, he (Marx) systematically uses the term Trager, which is most often translated into English as support. Men do not appear in the theory except in the form of supports for the connexion implied by the structure, and the forms of their individuality as determinate effects of the structure".<sup>42</sup>

We must not underestimate this point, for it strikes at what I believe the heart of early Marx's (and Meszaros') ideological problematic. In Capital, on the other hand, the criterion which defines men, interpersonal relationships, etc., is their objective place in production and the ownership or non-ownership of the means of production. Likewise, capital (which is used to purchase labour) is totally removed from the moral exploitations of the labour, rather it's function pertains to the question of what produces profits. In an identical fashion, the capitalist, like the labourer, is defined as the personification of capital, not endowed with a consciousness, i. e., as Marx writes, "In this capacity the capitalist shares with the miser a passion for wealth as wealth. 'But that which in the miser is a mere idiosyncrasy, is in the capitalist the effect of the social mechanism, of which he is but one of the wheels'".<sup>43</sup>

If "the agents of a social formation  
'men' are not considered as the bearers  
of objective instances (as they are

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42. Etienne Balibar, Reading Capital, p. 252.

43. Marx Capital, Vol. I, Jordon, p. 308.

for Marx) but as the genetic principle of the levels of the social whole", it becomes "... a problematic of social actors, of individual as the origin of social action: sociological research thus leads finally, not to the study of the objective co-ordinates that determine the distribution of agents into social classes and the contradictions between these classes, but to the search for finalist explanations founded on the motivations of conduct of the individual actors".<sup>44</sup>

In other words, in the 'Manuscripts' the subject Man functioned as the concept upon which the process was organized. Man instead of acting in tune to Hegel's idea, acted in accordance with the development of his human essence. In this theoretical order (Man as the subject of the process), the perceiving subject becomes the constitutive form in the interrelationship of appearances. Human labour is directed to confirm the perception of the constitutive subject, the motives of labour become the expression of one's human essence. Alienation in this framework, emerges as the nexus for categorizing forms of activity in accordance with the prevailing notion of species being, 'historical', anthropological, or otherwise. Thus we may conclude that the alienation process (especially in its humanistic form) does compose, as for Feuerbach, the conceptual framework of the early 'Manuscripts', but the remainder of this paper will

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<sup>44</sup>. Nicos Poulantzas, 'The Problem of the Capitalist State', Ideology in Social Sciences, ed. by Robin Blackburn, Fontana Collins, 1977, p. 242. A practice, by the way, which Max Weber was to later articulate.

attempt to argue, with the structuralists, for a new 'object' within the text of Capital. Before we examine this question I would like to dwell on one further concept of alienation as it is utilized by the 'historicists' School of Marxism. It's epistemological foundations are quite disparate from those of the 'humanists', but they too, as we shall see, are susceptible to fundamental kinds of criticisms.

### Colletti's Historicism

Lucio Colletti is an Italian Marxist, and one of the most gifted and well known students of Della Volpe. In his two recent books translated into English under the titles of Rousseau to Lenin and Marx to Hegel,<sup>45</sup> he introduces a somewhat unique exposition on the epistemological suppositions of Capital. His reading of Capital is congruent in many ways to the economist's interpretation (both classical and neo-classical), and a glimpse at it's principles will, I am sure, have beneficial ramifications to our later examination of these critics in chapter three. I have headed this section under the rubric of historicism, it could equally well have been entitled 'empiricism', for, as we shall see, the field of these two theoretical problematics are identical.

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<sup>45</sup>. Lucio Colletti, Rousseau to Lenin NLB 1972, Marx to Hegel. NLB 1973.



Colletti confers us with a 'non-humanist historicism'<sup>46</sup>, in other words, with a conception of history as a process which is not simply reflecting the development of Man's essence (even a historicized man) but rather as a process of contradictions, between the forces of production and relations of production. Man here plays a determined role rather than a determinate one. And here history appears as a process without a subject like that of Hegel's; indeed so much so, it utilizes the dominant principle of the Hegelian dialectic as it's epistemological basis, and as it's subject.

What is essential to Colletti's notion of history is it's teleological perspective; from it's origins it is in pursuit of a goal (like that of absolute knowledge) which is identical to the key structure of the Hegelian dialectic, i. e., to the principle of the negation of the negation.

And it is due to this conceptual framework that we find that Colletti conceives the order of Marx's abstractions as proceeding in the inverse order to the "real" historical. He promulgates:

"if the science is to be the science of the real, it cannot aim at the past other than by way of it's differences with respect to the present (which is the only existent) and hence must move from the express

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46. Cf., Althusser, Reading Capital, p. 139.

categories of the present .... so it would as Marx wrote, be 'impractical and erroneous' for science to adopt categories in the order in which they have been determined in the general course of history. Their order of sequence, according to Marx, is decided rather by their relationship to one another in modern bourgeois society; this order is precisely the inverse of their natural succession, as well as of their development in time".<sup>47</sup>

In other words, Colletti's argument -- like that of Della Volpe's -- places the conceptual order in the exact reverse of the chronological concurrence of historical events. Likewise he designates the 'object' of Marx's Capital as the capitalist mode of production, i. e., "Marx is concerned with one society alone, modern Capitalist society ... In other words, Capital is not a study of society as such, that is of the abstraction society 'in general', but a study of this particular society, which means that the analysis concerns not an idea (an ideal object) but a materially determined or real object".<sup>48</sup>

There are two questions emanating from this quote which directly effect the problematic of Capital; one concerns his conception of history, the other concerns the term "real object".

47. Lucio Colletti, Rousseau to Lenin, p. 28.

48. Ibid., p. 3.

## The Meaning of History

Not only is history for Colletti, categorized in an inverse order, but it is also arranged in accordance with the notion of alienation. Thus he declares:

"the decisive point in the entire Marxist theory of exploitation -- a point on which our own reading of the theory of value as a theory of alienation can help to throw light. It is the dependence which ties the workers to the will of the capitalist class, and not their absolute poverty that represents 'the differentia specifica of capitalist production'. In other words, capitalist appropriation is not exclusively or primarily an appropriation of things, but rather an appropriation of subjectivity, of working energy itself, of the physical and intellectual powers of man".<sup>49</sup>

It follows from this point of view then, that Capital is explicating the Capitalist mode of production as a specific mode, or 'differentia specifica' in which man's subjectivity is alienated via a peculiar process of exploitation. So we can see that the process of history for Colletti becomes the process of forms of alienation, some which are veiled (fetishized) and others which are commonly visible -- history thus reflects the progression of the alienated forms of man's relation to his means of production. And if this process of alienation orders the 'real' world, it concurrently must also order the theoretical; i. e., "this confluence of the theory

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49. Ibid., p. 102.

of value and the theory of fetishism or alienation in Marx presents not only his main difference of principle with the classical political economists, for whom the theory of alienation is absolutely inconceivable, it also constitutes the birth and destiny of political economy as a science".<sup>50</sup> But within the capitalist mode of production we find that the process of alienation (in this case, the process of history) is disguised or mystified in such a way that the classical political economists could not perceive the basic categories of the mode or the underlying forces of history's movement. According to Colletti, Capital's task was thus to unshroud, to de-mystify these fetishized forms, to break through to the dominant categories in the analysis of alienation. So he himself writes, "The task of political economy as a science consisted for Marx essentially -- if we accept a neologism -- in the de-fetishization of the world of commodities".<sup>51</sup> In other words it was on account of Marx's audacious perception of the fetishizing process of capitalism that he was able to grasp the true form, the "real" form of history's development and isolate the 'essential relations' of alienation. A good example of this operation, according to Colletti, is in the conceptualizing of the distinction between labour-power and wages where

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50. Ibid., p. 102. (My Emphasis)

51. Ibid., p. 89.

(labour-power is the "real" category), which for Marx to ...

"grasp the 'particular' phenomenon under examination (labour-power) is thus simply to understand all the differences that it presents as compared to other phenomenon of it's kind. It must, therefore, involve reference to this kind but only negatively, i. e., in order to seize the opposition or essential difference which precisely defines the specific, or fundamental character of the modern labourer".<sup>52</sup>

and more specifically .... "This reference is not an identification or confusion, but an opposition. The element common to all part forms involved in order to understand the present, but only to be excluded from it, i. e., only in order to reverse how the society of today is not any of these other societies but differs essentially from them".<sup>53</sup>

Here history is defined as a process of alienation like that of Hegel's; where history, instead of thought, is the subject of the process of alienation. "Alienation is thus the dialectic in it's final principle, i. e., the negation of the negation or Aufhebung".<sup>54</sup> Here the forces of history evolve by an operation of negation or contradiction rather than identity. It follows from this definition, that the science of history may be described as a bifurcating process of the essential forms (real forms) from the inessential mystifications, a process, in other words, where the 'kernel is

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52. Ibid., p. 22.

53. Ibid.

54. Louis Althusser, Politics and History, p. 182.

severed from the husk'. Knowledge in this sense becomes the process of empirically extracting the real essence from the real, the real object is therefore projected as a combination of two essential components; the essential and the inessential, which in turn are identified by the process of extraction (objectification). The criteria necessary for deducing such distinctions within this conception or knowledge of history, thus must be extracted from the peculiarity of the combinations within the phenomenal forms of the social relations and productive forces.<sup>55</sup> Again history must provide the criterion for deciding which ideas are true and which are false. History, on this account, is marshalled according to those forms of labour (or possible forms) which are or are not alienated; which means simply that Colletti contrasts one combination of 'forces and relations of production' (capitalism) with other pre-capitalist forms which are alienated but not fetishized. Marx, he asserts, "opens a general perspective on history precisely to the extent that he develops his analysis of the present: i. e., precisely to the extent that he seizes the extreme or essential differences by which the present defines or illuminates, even if indirectly, the past".<sup>56</sup> But it is this sequential order

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55. What Althusser refers to as a simple contradiction Cf. 'On Contradiction' in For Marx and Balibar's "The Elements of the Structure and Their History" in Reading Capital.

56. Colletti (1972), p. 23.

which I believe suggests the essential teleology of Colletti's system.<sup>57</sup> For he adjudicated the past from the perspective of the present, the future is denied -- for knowledge (of history) is limited to the present -- knowledge is attained only in retrospection. He elaborates this for example when he writes that "Precisely in establishing this difference in which the chronological-historical order seems to be inverted, can we then understand how the determinate relationship in other societies was the relationship with nature and, to go further back, how before human societies there was only nature".<sup>58</sup> Which implies that only by inverting the chronological sequences and the theoretical order of the subordination of conception can we come to know 'reality'. Thus eventually, even in their inverse order, we find that these concepts adopt a contemporaneity (Gramsci), a relativity with the 'time' of history; the advancement of historical concepts thus stays in rhythm with the advancement of the historical process -- but in reverse. This also clearly implies that the contour of theoretical development is a smooth and continuous process -- as if it were an affirmation of history's auto-development, as if a one-to-one relationship existed between it's appearances and it's essence.

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57. One could say a 'reversed teleology', but this would make as much sense as an 'inverted dialectic'.

58. Ibid., p. 24.

In the same way we would find that the operation of abstraction or of science, would in this context produce linear concepts which act as moments detached from 'real' history. As if those forms of development articulated by abstraction (and ordered in accordance with the structure of the process of alienation) are equivalent, are empirical reflections of the 'real' stages of historical development, in other words, as if they are history's adjuncts, arranged as reifications of it's 'real' form. As a result, we find that for Colletti, historiography simply remains schematized by time. The structure of the process can contain no more objectivity than that which coincides with the development of history; that is to say, Colletti is unable to construct any objective structure extrinsic to the confines of history's self-evident events, extrinsic to it's time.

Let us approach this from a more direct angle. The core of Colletti's system of abstraction (which is depicted as Marx's) I shall argue, is false and wrong. It is wrong because he embarks on his investigation from the phenomenal forms of the present; thereafter, ordering the development of history so as to validate the initial theoretical constructs. In this fashion he finds it possible to find the abstract essence in each determinate phenomenon ('determinate' as historical rather than anthropological abstraction). Everything which apparently contradicts the order of this theoretical development is proclaimed inessential. Hence 'the husk is delineated from the kernel' by an ideological oper-



ation, history is represented as a separation/unity contradiction between the forces and relations of production. Here alienation becomes not only the central category in the order of theoretical development of history but it furthermore characterizes the motion of 'real' history itself.

Empiricism and Historicism, Both an Essential Hegelianism

We return now to the second problem mentioned earlier, i. e., to Colletti's notion of the term 'real'. The problem arises, as I have mentioned, from his starting point, (i. e., in his method of abstraction) for it is from his level of departure -- the phenomenal forms ('determinate abstractions') of the present -- that his schema contains, or is reduced to a comparative analysis of different historical forms. Essentially we may say that he fails to isolate the critical question (especially within Capital) of the form, separated from their phenomenal existence. Colletti homologizes the phenomenal forms of capitalism (fetishized commodity production) down to a unity, to an essence (alienation), which then determines it's genetical presentation in all it's different phases. Even although this genetical process of 'determinate abstraction' functions in reverse, it still does not alter it's essential Hegelian nature. It still confines it's categories to moments or slices of history itself; beyond which knowledge is forbidden to proceed ('that is why no Hegelian politics are possible strictly speaking, and in fact

why there has never been a Hegelian politician".<sup>59</sup> Indeed Colletti testifies that "only from the materiality of the present can scientific abstraction or hypothesis, that is causal-analytical explanation, be derived; just as, inversely, only the real matter of observation, as Engels correctly noted in a passage in his Dialectics of Nature, can "weed out these hypotheses, doing away with some and correcting others, until finally the law is established in a pure form. To lose sight of materialism is to abandon science; but to abandon the latter, and hence the determinacy or specificity of abstractions, means in turn to lose all reference to reality".

What is this 'real order of observation' to which Colletti is referring? It certainly cannot be the Hegelian connection, where the idea is primary over matter; for both Colletti and Della Volpe were highly critical of such a notion. It is rather a principle of abstraction (observation) mediated by the phenomenal conjuncture of social relations and relations of production, and by the determinate effects that these relations play. And yet this kind of observation cannot conceptualize a schema of abstraction outside of the immediacy of the historical phenomenon. Jacques Rancière

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59. Althusser, R.C., p. 95.

60. Colletti (1972), pp. 28-9.

writes that "the historical interpretation of this theory of determinate abstraction as it is found particularly in the Della Volpe school depends "upon" the relations between the abstract in thought and the real concrete". The determinate abstraction then appears to be the one which solidly preserves the richness of the "real concrete".<sup>61</sup> For Colletti the process of abstraction, or science, operates by parring the inessential thought from the essential real. Implicit to this kind of abstraction (i. e., Material of observation "which, precisely because it is material, can 'weed out' ... hypothesis, doing away some and correcting others"<sup>62</sup>), is that science, or at least the knowledge of history, becomes the "simplest characterization of a concrete object of study, and hence a real aspect of the object itself".<sup>63</sup> Colletti's abstraction consequently appears to extricate an essence from the pre-given 'real' object, as if the abstraction is a particle of the 'real' concrete itself. The supports of the process (products of man, etc.) in the abstract, are consequently presented as the real essence of the phenomenon. But even more important, is that through this process of objectifying from the 'real concrete' (i. e., under the formal conditions where matter is primary over thought), he

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61. Jacques Rancière, Theoretical Practice, #2, p. 40.

62. Colletti (1972), p. 42.

63. Ibid., p. 43.

submits a partial real (the real essence, the essential) as reflecting the real concrete. 'The real order of observation' becomes the process of searching for the essential buried and often disguised (i. e., through fetishism in Capitalism) in the inessential. The essential and inessential in the meanwhile are pre-determined by the structure of alienation as the subject of the process. Earlier we saw that for Meszaros the pre-determining subject was man's needs, etc., and similarly for Colletti. All parts of the whole, in this case the capitalist social formation, are seen as embodying a single principle, which can then be read throughout the system by a process of simple abstraction. Furthermore, as true of all ideologies, we find that for them what is extracted as essential directly determines and limits the combinations which are utilized to conceive of history, mode of production, etc. What is essential and inessential becomes dependent upon the skill of the observer, or of the extractor, and the conditions of his time. The operation is reduced to a relativism much like that of George Lukac's, where the distinction between what is ideological and what is scientific is based upon the author's perception, or at least his class perspective. "On the one hand, as well as being a science", claims Colletti, "Marxism is revolutionary ideology. It is the analysis of reality from the viewpoint of the working class".<sup>64</sup> It follows from such a formulation,

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64. Ibid., p. 230. (My Emphasis)

that Marxism is a science precisely because it uses reality itself to defeat ideology. "Marx-utilizing an aspect of reality -- overthrows the arguments of the economists and points to the overthrow of capitalism itself. Marxism is therefore science".<sup>65</sup> According then to Colletti's argument, Marx's critical procedure within Capital transpires as a necessary reification of the process which occurs in 'reality itself', propter hoc, he sees actually no distinction between the concept of the concrete real and the concrete thing-in-itself. "The whole of knowledge", writes Althusser, "is thus invested in the real, and knowledge never arises except as a relation inside it's real object between the really distinct parts of that real object".<sup>66</sup> Within this schema the logical becomes identical 'in essence' with the real order itself. 'Realness' is defined by the process of objectivication (i. e., structure of alienation) such that "the sole way of guaranteeing the possibility of a scientific analysis can only be that of investigating society at it's material level, i. e., at the level of the real basis which specifies it and prevents it's dissolution into an idea".<sup>67</sup> Colletti's modus operandi is therefore to identify a determined relationship between the knowledge of the object and the real object, which in turn, propagates

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65. Ibid., p. 235.

66. Althusser, R.C., p. 39.

67. Colletti (1972), p. 5.

the 'determinate abstraction' by a process of extracting the invisible kernel from the real concrete object. The foundations for his formulation of an inverted order in the subordination of theoretical concepts thus stems from his contemplation of this correspondence, this parenthetical relationship, which does not exist -- i. e., between the abstract concept and the 'real'. That is why when he in fact speaks of material things he assumes that he has identified the real object. Yet for Colletti our knowledge of things, of what they are and what they are not (and hence our assessment of their past and their future possibilities), is independent of those things themselves which in their autonomous existence exclude both their past and future. He adheres to the distinction between being and thought, between things and concepts, but this is only because it is conducive in maintaining that within Marx's concept of materialism matter is primary over thought. Lukacs, on the other hand, simply represented Hegel as a proto-materialist, i. e., that Marx's materialism was an inversion of the thought-being relationship. For both Colletti and Della Volpe this kind of facile operation represents an empiricism synonymous only to Hegel's idealism. Their solution, however, was to rearrange the theoretical order of concepts; they reversed the subordination of concepts relative to the chronological sequences of history. Yet, even within this reverse order, we find that the form of development of the theoretical are still equivalent to the stages of historical development, i. e., "In struggle against

abstract dialectics, he cannot conceive of the constitution of an objectivity which does not coincide with the development of a history".<sup>68</sup> As such, this analysis becomes a reduction operation, reducing the present to it's essence, i. e., by representing the essence, the primitive, as the undeveloped seed of the present. This is the way Colletti apprehends Marx's own theoretical development, he perceives Capital in the light of the '1844 Manuscripts', reducing the ideas espoused in Capital to a congruent but less developed form in the early works, reducing "alienation" in Capital in its complex fetishized form to the founding principles of the '1844 Manuscripts'.<sup>69</sup> One may only remark on this kind of teleological method as Althusser does, if .....

"The history of philosophy is written in the future anterior: ultimately, a refusal to admit this is a denial of the history and the erection of oneself as it's founder in the manner of Hegel: I have emphasized the last two sentences deliberately. But the reader will have done so himself, astonished to see attributed to Marxism precisely the Hegelian conception of the history of philosophy and, as the summit of this confusion .... find himself accused of Hegelianism if he rejects it ...."<sup>70</sup>

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68. Jacques Rancière, Theoretical Practice #6, p. 45.

69. Within Capital itself, for example, he views the law of value of Vol. I as the essence of prices of production in Vol. III.

70. Louis Althusser, For Marx, p. 54.

Surely the inverted theoretical order acknowledges a distinction between the thought object and the object, but Marx's materialism is still presented as a basic empiricism. In other words, even in this seemingly objective reverse order there remains an unequivocal relationship between the object and it's concept. Again, in the words of Althusser:

".... this analytico-teleological method ... which is constantly judging cannot make the slightest judgment of any totality unlike itself. Could there be a franker admission that it merely judges itself, recognizes itself behind the objects it considers, that it never moves outside itself, that the development it hopes to think it cannot definitively think other than a development of itself within itself? And to anyone whose response is to the ultimate logic that I have drawn from this method is to say 'that is precisely what makes it dialectical' -- my answer is 'Dialectical, yes, but Hegelian!'"<sup>71</sup>

What this quotation suggests is that, for Colletti, historical practice (experimentation or praxis) equals theoretical practice. History has it's moment of 'hypothesis' like that of science, and scientific knowledge and philosophy are hence flattened down to the 'historical practice', to the course of real history. In this manner the Marxist totality becomes simply a variant of the Hegelian totality.

Althusser on the other hand, exposes the knowledge process in Marx's later writings, as manipulative not of

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71. Ibid., p. 68.



the 'real object' but of a theoretical object, of a raw material which is peculiar to that particular knowledge process and which is separated from the real object. The knowledge process (specifically science) from this perspective, becomes the process of modifying the concept of the object rather than the real object itself.<sup>72</sup> As a direct result we find that there may be different modes of theoretical production both in an ideological form (those which postulate a one-to-one correspondence to the object and it's concept), and in a scientific form; the two must be distinguished by their different raw materials or 'objects', and by the different practices (means of production) by which the knowledges are produced. Hence for Marx, according to Althusser, the categories of knowledge do not correspond or express directly the real historical order; in this case the problematic of Capital, it's 'object', does not concern the connection between the two orders (theoretical and real) but the peculiar combination at the theoretical level which allows for a scientific theory for understanding history. On this account, the employment of abstract con-

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72. His article "Marx and the Critique of P. E.", which rebels against a statement, espoused by Norman Geras in that "it is the absurdity not of an illusion, but of reality itself"; i. e., how may reality be absurd, other than by way of a metaphorical concept? Similarly for Colletti, "real" implies the 'concrete' real; he writes "Reality is certainly upside down - otherwise revolution would not be necessary", Rousseau to Lenin, p. 235.

cepts is for Marx the correct starting point; indeed it is only by approaching the object from the abstract (by inverting it's manifest theories) can there be produced a scientific analysis. He purports that "It would appear to be correct to start with the real and concrete .... However, a closer look reveals that this is false .... the latter (the method of those economic systems which move from general notions to 'concrete' ones) is decidedly the correct scientific method".<sup>73</sup> In other words, by conjecturing the relationship between the object and it's concept as one of two separate orders, one may speak of concrete reality in a Marxist materialist sense, i. e., of a knowledge process which is capable of conceptualizing contemporary forms, phenomenal forms, in an abstract and objective manner. Althusser declares that:

"The order in which the concepts are articulated in the analysis is the order of Marx's scientific proof: .... (it) has no direct, one-to-one relationship with the order in which any particular category may have appeared in history .... Without this theory of the distinction between the two orders it is impossible to examine whether it is legitimate to pose this question (which is by no means certain: This question might be meaningless -- we have grounds to think that it is meaningless). Quite to the contrary, Marx spends his time showing, not without malice, that the real order contradicts the logical order, and if verbally he occasionally goes so far as to say that there is an 'inverted' relationship between the two orders,

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73. Althusser, FM, pp. 185-6.

we cannot take this word literally as a concept, i. e., as a rigorous affirmation, which takes its meaning not from the fact that it has been put forward, but from the fact that it belongs by right to a definite theoretical field".<sup>74</sup>

I. e., when Marx comments in the preface to the second German edition of Capital, on Hegel's dialectic, that

"The mystification which the dialectic suffers in Hegel's hands, by no means prevents him from being the first to present it's general form of working in a comprehensive and conscious manner. With him (Hegel) it is standing on it's head. It must be turned right side up again, if you would discover the rational kernel within the mystical shell",<sup>75</sup> he is employing the term 'inversion' in a metaphorical sense, not in an attempt to replace idealism with materialism, nor to simply project the theoretical order (in accordance with the historical) in reverse like that of Colletti. The concept of inversion here is referring to the need of transforming the Hegelian dialectic, of maintaining the idea of the dialectic (i. e., the rational kernel -- the process 'without' a subject) and dropping it's teleological order, in other words by dropping the dominant principle of the negation of the negation.<sup>76</sup>

This kind of reading of Capital we shall find, is instrumental in demonstrating that the 'transformation pro-

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74. Althusser, R.C., p. 48.

75. Marx, Capital, Vol. I, p. 25.

76. Althusser comments "I think I can affirm: this category of a process without a subject, which must of course be torn from the grip of the Hegelian teleology, undoubtedly represents the greatest theoretical debt linking Marx to Hegel", Politics and History, p. 183; and "By taking this tendency into account we can appreciate the traces of Hegelian influence which remains in Volume One as survivals on the way to supersession", Lenin and Philosophy, p. 91.

blem' is a product of an empiricist epistemology, which mistakes the "real" nature of Marx's object. Hopefully through the course of the remainder of this work we shall be able to locate and more fully illuminate the real meaning of Marx's object in it's scientific discourse.

### Summary

Before concluding this chapter, I should like to recall some of the main distinguishing characteristics which have separated the three previous authors' positions on Marx's epistemology.

First, we found that for Meszaros the process of alienation (and history) was centered around the subject of MAN. For him, Marx's dialectic represented most simply the Hegelian idealist dialectic inverted and grounded in 'concrete' historical man.

From a related viewpoint, we saw that for Colletti, the process of history had as it's subject the structure of alienation, in other words, men acted merely as supports to the structure of history, their nature being determined by this structure. But also that he retained within this system the Hegelian dialectic, more specifically, he retained the teleology of the principle of the negation of the negation or alienation. By so doing, we noted that he predetermined the structure of the relations between the forces and relations of production (and their individual structures)

by specifying that the process of alienation was part of 'reality' of history itself. Finally, for Althusser, we found that the process of history was represented as a process without a subject (other than its own peculiar structure) which was determined by the conjuncture of the forces and the relations of production and their internal complex combinations of elements (pertinences). The problematic of Marx was thus clearly made distinct from the realm of 'real objects', and the order for conceptualizing reality's movement was approached by means of the abstract object. In commenting on Marx's epistemology in Capital, and on his relation to Hegel, Althusser writes:

"The question posed then is as follows: what are the conditions of the process of history? Here Marx no longer owes anything to Hegel: on the decisive point he contributes something without any precedent, i. e.: there is no such thing as a process except in relations (sous des rapports): the relations of production (to which Capital is restricted) and other (political; ideological) relations".<sup>77</sup>

What follows hereafter is thus a two-fold argument. On the one hand we shall see that the arguments presented here by both Meszaros and Colletti lead to an incorrect approach to the transformation problem. Indeed in chapter three we shall look in detail at how their solutions have produced more contradictions within Marx's work than they have resolved.

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77. Althusser, PH, pp. 185-6.

On the other hand, by testing Althusser's epistemological propositions by applying them to this debate, we shall also be assisting in the substantiation of it's veracity as a reading of Marx.

However, before we plunge directly into the debate surrounding the transformation problem, I should like to make one final detour. I find this next chapter a necessary one; specifically in terms of the counter-arguments which have been waged against the transformation problem in the name of Engels. Therefore we shall very briefly examine Engels' role in the propagation of the 'historicists'' thesis which will prove beneficial later in our discussions of value. As you shall see, Engels' historicism acts as a variation upon those suppositions of Colletti and Della Volpe.

"Engels was not so bold when it came to thinking this revolution's effects on the object of the theory .... the ambiguities of his conception on this point of which he was very much aware .... can all be reduced to the empiricist confusion between the object of knowledge and the real object. Engels clearly fears that by risking himself beyond the (imaginary) security of the empiricist thesis he may lose the guarantees he obtains by proclaiming a real identity between the object of knowledge and the real object".<sup>1</sup>

## CHAPTER II

### Engels on Marx's Epistemology

Engels' interpretation of Marx's concept of historical materialism (and the problematic of Capital) has had, as we are all aware, an enormous impact on the evolution of Marxism and the socialist movement. Indeed one could conjecture that the overwhelming force behind the identification of the Hegelian influence in Marx's work was due to the immense prestige which Engels enjoyed as the defender and interpreter of Marx's thought after his death.<sup>2</sup> In general, Engels' observations have been taken as the incisive and true des-

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1. Louis Althusser & Étienne Balibar, Reading Capital, pp. 155-6.

2. Donald Hodges notes that "Engels is portrayed as the foremost systemizer and disseminator of Marx's thought, and also as the first and most influential revisionist", "Engels' Contribution to Marxism", Socialist Register 1965, p. 297.

cription of the relationship between Marx and Hegel. But it is worth spending a little time investigating how Engels reads this problematic into Marx. We examine in greater detail three points, they are: first, Engels' theoretical affiliation with Hegel; second, his characterization of historical materialism (the dialectic); and finally, his interpretation of Marx's concept of history.

### Engels and Hegel

What I should like to argue in this section (in conjunction with our discussion in Chapter I) is that Engels' concept of the dialectic remains for the most part within the formal structure of Hegel's notion of the dialectic. This link is perhaps most intelligible in their common criticism of metaphysical reasoning. We find, for example, that for Hegel this criticism took the form of a categorical opposition between understanding (intellect) and speculative reason (dialectic). Stated in the most general terms possible, Hegel's distinction may be briefly summarized in the following manner. First, Understanding was defined as thought in its analytical form, it symbolized a descriptive process of differentiating between empirical givens, finite forms, etc., which are classified in terms of their fixed distinctions. The nature of its categorical distinctions remains at the level of immediate sensory perception and common sense, they are shallow and abstract like the empiricism of Locke and Hume. The boundaries of this analysis,



of common sense, are limited by the confines of the imperishable and empirically "absolute" reality. Those that utilize this principle of Understanding, cannot perceive the true reality according to Hegel, for they fail to conceptualize the identity of opposites, the negation of the negation, and the quantitative change which makes qualitative transformations -- they are trapped in the obviousness of "being".<sup>3</sup>

In a somewhat identical fashion, Engels strikes out at those proponents of metaphysics (and empiricism) in his book Anti-Duhring, he elucidates that

"To the metaphysician, things and their mental images, ideas, are isolated; to be considered one after the other apart from each other, rigid fixed objects of investigation given once for all. He thinks in absolutely discontinuous antitheses. His communication is: 'Yea, yea, nay, nay, for what solve is more than these cometh of evil'. For him a thing either exists, or it does not exist, it is equally impossible for a thing to be itself and at the same time something else a positive and negative absolutely exclude one another, 'cause and effect stand in an equally rigid anti-thesis one to the other'. At first sight this mode of thought seems to us extremely plausible, because it is the mode of thought of so-called common sense. But sound common sense, respectable fellow as he is within the homely precincts of his own four walls, has most wonderful adventures as soon as he ventures out into

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3. Quentin Laver defines Hegel's notion of Understanding as "the intellectual process of abstract conceptualization, a process which grasps abstractly what is thought about but does not grasp (begreifen) the process of thought itself ..." (for Hegel, even Kant's 'transcendental logic' does not go beyond understanding) Hegel's Idea of Philosophy (1971), p. 24.

the wide world of scientific research. Here the metaphysical mode of outlook, justifiable and even necessary as it is in domains whose extent varies according to the nature of the object under investigation nevertheless sooner or later always reaches a limit beyond which it becomes one-sided, limited, abstract, and loses its way in insoluble contradictions".<sup>4</sup>

On the other hand, for Hegel, speculative reason (dialectical reason) functioned as the absolute critique of the 'intellect of thought' as it was represented in the form of understanding. Speculative reason comprehends the self-contradictory nature of every form, it apprehends that everything contains within itself (within its unity of being and thought) its own negation -- in other words it apprehends precisely what is ignored by understanding.<sup>5</sup> In fact to go beyond the finite of understanding, the finite must be considered in what it is not, and this what it is not, is simultaneously its essence. By the very nature of the object itself, through its own movement, it transcends its finite being, it becomes infinite through the process of the negation

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4. Engels, Anti-Duhring, pp. 27-28, or Socialism, Utopian and Scientific, pp. 46-47.

5. Again Laver defines Hegel's "Reason ... (as) the total human process. It is not confined to intellectual activity, but is the totality of spiritual activity and is recognizable both as subjective, in the activity and as objective in the results of the activity", p. 24 (a971). For one of the better discussions on Hegel, refer to Colletti's Marx to Hegel (1973), ch. 1-ix, or to ZA. Jordan's The Evolution of Dialectical materialism (1967) especially pp. 101-110.

of the negation -- through contradiction rather than identity. Reason grasps the unity of opposites, for it contains "the capacity of thought to transcend the 'either-or' mode of thinking (yea or nay) and to recognize the unity, the difference, and the identity of opposites which, according to the Understanding (intellect) are incompatible with each other".<sup>6</sup> However, although Reason pierces through the descriptive conceptions of understanding, understanding (the 'old metaphysics of philosophy'), acts as the first stage in the process of Reason, understanding provides the finite categories by excluding contradictions; in other words it describes the immediate data of the common sense consciousness. Reason, as the dialectical process of reasoning, first must employ these finite categories in order to discover how these categories deduce themselves. It is in this context that the dialectic becomes of prime importance to Engels' work; he comments "But for dialectics, which grasps things and their images, ideas, essentially in their interconnection, in their sequence, their movement, their birth and death, such processes as those mentioned above are so many corroborations of its own method of treatment. Nature is the test of the dialectics, and it must be said for modern natural science that it has furnished extremely rich and daily increasing

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6. Jordan, The Evolution of Dialectical Materialism (1967), p. 102.

materials for this test, and has thus proved that in the last analysis Nature's process is dialectical and not meta-physical".<sup>7</sup>

Hence, just as for Hegel, where the history of philosophy is divided between reason (philosophy speculation) and it's dialectical method, and Intellect (the philosophy of understanding) and it's analytic or deductive procedures, so for Engels this distinction is vital for his demonstration of the temporality of philosophy. From this standpoint, Engels argues that all previous scientific methods were meta-physical, for without the universal explication of the laws of the dialectic, a "science" was unscientific. For Marx on the other hand (as he writes in the Holy Family) speculative philosophy is also an absolute metaphysics 'which had nothing to do with scientific procedure in philosophy'.

To be sure this does not mean to imply that Engels wholly accepted the dialectic as it stood in it's Hegelian form; rather in his interpretation, he deemed it necessary to extract it's 'revolutionary and critical form' from the dialectic through an inversion. He writes,

"We (Engels here includes Marx) comprehended the concepts in our heads more materialis-

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7. Engels' Anti-Duhring, p. 29, My Emphasis.

tically -- as images of real things instead of regarding the real things as images of this or that stage of development of the absolute concept. Thus dialectics reduced itself to the science of the general laws of motion -- both of the external world and of human thought -- two sets of laws which are identical in substance, but differ in their expression in so far as the human mind can apply them consciously, while in nature and also up to now for the most part in human history, these laws assert themselves unconsciously in the form of external necessity in the midst of an endless series of seemingly accidents. Thereby the dialectic of the concept itself become merely the conscious reflex of the dialectical motion of the real world and the dialectic of Hegel was placed upon it's head; or rather, turned off it's head, on which it was standing before, and placed upon it's feet again."<sup>8</sup>

But this equivocal statement ignores the basic premises of the dialectic. For Hegel, it was only through the conception of the identity of absolute thought (of the combination of the finite and infinite, or of reason and understanding) that an epistemological identity could be made between 'being' (the concrete real) and thought (the concept of concrete real). "Hegel says 'real are not those things external to thought, but those things penetrated by thought, for they are no longer things but thought objects. In immediacy a thing is only appearance and contingency. It is real only as a moment of the idea'.<sup>9</sup> Nature for Hegel is thus an alienated

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8. Engels Ludwig Feuerbach, p. 44, My Emphasis.

9. Gareth Stedman Jones, "Engels and the End of Classical German Philosophy", New Left Review, #79, p. 27.

moment of the idea; the opposition between being and thought, or material reality and the knowledge of that reality is reduced to a homogeneity (monism) where material reality becomes a reflection of the absolute knowledge -- in other words 'being' is reduced to a slice of thought. Therefore it is only through the logic of opposites (dialectics) that he may pose the logical unity of opposites in the real object itself -- not vice versa. Furthermore, it is this unity of opposites, and the principles of the negation of the negation, etc., which provide the motion to Hegel's logical structure. The general law of motion as a process, is thus independent of motion in the historical process even although it is true that Hegel projects this process onto history. The process of movement (of the dialectic) is therefore a purely logical process with the Absolute knowledge as it's subject. It's causation of motion is not due to the synthesis of real composites (i. e., the separation of thought from being as in Engels') but that of logical categories primarily in their identity of the real and thought through the unity of opposites. We may conclude, therefore, that as a fundamental proposition or general law for the existence of the dialectic that it's process may only be a process of logic, where "being" is united with "thought". It is this specific dialectical relationship between thought and being which is not made the central issue by the orthodox Marxist literature, and correspondingly, the distinction between the Hegelian and the Marxist dialectic is not developed uniformly from this point.

We find that for Engels, for example, the process becomes not a logical process per se but a process of the real concrete itself. Whereas Hegel had proffered the dialectic with the Absolute Idea as it's subject, Engels inverts (replaces) the subject in order that the dialectic may become the 'conscious reflex' of the 'real world. In this case, the dialectical movement becomes the process of history itself, or better, it becomes the process of material reality. Thought here acts as the reflection (reification) of the process. In other words, we find Engels separating -- through his inversion -- the essential unity in Hegel's dialectic, the unity of Absolute knowledge, that is, between being and thought. As Stedman Jones aptly comments, "But this inversion leads to results that are logically absurd. For either thought reflects the identity of being and thought and therefore thought is reflecting itself. Or thought reflects being not endowed with thought, but then there is no dialectic":<sup>10</sup> i. e., "We can have materialism or we can have the general law of motion. But we cannot have both".<sup>11</sup> Paradoxically, Engels criticizes Hegel for applying these laws on nature and history instead of deducing

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10. Ibid., p. 27.

11. Ibid., p. 28.

them directly from nature and history.<sup>12</sup> This notion is especially clear in a statement made in his book the Dialectics of Nature.

"It is, therefore, from the history of nature and human society that the laws of dialectics are abstracted. For they are nothing but the most general laws of these two aspects of historical development, as well as of thought itself. And indeed they can be reduced in the main to three: the law of the transformation of quantity into quality and vice versa; the law of the interpenetration of opposites; the law of the negation of the negation. All three are developed by Hegel in his idealist fashion as mere laws of thought: .... the mistake lies in the fact that these laws are foisted on nature and history as laws of thought, and not deduced from them".<sup>13</sup>

Which means that the denouement of Hegel's conceptual mythology is an expression of the fact that he was only capable of treating the object (history) contemplatively, i. e., externally.

It was especially in these later writings (Ludwig Feuerbach, Dialectics of Nature, and Anti-Duhring) that

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12. Franz Wiedman describes this confusion, in that "Engels completely failed to understand what Hegel meant by the "Absolute Idea". According to Hegel's principle of identity, Nature is not to be regarded as a copy of the Absolute Idea, but rather as this Idea itself in a different being. Yet the "misconception of copy" was the basis for the controversial "reversal" of Hegelian dialectics into materialistic dialectics ... (for Engels) only the viewpoint that thinking is derived from nature and that reality does not issue from the Idea can be called materialism. The statement that "our notions are copies of real things" is not made by materialism, but by a naive epistemological realism". Hegel (1968) Begasus, pp. 127-8.

13. Engels, Dialectics of Nature, p. 20. My Emphasis.



Engels posited the dialectical principle as a scientific philosophy of nature as well as that of history. Indeed it is in these works that the dialectic becomes a metascience in which "the same dialectical laws which in history govern the apparent fortuitousness of events; the same laws as those similarly form the thread running through the history of the development of the human thought ...."<sup>14</sup>

### Engels' Notion of "Historical" Materialism

The problem we face is that Engels had the tendency of reading more into Marx's comments on Hegel than their metaphorical value (i. e., the concept of inversion quoted earlier on page 42 above). In so far as this resulted in Engels' literal inversion of Hegel's dialectic, it further implied the use of the principle of the negation of the negation as the law of development or the organizing principle upon which history and thought were to be ordered and which later became logically verifiable by the organic process of the material reality itself.<sup>15</sup> Moreover, whereas we saw that for Hegel it was the unity of opposites or the principles of contradiction which destroyed the static concepts of the identity of the intellect (understanding, for Engels, (i. e., with the

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14. Engels, Anti-Duhring, p. 16, also Cf. pp. 36, 194, 455P; in Dialectics of Nature (Moscow 1954) p. 27, 82, 58P, and in Ludwig Feuerbach, pp. 65-7, 29.

15. Ibid., Anti-Duhring, pp. 154-5.

dialectic in it's 'inverted' form) this operation was achieved by the real process of history, that is to say it became the 'materialist' dialectic (nature) which subverted the concepts of metaphysical reasoning. By rejecting the Hegelian order of unity (between thought and being) Engels repudiates the concept of the Absolute Idea and the determinate causality of the thought-being identity. But he rejects this unity from the perspective of real history itself. In his construction the materialist dialectic substitutes History for the Hegelian Absolute Idea. The Hegelian dialectic, it's logical structure and assumptions remain intact, what has been changed is merely the subject of the process. As the replacement of the Absolute Idea, History explains everything, it transforms 'Historical materialism' from an open-ended infant science ... into .... a system already capable of explaining all events".<sup>16</sup> The principles of Hegel's dialectic, instead of distinguishing between the finite and the infinite, are employed by Engels in nature and human history to distinguish the "real" and "true" from the unscientific. And, therefore, "Those who asserted the primacy of spirit to nature and, ... in the last instance, assumed world creations in some form or other ... comprised the camp of idealism. The others, who regarded nature as primary, belong to the

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16. Stedman Jones, N. L. R. #79, p. 28.

17. Engels, Ludwig Feuerbach, p. 21.

various schools of materialism".<sup>17</sup> In short, Dialectical materialism -- as the philosophy of movement -- becomes analagous to the explanation of the movement of material reality (historical materialism). The latter is used not in a complimentary relation, but as proof of the first. Subsequently, the analysis of history appears to recede in a determinate relationship with nature -- presenting Marx more as a naturalist (economic determinist) than as a materialist. This then was the notion of the dialectic which Engels (like Hegel) employed as his "critique of the absolute by historical relativism".<sup>18</sup>

Perhaps the most important consequence of this notion is that 'this historical relativism' does not go outside of Hegelian dialectical structure, it postulates an impossible correlation between the logical development and historical development. For Engels the process of scientific thought and the process of real history merged into one concept: either history or process. And within his interpretation of the dialectic as the science of the general laws of motion, we also find a continuation of the evolutionary movement within Hegel's dialectic, i. e., the movement of inter-connection between origins (essence) and endings. It is his concept of emergent evolution (and it's essential teleology) which Engels sees expressed via "the dialectic (which)

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18. Louis Althusser, Politics and History (1970), p. 175.

reveals the transitory character of everything and in everything; nothing can endure before it except the uninterrupted process of becoming and passing away, of endless ascendancy from the lower to the higher. And dialectical philosophy itself is nothing more than the mere reflection of this process in the thinking brain".<sup>19</sup> Although Engels seemingly rejects the teleology of Hegel (with absolute knowledge as it's goal), he falsely believes he has cleansed the dialectic's logic by 'inverting it'. But as Althusser succinctly tells us, "To criticize the Hegelian philosophy of History because it is teleological, because from it's origins it is in pursuit of a goal (the realization of Absolute Knowledge), hence to reject the teleology in the philosophy of history, but to return to the Hegelian dialectic as such at the same time, is to fall into a strange contradiction: for the Hegelian dialectic too, is teleological in it's structure (i. e., as in Colletti's structure of alienation) since the key structure of the Hegelian dialectic is the negation of the negation, which is the teleology itself, within the

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19. Engels Ludwig Feuerbach, p. 12. He also expresses his affinity with Hegel in another passage from a letter written to F. A. Lange on March 29, 1865. "The modern scientific doctrine of the correlation of natural forces .... is after all only another expression, or rather it is the positive proof, of the Hegelian development of cause and effect, interaction, force, etc. "I am of course no longer a Hegelian, but I still have a great feeling of piety and devotion towards the colossal old chap". Selected Correspondence, p. 200

dialectic".<sup>20</sup> Hence simply by inverting the Hegelian dialectic one does not cleanse it's teleological structure; what it does change is the nature of the subject -- i. e., from a process of alienation of the Idea, to a process or alienation of real history. But what value does this 'revolutionary and critical' schema have as a scientific method for examining history? It appears to be nothing more than the shadow of Hegel's teleological process of alienation, and as a necessary consequence, it cannot be used as a method of research, it can only act as a proof of that which has already been discovered, a proof indeed valid only post factum.<sup>21</sup>

### Engels' Interpretation of Marx's Concept of History

It is clear that these loans from Hegel's method forced Engels to remain in many ways a prisoner of it's assumptions. This dependency, exemplified in his later writings, has greatly contributed to the mystification of the real transformation which Marx worked on Hegel's dialectic (i. e., his

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20. Louis Althusser, Politics & History, p. 181.

21. And this is precisely the way in which Marx uses the principles of the negation of the negation, etc., i. e., as a summary of what has already been illustrated. Cf. especially Capital, Vol. I, pp. 337-338, 837.

elimination of a subject from the process).<sup>22</sup> But for our examination, as for Stedman Jones', "The gravest consequence of Engels' theory of the dialectic, stemmed not from his unsuccessful attempt to use it as a bridge between different sciences, but rather in the way in which it distorted the character of historical materialism itself and unwittingly transformed it from an open-ended infant science in the course of elaboration into the appearance of a finished system already capable of explaining all events great and small".<sup>23</sup> In other words, Engels connected Marxism philosophically with 'naturalistic materialism' but the attempt to make nature dialectical while relying on the natural sciences inevitably led to the opposite result. The dialectic was naturalized. This attempt to make nature historical, i. e., dialectical, leaves the historical dialectic itself more or less undisturbed, while the attempt to include history in the realm of nature must distort the dialectical structure of history itself and transform the theoretical and practical praxis of men to it. It is no accident therefore that this interpretation of the dialectic led to a primitive and distorted

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22. In other words, in radical contrast to Engels' comments on Marx's relationship to Hegel made in Ludwig Feuerbach, that "Hegel was not simply put aside (by Marx) on the contrary, one started out from his revolutionary side described above, from the dialectical method. But in it's Hegelian form this method was unusable. According to Hegel, dialectics is the self-development of the concept", p. 43.

23. Stedman Jones, N. L. R., p. 28.

materialism. The principle fault of this interpretation was therefore in the manner in which Engels (like Colletti) projected Marx's concept of history as a 'materialist' identification of the logical with the historical, or more generally, in the manner in which they projected a one-to-one correspondence between the concrete real and the concept of the real. Engels, (and the historicists in general), by inverting the Hegelian dialectic, ordered history according to the laws of the dialectic, presuming that thereafter everything becomes 'simple and clear as noonday'.<sup>24</sup> As Engels characterizes Marx's concept of history

"in the course of history, as in it's literary reflection, the evolutions proceed by and large from the simple to the more complex relations, the historical development of political economy constituted a natural clue, which the critique could take as a point of departure, and then the economic categories would appear on the whole in the same order as in the logical exposition ... The logical method of approach was therefore the only suitable one. This, however, is indeed nothing but the historical method, only stripped of the historical form and diverting chance occurrences. The point where this history begins must also be the starting point of the train of thought, and it's further progress will be simply the reflection, in

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24. Engels for example tells us that the "Marxist conception of history 'puts an end to philosophy in the realm of history, just as the dialectical conceptions of nature made all natural philosophy both unnecessary and impossible. It is no longer a question anywhere of inverting interconnections from out of our brains', but of discovering them in the facts." Ludwig Feuerbach, p. 59.

abstract and theoretically consistent form, of the historical course. Though the reflection is corrected, it is corrected in accordance with laws provided by the actual historical course, since each factor can be examined at the stage of development where it reaches it's full maturity, it's classical form".<sup>25</sup>

But Marx himself, as we shall see, never juxtaposed historical and logical analysis in the ways that Engels did. His dialectical laws of motion were not represented as actual historical laws working behind historical events. "It would" states Marx, "be inexpedient and wrong therefore to present the economic categories successfully in the order in which they have played the dominant role in history".<sup>26</sup> To explain history otherwise, to explain it in a teleological fashion, would be to explain everything and yet explain nothing at all. For Engels on the other hand, history like that of logic, is governed by the principles of nature's dialectical laws, it's motion therefore is categorized according to time. The expression of this historicist problematic suppresses the very distinctions which must necessarily be made between one social

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25. Engels "Karl Marx; A Contribution to the Critique of Political Economy", Part One (Review), p. 255, K. Marx Contributions of 1859.

26. K. Marx Introduction to a Contribution to the Critique of Political Economy, Ibid., p. 243, and on p. 103, he writes "There are categories which are common to all stages of production and are established by reasoning as general categories; the so-called general conditions of all and any production, however, are nothing but abstract conceptions which do not define any of the actual historical stages of production".



form and another; it stresses in contrast the gentico-evolutionary process of society as a necessary development of it's essence. The absence of pertinent distinctions in the argument of the historicists leads them to identify historical time with physical time. From this perspective we see that the epistemological problematic of the historicists in the final analysis reduces to an economism or empiricism quite distinct from Marx's concept of history and materialism. In an extended but lucid quote, Althusser captures what I think are the real epistemological premiss of Engels, and the historicist's in general;

"with the extraordinary honesty he (Engels) points out the theoretical preconditions for this identification (logical with historical): the affirmation that these two developments are identical in order depends on the fact that the necessary concepts of any theory of history are affected in their conceptual substance, by the properties of the real object. 'Where things are conceived ... as changing, their mental reflections, the concepts, are likewise subject to change and transformation'. In order to be able to identify the development of the concepts and the development of real history, he therefore had to identify the object of knowledge with the real object, and to subject the concepts to the real determination of real history. In this way, Engels applies to the concepts of the theory of history a coefficient of mobility borrowed directly from the concrete empirical sequence (from the ideology of history), transposing the 'real concrete' into the 'thought concrete' and the historical as real change into the concept itself. Given these premises, the argument is bound to conclude that every definition is unscientific: 'to science, definitions are worthless; since 'the only real definition is the development of the

thing itself, but this is no longer a definition'. Once again the real thing has been substituted for the concept and the development of the real thing (i. e., the real history of concrete genesis) has been substituted for the 'development of forms'.<sup>27</sup>

Accordingly, within the domain of this epistemological assumption, we find that for Engels the law of value becomes a concept valid only for that particular historical period preceding prices of production. He formulates a concept of the labour theory of value which regresses back to the 'bear and deer' example of Adam Smith's (developed below in Chapter IV). In the same way, it is this notion of Marx's historical materialism which led Engels to write in a letter to Conrad Schmidt, that

"Hegel's dialectic is upside down because it is supposed to be the 'self-development of thought', of which the dialectic of facts therefore is only a reflection; whereas really the dialectic in our heads is only the reflections of the actual development which is fulfilled in the world of nature and of human history in obedience to dialectical forms. If you compare the development of the commodity from Being to Essence in Hegel, you will get quite a good parallel for the concrete development which results from facts".<sup>28</sup>

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27. Louis Althusser, Reading Capital, p. 114.

28. "Engels to Conrad Schmidt, November 1, 1891", Selected Correspondence, p. 495.

These are thus the confines of the epistemological questions. However, it remains for us to pursue the full implications of this interpretation on Marx's concept of history, and it's effects on the readings of Marx's labour theory of value in Capital, vis à vis the 'transformation problem'.

As an unorthodox 'Marxist' like Joan Robinson has once said, "It is obvious enough that it (the 'transformation problem') is not a problem about reality but a puzzle in analysis, which appears to be a problem only because ideology has got mixed up with algebra, it is a puzzle, however, that up till now was never satisfactorily solved".<sup>1</sup>

### CHAPTER III

#### The Transformation Problem

In order to fully comprehend the ramifications of Engels' discussion of Marx's theory of value which we have just developed, I think it is necessary to set out the context in which this argument has most commonly been situated.

To begin with, and as you may well know, the first two volumes of Marx's Capital are deliberated in terms of his notion of value, but after chapter ten of volume three, we find that Marx transfers the discussion from value terms to price of production. It is precisely at this point, we are told, that the famous problem -- the 'transformation problem' -- is evoked. The point at issue here, is essentially that the volume one analysis specified that commodities tend to sell at prices which correspond to their values, in other words, in correspondence to the amount of labour embodied in

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1. Joan Robinson, Collected Economic Papers III, 1965, p. 175.

them, whereas in volume three we find that prices are not sold in proportion to their values, but that indeed, they tend to deviate from these values.

Since the publication of volume three, the critics of Marx have generally maintained that this divergence between prices and values is not caused by temporary fluctuations, but that the two prove to be basically incompatible for the determination of relative prices. The Austrian Von Bohm-Bawerk -- perhaps one of the first to criticize this specific point -- in 1898 summarized the problem in the following way:

"For, long as Marx delayed to open his eyes to the facts of real life, he had to do it some time or other. He had at last to confess to his readers that in actual life commodities do not exchange, regularly and of necessity, in proportion to the working time incorporated in them, but in part exchange above and in part below this proportion, according as the capital invested demands a smaller or a larger amount of the average profit, in short that, besides working time, investment of capital forms a co-ordinate determinate of the exchange relations of commodities. From this point he was confronted with two difficult tasks. In the first place he had to justify himself to his readers for having in the earlier parts of his work and for so long taught that labor was the sole determinant of exchange relations; and secondly -- what was perhaps the more difficult task -- he had also to give his readers a theoretical explanation which certainly could not fit into his labor theory of value without leaving a residuum, but which must not, on the other hand, contradict it".<sup>2</sup>

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2. Bohm-Bawerk. Close of Marx's System, edited by Paul Sweezy, p. 89.

For the most part, however, this criticism was used more as a platform for Bawerk to articulate his own theory of interests on capital (and the subjective valuation of goods by utility as the only means for understanding relative price) than as a rigorous critique of Marx's analysis. In essence, he argued that the deviation in price from value necessarily proved that contrary to Marx, there was no one-to-one relationship between value and price, and furthermore that prices being regulated by utility or demand were determined in the sphere of consumption rather than production. For him, prices 'are the only 'real' economic world, and therefore 'prices of production were sufficient to explain prices'.

Meanwhile; we find that the defenders of Marx had split into two fairly distinct and yet interdependent positions on the problem, one of which was strongly influenced by Engels' historicist reading, the other attempting to demonstrate that Marx's transformation was inherently correct.

### 1. Engels, and the Labour Theory of Value

It was partly in response to the criticisms which were being raised against the law of value as it was proposed in volume one, and partly a reflection of Engels' long developed epistemological position that led him to make a number of comments in his supplement to volume three, the most infamous of which was the following:

"In a word: the Marxian law of value holds generally, as far as economic laws are valid at all, for the whole period of simple commodity production, that is, up to the time when the latter suffices a modification through the appearance of the capitalist form of production. Up to that time prices gravitate towards the values fixed according to the Marxian law and oscillate around those values, so that the more fully simple commodity production develops, the more the average prices over long periods uninterrupted by external violent disturbances coincide with values within a negligible margin. Thus the Marxian law of value has general economic validity for a period lasting from the beginning of exchange, which transforms products into commodities, down to the fifteenth century of the present era. But the exchange of commodities dates from a time before all written history, which in Egypt goes back to at least 2500 B. C., perhaps 6000 B. C., thus the law of value has prevailed during a period of from five to seven thousand years".<sup>3</sup>

It is clear, both from our previous discussion and from this quote, that for Engels, Marx's theory of value delineates a determinate stage of historical development. As a result, in Engels' interpretation, we are left with the suggestion that Marx's price of production analysis (Vol. III) is the only valid category within capitalism. What this would mean is that the whole of Marx's theoretical order within Capital would simply become subordinate to chronological sequences. In other words, values would be correlative to prices of production only in terms of that his-

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3. Engels' "On Marx's Capital", Moscow, 1940, pp. 179-80, or Capital Vol. III, p. .... (My Emphasis)

torical (and teleological) scheme where appearances are adjudicated to the development of history's essence. Here in Engels' 'Absolute History' we would find each category subordinate to it's preceding category -- for as it does in history, so it does in logic.

Some of the fallacies of this kind of argument have already been suggested. But the question remains, Where does this leave Marx's argument? Does Engels' interpretation in fact faithfully reproduce the problematic or 'object' of Marx's labour theory of value as it appears in Capital? I do not think so. What I should like to maintain -- as I have argued earlier -- is that the advancement in Marx's abstraction from value to prices of production is not a historical process, but an advancement to another level of the theoretical process. What we shall find determines the production and distribution of surplus value for the whole of the capitalist class is the law of value. We shall find that value and prices of production correspond to two different levels of abstraction which should not be confused with abstract models, because abstraction in this context (that of Engels and Colletti) is only thought of as moments detached from linear history itself, i. e., as forms of development equal to stages of historical development. We shall see that the popularity of this interpretation fostered by Engels is perhaps most evident by the fact that it reappears again and again in the defence of Marx's so-called



transformation.<sup>4</sup> Still this constitutes only one part of the argument in the vindication of Marx's transformation. We find that on a much more developed level, there is also a quantitative reply to the problem, indeed, we notice in fact that Engels' historicism is most frequently used in conjunction with this latter kind of argument as a support. In order for us to become minimally conversant with this 'quantitative argument', I think we should first have to elaborate upon a few of the specific details of Marx's so-called transformation.

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4. Perhaps one of the better examples of such a position is the eight hundred pages of Ernest Mandel's Marxist Economic Theory. In the introduction he tells us for example, "Now one ought not to confuse method of presentation with origin of knowledge. While Marx insists on the fact that the concrete cannot be understood without first being analyzed into the abstract relationships which make it up, he equally stresses that these relationships themselves cannot be the outcome of a mere brilliant intuition or superior capacity for abstraction; they must emerge from the study of empirical data, the raw material of every science", p. 16, or more explicitly, "in petty commodity society, individual labour acquires it's quality as social labour only indirectly, through the mechanisms of exchange, by the operation of the law of value" but "these rules nevertheless remain quite obvious at the beginning of the period of commodity production. The proof is to be seen in the fact that in the corporations of Antiquity and in those of China, of Byzantium, of the European and Arab Middle Ages, etc., fixed rules, known to all, laid down alike the labour-time to be devoted to the making of each object, the length of apprenticeship, it's cost, and the equivalent normally to be asked for each commodity", p. 68, etc., etc.

### Marx's Transformation

In volume one of Capital, as most of us are aware, Marx proceeds to demystify the forms of social and production relations as they manifest themselves under Capitalism. The key to this examination, focuses not only upon the source of profit and of value, but also on the form necessary for it's production. We are told by Marx that his analysis (in volume I) is conditioned by the assumption that the production process is limited to a single branch of industry where the ratio of the total number of workers to that of the total of machinery, raw materials (in Marx's words, constant capital) is isometric. As the story goes, Marx discovers that the only possible source for the realization of a new increment of value -- i. e., profit or surplus-value -- is via the exchange between the capitalists and labour in the production process. Although this exchange appears to be equal, it proves to be quite the opposite, for the capitalist procures an amount of productive labour-time (labour-power) above and beyond the original redemption to the labourer. In other words, Marx ascertains that in the exchange between the capitalist and the worker, the capitalist obtains a surplus of labour-power by exchanging with the worker only for the time, wages, or commodities, necessary for the reproduction of the worker (as the agent of labour-power). And yet the capitalist -- entrepreneur that he is, employs the worker for a period of time (or intensity) beyond that

necessary for his reproduction. Hence extra labour-power is employed to produce extra exchange-values, which are appropriated by the capitalist for his personal consumption, re-investment, etc. In other words, the mass of labour-power set in motion by the capitalist is always greater than the exchange-value assigned to it by wages, i. e.,

"the value of labour-power, and the value which that labour-power creates in the labour process, are two entirely different magnitudes; and this difference of the two values was what the capitalist had in view, when he was purchasing the labour power".<sup>5</sup>

The effect of this configuration is that it is assumed that because labour is sole source for the production of value, and thus far the production of surplus-value, that the rate of surplus-value should therefore tend to be relative to the total amount of labour which is utilized in the production process. In other words, in a system based on the assumption that there are equal rates of exploitation (ratio of variable capital-labour-power to unpaid labour-power) and equal quantities of constant capital employed, the rate of surplus value would be equal between industries. But working within this same assumption we would also find that when there are not equal quantities of capital employed per labour-power (i. e., machinery per worker) that the rate of

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5. Marx, Volume I, Capital, p. 216.

surplus value between industries would differ. Thus the rate of surplus-value is dependent upon the organic composition of capital (i. e., the totals of variable and constant capital). Marx himself states something similar,

i. e.:

"Since capitals in different spheres of production viewed in percentages -- or as capitals of equal magnitudes -- are divided differently into variable and constant capital (organic composition of capital), setting in motion unequal quantities of living labour and producing surplus-values and therefore profits, it follows that the rate of profit, which consists precisely of the ratios of surplus-value to total capital in percent, must also differ".<sup>6</sup>

However, we soon learn -- both from Marx and his critics alike -- that in actual fact the rates of profit (as the average  $\frac{s}{c+v}$ ) tend towards equality, and that the organic compositions of capital (ratio of labour to machinery, raw materials, etc.) are inclined more towards inequality between different branches of productions. It is for this reason, that in volume three we notice the original limiting assumptions of volume one are removed; surplus-value is transformed into profits, and values into prices of production. Here Marx indicates to us that the profit which the capitalist gains in each branch of industry is calculated no longer just in terms of variable capital, but in terms of the total mag-

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6. K. Marx, Capital, Vol. III, Moscow, p. 149.

nitude of capital (both constant and variable) which is employed. The result is that over the economy as a whole the profit which the capitalist extracts corresponds to an average rate of profit.

In this new situation it becomes clearly evident that the profit that the capitalist makes may differ considerably from the amount of surplus-value actually produced by his own industry. Marx accounts for this apparently contradictory condition by proposing that the average rate of profit represents an average of the total aggregate surplus-value produced in the economy as a whole, in other words, "the law (as a general tendency) that profits are related to one another as the magnitude of the capitals and that, consequently, capitals of equal magnitudes yield equal profits in equal periods ..."<sup>7</sup> It follows from this, therefore, that profits are dependent on the ratio of constant capital to variable capital, and hence, that relative prices do not necessarily have to correspond to their labour values.. Marx's explanation for this diversive phenomenon went as follows: the aggregate average of surplus-value is re-allocated through competition among the different branches of industry, such that they are rewarded in terms of their total capital (rather than total wages) spent in production. In other

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7. Ibid., p. 153.

words, in his chain of reasoning, the volume one analysis was not only not contradictory to the phenomenal forms of capitalism, but indeed, it acted as the very basis upon which magnitudes of the average rate of profit (derivatives of the total capital) could be determined. He succinctly summarizes this contradictory and deceptive movement of capital in a letter to Engels:

"Competition (transfer of capital or withdrawal of capital from one trade to another), brings it about that equal sums of capital in different trades, despite their different organic composition, yield the same average rate of profit. In other words, the average profit which a capital of 100 (pounds) for instance, makes in a certain trade is not made as the application of this particular capital, nor related, therefore, to the particular aim with which the surplus value is produced, but is made as an aliquot part of the total capital of the capitalist class. It is a share on which in proportion to its size, dividends are paid from the total sum of surplus value (or unpaid labour) which the total variable capital (laid out in wages) of the class produces ... competition does not therefore reduce commodities to their values, but to their cost price, which is above, below or equal to their value, according to the organic composition of the respective capital".<sup>8</sup>

We discern then, that with the equal returns on total capital, and the ensuing transformation of surplus value into profits, Marx finds it necessary also to transform values into prices of production. In volume one as we remember, Marx had pre-

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8. Marx & Engels. Selected Correspondence, 'Letter to Engels of August 2, 1862', p. 131.

sumed that commodities produced in one branch of industry were bought and sold at their values (i. e., in terms of their quantities of socially necessary labour)<sup>9</sup>, but that now under prices of production, commodities tend not to sell at their values but at their cost of production plus the average rate of profit. As Marx himself writes: "Hence, the price of production of a commodity is equal to it's cost-price plus the profit, allotted to it in percent, in accordance with the general rate of profit, or, in other words, to it's cost-price plus the average profit".<sup>10</sup> We see then that this transformation is therefore dependent upon the price's transition of surplus value into profit.

In short, the rate of profit was determined by the ratio of total surplus to total capital. However, the question still remains, why is there a tendency for the equalization of the average rate of profit among different spheres of industry? On an intuitive level one could simply answer this by saying that wherever there is an average rate of profit, and thus a general rate of profit for all industry, such an average profit cannot be but a profit on an average social capital. This would be one justification for the assumption made by Marx that the total sum of values must equal the total

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9. Marx makes this limiting assumption in a footnote on p. 100 of Capital, Vol. I.

10. K. Marx. Capital, Vol. III, p. 157.

sum of prices. Or as he declares "... the sum of the profits in all spheres of production must equal the sum of the surplus values, and the sum of the prices of production of the total social capital equal the sum of it's values".<sup>11</sup> But this kind of answer seems somewhat ambiguous in light of the fact that it is precisely this average rate of profit which Marx is attempting to explain.

On the other hand, and more correctly, we find that for Marx capitalist production is a social process which is indifferent to particular use-values, it's concern is surplus value, i. e., the appropriation of surplus labour. For this reason one sphere of production is just as good or as bad as another, for all yield the same profit. If commodities outside of this social space were sold at their values, very different rates of profit would be realized, but through the transference of capital, and the search for the highest average profit, the rate of profit equalizes into a general rate -- "and values are, therefore, converted into prices of production".<sup>12</sup> In other words, it is capital as a social body, or a social relation which succeeds in equalizing the rate of profit. And it is only because it succeeds in equalizing the

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11. Ibid., p. 173. We also find later, that these two conditions are those necessary for the equilibrium in Marx's simple reproduction model illustrated below on page 90.

12. Ibid., pp. 195-6.



rate of profit that these "prices which obtain as the average of the various rates of profit in the different spheres of production added to the cost-prices of the different spheres of production, constitute the prices of production".<sup>13</sup>

We thus have a chain of consequences which make up the transformation, such that, as Marc Blaug, a modern bourgeois critic of Marx has summarized:

"First, we derive the total amount of surplus value from the amount of variable capital employed, next we calculate the average rate of profit on total capital invested by dividing the total surplus value by the amount of capital in the economy, and then we add profits at the going rate to the cost price to arrive at prices".<sup>14</sup>

We may therefore say that the source of transformation problem arises from the dilemma whereby the exchange ratios tend not in fact to be equal to embodied labour ratios, unless the capitals are similarly constituted, i. e., in Marx's terminology, unless their organic compositions are equal. Once we come face to face with the fact that if all capitals tend to have unequal organic compositions of capital, then the return on individual capital seems to no longer relate to one part of capital -- i. e., that part which is spent on wages. If one has argued, as Marx has in volume one, that the only source of profit is through the

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13. Ibid., p. 157.

14. Marc Blaug. Economic Theory in Retrospect, p. 232.

extraction of surplus labour from the workers by the capitalists, it should follow as Bohm Bawerk mentioned, that the volume three analysis should substantiate that this truly is the case -- a feat however, which it seemingly fails to do. Perhaps the objections which arise in the transformation of values into prices, and surplus value into profits are best expressed in Marx's own transformation procedure outlined in Table I below. Marx in volume three considers five different spheres of production, each with a different organic composition, but all possessing a common rate of exploitation (i. e., ratio of surplus to necessary labour -- in this example it is equal to one hundred percent) to compose the following schema.<sup>15</sup>

TABLE I Marx's Transformation Table

	Used up c	Used up v	Surp- lus val- ues	Value of Comm. odity c+v+s	Cost Price c+v	Rate of Pro- fit s/c+v	Price of Produc- tion c+v+p(c+v)	Price > Value
<u>Capitals</u>								
I. 80 <sub>c</sub> +20 <sub>v</sub>	50	20	20	90	70	22	92	+2
II. 70 <sub>c</sub> +30 <sub>v</sub>	51	30	30	111	81	22	103	-8
III. 60 <sub>c</sub> +40 <sub>v</sub>	51	40	40	131	91	22	113	-18
IV. 85 <sub>c</sub> +15 <sub>v</sub>	40	15	15	70	55	22	77	+7
V. 95 <sub>c</sub> + 5 <sub>v</sub>	10	5	5	20	15	22	37	+17
<u>Totals</u> 390 <sub>c</sub> +110 <sub>v</sub>	202	110	110	422	312	110	422	0

15. Extracted from tables on pages 155-7 (beginning of chapter 9) of Capital, Vol. III, International Publishers.

According to Marx in the above calculations there must exist two fundamental conditions for a successful 'transformation'; i. e., the total sum of values must equal the sum of prices of production and the sum of surplus value must equal the sum of profits. Both of these conditions we may note are met in the above formula.

In any event, the transformation problem remains as follows: can the relation between various branches of industry, and the assumed conditions of equilibrium (in the simple reproduction model), allow for a mathematical equational system such that prices may be derived from values? In strictly mathematical terms, Ludwig von Bortkiewicz was probably one of the first and most capable statisticians to test the veracity of this particular proposition.<sup>16</sup>

#### Von Bortkiewicz and 'Marx's Error'

The key to the argument, for Bortkiewicz, was that in the transition from values to prices of production, not only does the rate of surplus value necessarily need to be transformed as a factor in calculating prices of production, but that constant and variable capital must also be transformed

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16. Ludwig von Bortkiewicz. "On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of Capital" -- in Sweezy's The Close of Marx's System, also Bortkiewicz, "Value and Price", in International Economic Papers, 1952.

into costs of production in order to determine prices of production. He writes:

"Marx ..... made the mistake of carrying over certain magnitudes without alterations from the table of values into that of prices. In transforming values into prices, it is inadmissible to exclude from the recalculation the constant and variable capital invested in the various spheres of production".<sup>17</sup>

Bortkiewicz endeavors to prove this thesis utilizing assumptions originally adopted by Tugan-Baranowsky<sup>18</sup> in which it was assumed: 1) that the advanced aggregate of capital turns over once a year, and 2) that the five different spheres of production which Marx utilized in Table I, may be reduced down to the three departments of production of Marx's simple reproduction model developed in Volume II of Capital.

Bortkiewicz reveals that unless variable and constant capital are simultaneously transformed, total profit will not equal total surplus-value except for a few rare anomalies. He states for example, that:

"Marx's error is due to the illogical method reused in deriving prices from values, it ~~is not~~ caused primarily by any confusion between the concept of value as the index of an exchange relationship and the concept of absolute value and such a confusion might at most have been an accessory, for when Marx's calculations led him to the result that

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17. Ludwig von Bortkiewicz. "Value & Price, p. 9.

18. Tugan-Baranowsky

total price equals total value, it is possible that he should have seen in this a confirmation of the view that the value of all goods taken together had a significance which could not be modified by the "capitalistic method of calculation" (i. e., by applying the principle of price calculation".<sup>19</sup>

Although he acknowledges that it is possible -- given these above assumptions -- of making the sum of surplus-value in the table of values, equal to the sum of profit in price of production, but that

"It would thus not be permissible to equate total price with total value whilst simultaneously equating total profit with total surplus value. In Marx's exposition, however, the identity total price equal total value appears not as a permissible, though arbitrary, assumption, but as the consequence of a series of mutually incompatible identifications of certain magnitudes of price with the corresponding magnitudes of value. The incompatibility of these identifications can be seen from the mere fact that they lead to the conclusion that total price equals total value, which when the measure of prices is identical with that of values as is the case with Marx -- is not obviously wrong, or can be right only by accident".<sup>20</sup>

And as a corollary, "we are thus driven to reject Marx's derivation of price and profit from value and surplus value".<sup>21</sup>

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19. Bortkiewicz. "Value & Price", pp. 11-12.

20. Ibid., pp. 12-13. For such an accident refer to Paul Sweezy's Theory of Capitalist Development, p. 123.

21. Ibid., p. 13.

For the most part, Bortkiewicz's examination retains the internal constraints of Marx's price of production system, and he establishes that the fundamental equivalence between the sum of the values and the sum of the prices of production, and that of the sum of surplus value with the sum of profits are both, at one and the same time, not possible. His solution to the 'error of Marx' was to transform simultaneously both inputs and outputs of Marx's price of production, and, concurrent with this, he also reduces the four unknowns (i. e., the ratios between value and price for the three departments of the simple reproduction Model, and fourthly, the ratio between the rate of surplus value and the rate of profit) down to three equations, such that the same number of equations are represented by the same number of unknowns. He undertakes such a reduction by assuming a) that the value scheme was expressed in terms of money, and b) that gold is the money commodity produced in Department III, in which case, we may reasonably take the ratio between value and price in Department III as equal to unity, i. e., "the good used as value and price measure belongs to Department III".<sup>22</sup> In this scheme it is because production in Department III is given as equal to the socially average organic composition, that it follows from this that the sum of prices will come out equal to the sum of values for that industry.

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22. Bortkiewicz, p. 205.

Perhaps this would be made all the more simple if we were to follow this reduction via Bortkiewicz's illustrations. But first, let me clarify that Marx's equilibrium model of simple reproduction is based on defining the conditions between surplus value (s), variable capital (v), and constant capital (c), as the sources of expenditures by both the workers and capitalists, and, also on the conditions of the reproduction of the three main departments of production: i. e., Department I, capital goods; Department II, wage goods; and Department III, luxury goods, or capitalist consumer goods. From this we may derive an equilibrium model expressed in an equation like such:

TABLE II Equilibrium Model<sup>23</sup>

Dept. I	$c_1 + v_1 + s_1 = c_1 + c_2 + c_3$
Dept. II	$c_2 + v_2 + s_2 = v_1 + v_2 + v_3$
Dept. III	$c_3 + v_3 + s_3 = s_1 + s_2 + s_3$

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23. Maurice Dobb summarizes this reduction as follows: "Bortkiewicz used a three-sector model; one sector producing wage-goods, another elements of constant capital and the third luxury goods consumed out of surplus-value. On the assumption of static conditions with zero net investment (Marx's simple reproduction), it followed that the supply of output from each sector department of an industry must equal the demand for it arising from the sum of the relevant incomes generated in the three departments (in his tables the sum of the columns must equal the sum of the relevant rows; eg. total price of wage goods equal to the sum of the wages paid in all three sectors)". Theories of Value and Distribution Since Adam Smith, Cambridge, pp. 159-60.

Applying this equilibrium model to Marx's schema of value analysis we may, according to Bortkiewicz, render Marx's original model (Table I) into the following equilibrium model:

TABLE III Marx's Value Model Under Equilibrium Conditions

	Constant Capital	Variable Capital	Surplus Value	Value of Product
Dept. I	225	90	60	375
Dept. II	100	120	80	300
Dept. III	50	90	60	200
Totals	375	300	200	875

Here we see that the rate of surplus value ( $\frac{s}{v}$ ) is equal to 66.6 percent; and the rate of profit ( $\frac{s}{c+v}$ ) is equal to 29 percent. Also the equilibrium conditions outlined above in Table II are maintained, the total products of each department correspond to the totals of c, v, and s, consumed in the production process. Now, following this model, we can proceed to express Marx's transformation of values into prices in the following manner:

TABLE IV Marx's Price Calculation<sup>24</sup>

	Constant Capital	Variable Capital	Profit	Price of Products
Dept. I	225	90	93 9/27	408 9/27
Dept. II	100	120	65 5/27	285 5/27
Dept. III	50	90	41 13/27	181 13/27
Totals	375	300	200	875

24. Footnote, p. 992.



In Marx's transformation illustrated above, we notice that variable and constant capital are not transformed, moreover, the conditions of equilibrium necessary for the simple reproduction model are also not met. For example total constant capital (375), does not equal the total price of products of Department I (408 9/27). Yet compared with Table III we find that the two fundamental conditions of equivalence -- between the totals of value and price, and surplus value and profit -- remain intact.

But in order to maintain the equilibrium conditions of the simple reproduction model, Bortkiewicz applies a simultaneous transformation on constant and variable capital in the above model, to produce the following schema:

TABLE V Prices of Production According to Bortkiewicz<sup>25</sup>

	Constant Capital	Variable Capital	Profit	Price of Products
Dept. I	288	96	96	480
Dept. II	128	128	64	320
Dept. III	64	96	40	200
Totals	480	320	200	1000

24. (from previous page) Both Table III and IV follow Bortkiewicz's reduction model in "on the correction of Marx's ...", p. 204. Table III according to Bortkiewicz (cp. p. 205 fn) was taken from Tugan-Baranowsky, while the algebraic representation of the problem is credited to Dimetrieve who worked out a similar solution many years earlier in his work

The rates of surplus value thus equals 62.5% and the rate of profit equals 25%.

Here in Bortkiewicz's new model he has obtained an equilibrium condition, achieved by transforming both constant and variable capital as inputs as well as in outputs into prices. But at the same time we end up with the sum of prices not equalling the sum of values (i. e., Table III), although it still remains that the rates of surplus value in absolute terms appear to be equal with the sum of the rates of profit.

This inequality between the sum of prices and values is due, as Bortkiewicz himself admits, to his reduction of the four unknowns down to three equations, or more specifically, by his arbitrary assumption that the gold industry (Dept. III) has an average organic composition of capital such that values were equivalent to prices. He explains,

"that the total price exceeds the total value arises from the fact that Department III, from which the good serving as value and price measure is taken, has a relatively low organic composition of capital. But the fact that the good used as value and price measure belongs to Department III<sup>26</sup>

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25. (from previous page) Refer to Bortkiewicz's 'on the correction of Marx's .....' in Sweezy's 'Close of Marx's System', p. 204, Table II. For a similar outline of the tabular illustrations of Baudin, Tugan-Baranowsky, and Natalie Maskowska's solution, also refer to Aghiri Emmanuel's Unequal Exchange, p. 396.

26. Ibid., p. 205.

In other words, Bortkiewicz's problem is confined to his use of the gold industry as the standard of measure. This can readily be demonstrated. It is clear, first, that if in the gold industry the highest organic composition of capital exists the price of gold will be greater than its value. This follows from the fact that in price calculation, profit is proportional to variable capital alone. Consequently, if all other commodities are expressed in terms of gold, their total price (depending on their organic composition) must be less than their total value.

Beyond this problem, we also notice that the rates of surplus value and profit in Table V (62.5%: 25%) are no longer equal to the original value tabulations of Table III (66.6%: 29%); in other words, the rates of exploitation -- which Marx had definitely taken as constant -- also have been altered.

What has Bortkiewicz proven? He has demonstrated on the one hand, that in order for there to be a transformation, variable and constant capital cannot be converted in the product (output), without a corresponding transformation in their input. He succeeds in accomplishing this simultaneous transformation, and as well, maintains the final formulation within the equilibrium conditions. As a result we find that he is able to calculate the relative values correctly, but, in order to do so, we also find that he abandons completely the principle of quantities of labour as the means for measuring

prices. Instead, he changes the measure of value from labour quantities to an 'average labour' -- or better, to the average capital ratio of the production of gold in Department III. In other words, in Bortkiewicz's model, total value will equal total prices "only in the special case where the organic composition of the capital employed in Department III is equal to the social average that the sum of the prices will come out equal to the sum of the values".<sup>27</sup> His solution of the transformation is thus obtained by starting from a different basis than Marx, that is, by starting from prices themselves. This objection thus formally effects the whole possibility of such a thing as a transformation.

On the other hand, we also find that he demonstrates mathematically that either the sum of prices will equal the sum of values, or the sum of profits will equal the sum of surplus-value, but that the two equations -- within an equilibrium model -- prove to be mutually incompatible, and that it would normally prove impossible to effect a simultaneous transformation which would meet equivalences in both equations. In other words, he concludes that the transformation process as Marx outlined it, was categorically impossible.

For a long period of time after Bortkiewicz, it seems that very little, as far as any profound additions, were made to the quantitative solution.

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27. Ronald Meek, Studies in the Labour Theory of Value, p. 195.

Winternitz in his article "'Values and Prices': a Solution of the So-called Transformation Problem"<sup>28</sup>, for example, simply reveals that Bortkiewicz's method of proof was somewhat cumbersome, but he too proves that either the two fundamental equivalences may be met without an equilibrium model, or working within the equilibrium model, that only one equivalence is possible.

The debate remains at this point for a good many years. Paul Sweezy, who had earlier commented on the problem in his Theory of Capitalist Development, argued along with Bortkiewicz, that it is because he selects the gold industry of Department III as equal to the average organic composition of capital in the gold industry, which is lower than average, -- that "it follows that in general the Bortkiewicz method leads to a price total differing from the value total".<sup>29</sup>

Not satisfied with Bortkiewicz's inadequate solution, he devised a new method of transforming values into prices, which he believed was free of the objections which Marx had opened. His solution was to reduce the unknowns (four), like

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28. Winternitz "Values & Prices: A Solution of the So-called Transformation Problem", Economic Journal, June 1948, pp. 276-80; Ronald Meek comments on his 'solution' as "an effective reply to those who said that it was not formally possible to transform values into prices when elements of inputs as well as outputs were involved" Studies in the Labour Theory of Value, p. 196.

29. Paul Sweezy, Theory of Capitalist Development, p. 122.

Bortkiewicz, down to the number of equations (three), but, instead of considering Department III as producing gold, he presumed that it produced money, such that

"Instead of calculating the value schema in terms of units of labour time we might have put it in money terms. Thus the value of each commodity would not be expressed in units of labour but in terms of the number of units of the money commodity for which it would exchange".<sup>30</sup>

Using Bortkiewicz's formula, Sweezy finds a prices of production schema which agrees both in terms of equal sums of values and prices, and in equal sums of profits and surplus-value within the equilibrium model. This, as was later to be discovered, proved to be an exceptional example, but Sweezy, confident at the time that he had solved the problem, concluded; "with the help of the Bortkiewicz method we have shown that a system of price calculation can be derived from a system of value calculation".<sup>31</sup> But on top of this, Sweezy also attempted to transfer the debate onto new ground. For him, what became of greatest importance in Marx's formulation was that

"the proportions of the price scheme (ratio of total profit to total price, of outputs

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30. Ibid., p. 117.

31. Ibid., p. 123.

of constant capital to output of wage goods, etcetera) will come out the same, and it is the relations existing among the various elements of the system rather than the obsolete figures in which they are expressed which are important".<sup>32</sup>

More recently, one of the better accounts of this debate has been summarized by author Ronald Meek, a noted and 'sympathetic' Marxist. His particular rendition may be found in a variety of sources,<sup>33</sup> the most popular of which exists in his Studies in the Labour Theory of Value. Meek commenting on Bortkiewicz's notion of a simultaneous transformation of inputs and outputs in the reproduction schema writes

"it is normally impossible to effect a simultaneous transformation which will make total profit equal to total surplus value and at the same time make the total prices of production equal to total values. In all but very exceptional cases, (i. e., Sweezy's) we may preserve one of these equations, but not both".<sup>34</sup>

What Meek, like Sweezy, conceives is of importance in this relationship, is not that the two sums of value/price,

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32. Ibid.

33. i) Some Notes on the Transformation Problem", Economic Journal, Vol. 66, 1956; ii) Economics and Ideology and other Essays, Chapman & Hall, London, 1967, ch. 6 & 9; and finally, iii) Studies in the Labour Theory of Value, Lawrence & Wishart, either 1956 or 1972, ch. 5.

34. Ronald Meek. Studies in the Labour Theory of Value, p. 191.

surplus-value/profit, are equal, but that the ratios between value and surplus-value are maintained in the price of production scheme, i. e.,

"after the transformation of values into prices of production the fundamental ratios between the value of labour power and the value of commodities in general, upon which profit depended could still be said to be determined in accordance with the Volume I analysis";<sup>35</sup>

or again, in an almost identical fashion:

"the essential point for Marx, as we have seen, was that after aggregate surplus value had been converted into profit, and values consequently transformed into prices, the fundamental ratio between the value of labour power and the volume of commodities in general, upon which profit depended, could be regarded as remaining unaltered as a result of the transformation".<sup>36</sup>

Although in Meek's examples,<sup>37</sup> he overcomes some of the difficulties encumbered by Bortkiewicz's and Winternitz's solution (and yet he uses their essential presuppositions in his calculations), he succeeds no better than the former attempts of insuring the invariability of the ratios of the value of labour-power to surplus-value in the price of production schema.

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35. Ibid., p. 192.

36. Ibid., p. 192.

37. Cf., his Economics & Ideology, p. 154.



In fact his general pessimism over his logical (quantitative) solution to Marx's difficulties is summed up as follows:

"In my more heretical moods, I sometimes wonder whether much of real importance would be lost from the Marxian system if the quantitative side of the analysis of relative prices were conducted in terms of something like the traditional supply and demand analysis".<sup>38</sup>

But the debate for Meek (especially in the 1956 edition)<sup>39</sup>, could not be left in such a state of affairs. To supplement his logical solution, and as a further reply to the critics of Marx, Meek also introduces the historical defense for Marx's law of value (Vol. I analysis) which appears in many ways identical to Engels' position outlined earlier. He propounds:

"We must turn to economic history and methodology rather than to mathematics. The deviation of prices from values, according to Marx's general economic method, must be regarded as a historical as well as a logical process. In "deriving prices from values" we are really reproducing in our minds, in logical and simplified form, a process which has actually happened in history. Marx began with the assumption that goods sold "at their values" under capitalism (so that profit rates in the various branches of production were often very different), not only because this appeared to be the proper starting point from the logical point of view but also because he believed that it had

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38. Ronald Meek, Economics & Ideology, p. 155.

39. Studies in the Labour Theory of Value.

"originally" been so. He proceeded on this basis to transform values into prices, not only because this course appeared to be logically necessary but also because he believed that history itself had effected such a transformation".<sup>40</sup>

It is clear, that Meek is here implying that the theory of value as it is expounded in Volume I of Capital, as a theory which 'applies' to a 'simple commodity mode of production', but which does not apply to the 'capitalist mode of production'. In other words, Volume I cannot only be understood as a form logically and historically preceding general commodity production, but also as the only form 'inside' the 'law of value', i. e., "Marx begins with an analysis of the commodity as such, and then goes on to consider, 'it's ideologically and historically secondary form, a capitalistically modified commodity".<sup>41</sup>

Meek seems to leave this argument short after presenting but one quote from Capital, suggesting that "Marx did not pursue the historical aspects of the problem of the transformation of values into prices very much farther than this"<sup>42</sup>, but, he reaffirms that "Marx would have continued to take the view that this logical transformation of values into prices

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40. Ibid.; also refer to Studies in the Labour Theory of Value, pp. 180-2 for similar comments. (My Emphasis)

41. R. Meek, Studies in the Labour Theory of Value, p. 140.

42. Ibid., p. 155.

were the 'correct mirror image' of some actual historical transformation". That is to say "a corrected mirror image but corrected according to laws furnished by the real course of history itself".<sup>43</sup>

More recently however, we find that Meek -- like numerous other Marxists -- has, while maintaining the historicist position<sup>44</sup>, returned to the classical economists for a solution to this problem.

#### The Transformation Problem and the Return to Ricardo

Meek proposes that generally as far as the transformation problem was concerned he had "tended to underestimate it's importance" and that now (in 1972)<sup>45</sup>, he would

"wish to urge that this inquiry should be conducted within a rather different conceptual framework -- that provided by Sraffa in his Production of Commodities by Means of Commodities".<sup>46</sup>

Essentially what is at issue in the transformation problem, as it has been set out, is that in the reduction of

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43. Ibid., pp. 156-7.

44. Cf. Meek's 'The Introduction' of Studies in the Labour Theory of Value, (1972), pp. xv & xxiv.

45. Actually this view was expressed as early as 1961 in his article in the Scottish Journal of Political Economy, June 1961, also in Science and Society, Summer, 1961.

46. Meek. Studies in the Labour Theory of Value, p. xxxii, (1972).

the four unknowns in simple reproduction model down to three equations, one industry or department must prove to act as a unit of reckoning or numéraire (Dobb: 1955). In other words, it must allow for an invariant link between value and price of production.

For Bortkiewicz we noted that this link was found in Department III, in the production of gold; but we also noted that calculations in quantities of labour units (and the notion of 'transformation') had been completely dispelled.

For Meek, like Maurice Dobb<sup>47</sup>, the object of modern Marxist economics is to reinstate the calculations of relative prices in terms of labour units; the opportunity for such a re-institution was provided for them by Pierro Sraffa.

Sraffa's name is perhaps best associated with his arduous editing of the works of Ricardo<sup>48</sup>, and yet, in his own theoretical writings, he has proffered not only an interesting new solution to the transformation problem, but as well, a critique of neo-Walrasian theory by demonstrating that relative prices, where the scale of production is unaltered, are independent of consumption and demand.

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47. Maurice Dobb; Theories of Value and Distribution Since Adam Smith, especially ch. 9; also I would here include Aghiri Emmanuel's Unequal Exchange, pp. 402-26.

48. Pierro Sraffa; The Works and Correspondence of David Ricardo.

Because it appears that his solution to the transformation problem is rapidly becoming adopted by many Marxist economists, I think we should here at least present a brief outline of his theory.

We notice, first off, that in the beginning of Sraffa's analysis he proceeds on the premises outlined earlier in Marx's simple reproduction model. Indeed we find that his first model expresses essentially the equilibrium conditions examined back in Table II. His first model of an economic system thus characterizes a subsistence economy in which there is no surplus produced; i. e.:

TABLE VI Sraffa's Subsistence Economy<sup>49</sup>

Wheat industry	280 gr. wheat + 12 t. iron	→ 400 gr. wheat
Iron industry	<u>120</u> gr. wheat + <u>8</u> t. iron	→ 20 t. iron
	400	20

What is immediately evident in this model -- like that of Bortkiewicz -- is that the equilibrium conditions of simple reproduction are met. Sraffa however prefaces this system with two limiting assumptions; first, he assumes that the subsistence goods of labour are included within total inputs or means of production (in other words, the necessary

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<sup>49</sup>. Cf. Sraffa; Production of Commodities by Means of Commodities, p. 3.

subsistence of the worker enters "the system on the same footing as the fuel for the engines or the field for the cattle"<sup>50</sup>; secondly, he assumes that in order for reproduction of the system, the prices of commodities are exchanged in proportion to a fixed ratio, i. e.:

"a unique set of exchange-values which if adopted by the market restores the original distribution of the products and makes it possible for the process to be repeated; such values spring directly from the methods of production. In the particular example we have taken (Table VI), the exchange-value required is 10 gr. of wheat for 1 ton of iron".<sup>51</sup>

In any case, the calculation here remains in terms of physical commodity ratios (i. e., one commodity value in ratio to another). In order to transfer this ratio into prices, he takes -- like Bortkiewicz -- one commodity as a standard of value such that its price is equal to unity (Sraffa: 1960, 5). All the other commodities maintain their earlier physical ratios but now in price form. Sraffa then proposes a second economic system in which a surplus is produced within the society as a whole.

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50. Ibid., p. 9.

51. Ibid., p. 3.

TABLE VII<sup>52</sup> Surplus Producing System

Wheat industry	280 gr. wheat + 12 t. iron	→ 575 gr. wheat
Iron industry	<u>120</u> gr. wheat + <u>8</u> t. iron	→ 20 t. iron
	400	20

Under this scheme, Sraffa maintains the first assumption of Table VI (i. e., that rewards to labour are completely taken care of by the two inputs of means of production), but he drops the second assumption of the fixed ratios of commodities found under equilibrium conditions. This must be dropped because, as we notice, there is a surplus of 75 gr. of wheat produced in this new model. For Sraffa, this surplus value must be distributed between the two industries so that an average rate of profit is maintained<sup>53</sup>, i. e., so that the iron industry must have a comparable return to that of the wheat industry. We find that in order for this condition to prevail -- where the inputs of the iron industry return equal profits with the wheat industry -- one ton of iron must exchange for fifteen quarters of wheat instead of as in Table VII, where one ton of iron exchanged for ten gr. of wheat. By changing this ratio, it becomes a simple matter to ascertain that an average rate of profit exists between the two industries of 25%.

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52. Ibid., p. 7. Sraffa limits this economic system to the production of non-luxury or 'basic goods'.

53. In other words, like Ricardo, Sraffa assumes an average rate of profit.

This concludes the first stage of his argument. For the remainder of his book, Sraffa removes the first assumption made in Table VII, such that wages are not assured to exist at the subsistence level (i. e., as mere cattle fodder maintained at a constant level), instead, they are considered as appropriating a proportion of the surplus produced in society as a whole.<sup>54</sup> What this means is that wages become considered as a variable element in the calculation of relative prices. This seems counter-intuitive, for as Sraffa comments, it appears to be "appropriate, when we come to consider the division of the surplus between capitalists and workers, to separate the two component parts of the wage and regard only the 'surplus' part as variable".<sup>55</sup> In any event, Sraffa changes the wage completely from a constant to a variable element deducing it now from that part of the surplus product alone. This has the effect of increasing the number of variables from our original two (relative prices and the ratio of profit), to three. We saw earlier that with only two unknowns (or at least two unknown ratios), Sraffa could perform the simple reduction operation adopted by Bortkiewicz (i. e., where one commodity acted as the standard), but now with three unknowns we find that one must be given before the remainder of the unknowns in the equation may be fixed.

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54. This is combined with the important assumption that wages, contrary to the classical political economists, are paid "post factum as a share of the annual product".

55. Ibid., p. 9.



Sraffa approaches this identification by explaining that wages in their variable state, may range from a condition where wages absorb all the surplus-value (net product) to where they appropriate none of the net product. In other words, where wages may range from one to zero.

His object thereafter becomes to demonstrate what happens to the rate of profit and prices when wages range between these two conditions. He finds in the first case, that if wages absorb all the surplus value, we return to the model outlined earlier in Table VI (the subsistence economy) except that in this new model we must explicitly note quantities of labour as an element in the means of production. It is clear of course, if you return to Table VI, that in this state of affairs the prices and rate of profit of commodities would become directly proportional to the quantities of labour employed in their production, i. e.,

"The value of each end-product will be equal to the sum of it's inputs at wage cost, which of course implies (if wages are uniform) that price ratios will be equal to embodied labour ratios".<sup>56</sup>

In the second case, where wages do not absorb the complete surplus, or more directly, where a capitalist class appears and appropriates some or all of the surplus value, we find that wages will fall proportionally in relation to

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56. R. Meek; Economics & Ideology, p. 167.

the means of production. This is to say, that the fluctuations in the rate of profit (i. e., proportion of surplus going to wages versus that going to profits) changes in accordance with alterations in the composition of the means of production, or more specifically, it changes with the ratios of quantities of labour to means of production (organic composition) used in the production process. In this case, as the capitalist appropriates more of the net product (i. e., where wages are less than one), we learn that the organic composition correspondingly alters, and that this in turn effects the prices of the product.

It's effect on prices however, proves to be quite deceptive. On a common sense level, it would appear that if the wages were to fall in an industry with a low proportion of labour to means of production, it would seem that prices should rise accordingly (because, the price of the means of production would have increased relatively). In a way this is what Ricardo had conjectured.

But, according to Sraffa, what must be considered in this relationship is the cost of producing 'the means of production' used in the above case. In other words, this 'means of production' is also a commodity, it too has been a product of a previous production process, and consequently it's prices are also effected by the fall in wages. We could, for example, find that this 'means of production' was a product of an industry with a severely high proportion of labour

to means of production such that the prices of this product ('the means of production') would most certainly tend to fall. In a sense then, Sraffa is asking us to look behind every commodity employed in the industry under examination in order to discover their 'organic compositions'. That is to say, the prices of production depend not only on their organic composition (  $\frac{c}{c+v}$  ), but also on the prices of production (  $\frac{c}{c+v}$  ) of the means of production. He writes:

"the relative price-movements of two products come to depend, not only on the 'proportions' of labour to means of production by which they are respectively produced, but also on the 'proportions' by which those means have themselves been produced, and also on the 'proportions' by which the means of production of those means of production have been produced, and so on".<sup>57</sup>

Once this is done, we may discover that for example in our above case, contrary to what is expected, with falling wages the prices of this industry tend not to rise but in fact fall.

In any case, the question at issue is how does this prove useful in demonstrating that quantities of labour may determine relative prices?

First, these postulates are used by Sraffa to construct a hypothetical model of an industry which contains a social average composite of means of production to labour in the history of each element. This industry would thus preclude

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57. Ibid., p. 15.

that any of it's inputs or means of production were not products of a previous average production process, etc., ad infinitum. The theoretical value of such an industry would be that the prices of it's products would not rise or fall in value relative to any other commodity when wages rose or fell. Indeed it would act as an invariable standard of measure, the prices of this industry would maintain a consistent ratio between it's prices and it's means of production (like that of our subsistence economy in Table VI.

Obviously, due to the conditions necessary, this industry could not exist. Nevertheless, for Sraffa, a hypothetical composite of such proportional conditions could be constructed for any group of industries to be examined. So, as we have seen, there are two conditions which would identify such a proportional condition "namely" as Sraffa states "the quantity-ratio to direct to indirect labour employed, and the value-ratio of net product to means of production".<sup>58</sup>

Sraffa elects to use the latter ratio as the guide to the 'standard commodity'. The problem remains however, how do we 'distil' this invariant industry from a sample collection of unproportional industries?

For this process I think Ronald Meek provides a simplified version of Sraffa's method of 'distilling' a basic proportional standard industry.<sup>59</sup>

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58. Ibid., p. 17.

59. Cf. Meek; Economics & Ideology, p. 171.

Meek's model is as follows:

TABLE VIII<sup>60</sup> A Random 'Unproportioned' Economic System

Wheat industry	375 gr. wheat + 6 t. iron	→ 750 gr. wheat
Iron industry	<u>300</u> gr. wheat + <u>24</u> t. iron	→ 40 t. iron
	675	30

As a result, we see that here, the net product equals 750 gr. wheat and 40 tons of iron -- the ratio between the two commodities in the net product is thus (75:4). This ratio is clearly not equal to the ratio which exists between the two total means of production, i. e., (675:30). Therefore this industry fails to satisfy the conditions of a standard proportional industry. In order to achieve a co-ordinating ratio between the net product and the means of production (and thus identify a composite industry) we would have to separate off  $\frac{2}{3}$  of the wheat industry and  $\frac{1}{2}$  of the iron industry. Meek does just this, to obtain the following model:

TABLE IX 'Proportional' Industry

Wheat industry	250 gr. wheat + 4 t. iron	→ 500 gr. wheat
Iron industry	<u>150</u> gr. wheat + <u>12</u> t. iron	→ 20 t. iron
	400	16

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60. Sraffa's model uses the same principles, but employs three industries rather than two; refer to 'Production of Commodities', p. 19. In general, Seton proved earlier that this method would function on "n" number of industries.

We are thus left with a net product of 100 gr. of wheat, and 4 tons of iron, i. e., with a ratio of (100:4). Moreover, we find that there exists a proportional ratio between the value of the net product of this proportional industry (100:4) to the ratio between the value of it's total means of production (400:16). As a consequence, Sraffa concludes that this newly distilled industry would satisfy the conditions outlined earlier, in which there exists an equal "value-ratio of net product to means of production". We have thus discovered a standard ratio which would "remain the same whatever variations occurred in the division of the net product between wages and profits and whatever the consequent price changes".<sup>61</sup> Hence in Table IX above, this invariant ratio would be 1/25 and it would be maintained irregardless of wage and price fluctuations.

But how much closer have we come to determining relative prices by quantities of labour? Have we, for example, been able to identify any of the unknowns in our simple reproduction system?

Sraffa proceeds to answer this question by investigating what happens to the rate of profit in the composite standard industry when wages change. Given the magnitude of wages he believes it possible to identify the relative prices and their average rate of profit.

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61. Sraffa; 'Production of Commodities', p. 21.

Accordingly, he constructs an equation where the ratio of the net product to the total means of production (represented in Table IX above, as  $\frac{100:4}{400:16}$ ) equals the maximum rate of profit possible for the standard industry and is signified by the letter R. Also wages, or w, represents the total wages in proportion to the net product. In other words, here we have two symbols, one representing the maximum rate of profit for the standard industry and the other the level of wage (between 1 to zero). In order to determine the average rate of profit of the industry (r), we express the latter three in the following equation:

$$r = R(I-w)$$

We know that in our standard industry of Table IX the maximum rate of profit (R), between which the rate of profit and wages are to be divided equals  $\frac{1}{4}$ , such that our equation now becomes:

$$r = \frac{1}{4}(I-w)$$

If R is equal to  $\frac{1}{4}$ , and given that w, or wages, is equal to  $\frac{3}{4}$ , the average rate of profit for the industry as a whole would be the remaining  $\frac{1}{4}$  of the net product over the total means of production such that:

$$\frac{1 \text{ ton iron} + 25 \text{ gr. wheat}}{16 \text{ ton iron} + 400 \text{ gr. wheat}} = \frac{1}{16}$$

The rate of profit therefore equals to  $\frac{1}{16}$  and it's magnitude would increase or decrease in direct proportion to the

size of the wage allotment, depending of course, on the limits of R. Hence, when we are given quantities of labour units (for Sraffa these are equal to wages) and relative prices; then rates of profit, etc., may be determined by the labour theory of value. Moreover for Sraffa, this relationship between wages and profits is not limited just to the imaginary 'standard system' alone, but, as Meek comments "the actual system, Sraffa argues, consists of the same basic equations as the "standard" system, only in different proportions, so that "once the wage is given, the rate of profits is determined for both systems regardless of the proportions of the equations in either of them".<sup>62</sup>

So Sraffa succeeds in overcoming the central problem of the 'transformation', but by so doing, does he not also eliminate the very object of Marx's problematic? By taking that wages are equivalent to the labour-power purchased from the worker, and by assuming an average rate of profit, does he not destroy the very basis for understanding the source of surplus-value which Marx had so rigorously developed? Does not, as Alfredo Medio was to comment, "the neo-Ricardian theory, while providing the analytical tools for a correct

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62. R. Meek; Economics & Ideology, p. 173.



solution of the 'transformation problem', at the same time denies it's relevance"? <sup>63</sup>

The whole problematic of the quantitative transformation problem could perhaps be typified by Ronald Meek when he writes that "suppose, for instance, that we accept Marx's basic idea that we ought to start with ... "some prior concrete magnitudes", but that we select for this purpose not the value of the commodities concerned but the commodities themselves"<sup>64</sup> or again that Marx's "prior concrete magnitudes" may be conceived in commodity terms rather than in value terms, and it is possible to erect on this basis a theoretical system, not essentially different from Marx's, in which prices and incomes are mutually and simultaneously determined".<sup>65</sup>

The question which is at issue here -- and the question which Meek and others appear to ignore -- is whether or not Marx starts from "some prior concrete magnitude" like every political economist before him, or whether he introduced the

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63. Alfredo Medio; "Profits & Surplus-Value: Appearance & Reality in Capitalist Production" in A Critique of Economic Theory, edited by E. K. Hunt & J. G. Schwartz, p. 326 fn., see also Michael Lebowetz in Science & Society, Winter, 1973-4, for criticisms of Sraffa along the same lines.

64. R. Meek; "Studies in the Labour Theory of Value" (1972), pp. xxvi-vii.

65. Ibid., p. xxix.

analysis of profits, prices, etc., onto a new and different plain? Or more concisely, the question must be asked is Sraffa's solution to the Ricardian problematic at all useful for us to understand Marx's Capital? That is, is Marx's problematic that of Ricardo's?

It is these kinds of questions which we must address ourselves to in our next chapter.

"But what do we find if we examine the history of political economy? We find thinkers who have merely thought within the limits of their present, unable to run ahead of their times".<sup>1</sup>

#### CHAPTER IV

##### The Form of a New Solution

In this chapter, we shall again employ the reading of Marx's later writings which have been advanced by Althusser, Balibar, Rancière, and others. The major contention in this chapter is that Marx's object in Capital is not a simple extension of the problematic of classical political economy, as the authors discussed in the preceding chapter, have construed it to be. My examination, following that of the "structuralists", will emphasize the divergence of Marx's object from that of Smith and Ricardo, and in so doing will focus not so much on Marx's solutions, as the kinds of questions which he posed.

To this end, it would seem a propos to digress for a short period, and schematically outline some of the key con-

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1. Louis Althusser & Étienne Balibar, Reading Capital, pp. 122-3.

cepts of the classical political economists -- specifically those of Adam Smith and David Ricardo. Following this, we shall trace the specificity of Marx's problematic as opposed to that of classical economists with emphasis on their common discussions on value. Finally, when this distinction is established, we shall in the last chapter return to the Transformation Problem, re-examining it in terms of the "structuralist" perspective.

Our first task is thus to isolate the rubrics of this "theoretical break", for as Althusser aptly writes, such a distinction "deals directly with the foundation of the economic and historical analysis contained in it's text (Capital): it should therefore be able to resolve certain reading difficulties which have traditionally been opposed to Marx by his opponents as decisive objections".<sup>2</sup>

## Part A Theories of Classical Political Economy

### Adam Smith

Adam Smith, the Scottish moral philosopher and economist, consolidated in the Wealth of Nations<sup>3</sup> what has become known as one of the first comprehensive and integrated

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2. Ibid., p. 77.

3. Adam Smith, Wealth of Nations.

treatises on economic principle ever prepared by Classical political economy. Indeed, it is said that it was through the singular success of this literary work that Smith derived his title as the father of political economy.

Smith's enquiry, as the title infers, focuses on the accumulation of wealth, and emphatically stresses the benefits which are derived from the division of labour or the generalization of the process of exchange through man's natural "propensity to truck, barter, and exchange". His investigation of the progressive expansion of the division of labour was subdivided into two categories, the social and the industrial. Within the first (the social division of labour), Smith observed an increasing tendency toward specialization in the history and development of the production process. This specialization or social division, was thus the force which attributed for the rapid expansion of the conditions for exchange and, moreover, these conditions could be isolated as the actual cause for the accumulation of wealth. In other words, the progressive subdivision of human labour was limited by the extent of the market, or more clearly, for him, the expansion of the conditions of exchange proved to be synonymous with the conditions of accumulation.<sup>4</sup>

The second category (the industrial division of labour) was formulated in terms of the variations in the character of

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4. Cf., Adam Smith; Wealth of Nations, Book I, Chapter 3.

labour which constituted the different industries of production. Specifically, the labour force was divided between those forms of employment which were productive or useful, and those unproductive forms, which in general hindered the accumulation process and the prosperity of the society. Productive kinds of employment tended to be emphasized as those forms which utilize fixed capital in the production process, and which were later used by Smith, as a means of distinguishing between those forms of production which realized profit from those that didn't.

As a conclusion to his analysis of the division of labour, Smith designated the market situation as both the regulator of the division of labour, and the determining factor in the production of value. This position was supported by his treatment of commodities which, like that of his predecessors, saw commodities to be the fundamental mode of expressing the mutual exchange of products of individual producers.

In order to find out just how the value of the commodity was regulated, he first directed his attention to the problem of how value was to be measured. In pursuit of the regulator of value, Smith presented what has now become the classical distinction of the two forms of value -- between use-value and exchange-value:

"The word value, it is to be observed, has two different meanings and sometimes expresses the utility of some particular object, and

sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use", the other "value in exchange". The things which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it."

The efficacy of this distinction, and it's influence on later day political economists, is obvious, especially as regards the notion of value in use or of utility, which has been so over-employed by marginal utilitarian theorists and welfare economists in measuring "normal needs of society" or of a commodity's "ability to satisfy needs". The concept of utility for Smith was not an apparatus for measuring the exchange value of individual goods, like that of the marginal utilitarian's, but rather the means for discriminating on a general level between those goods or commodities which fulfilled the social needs of man (or of homo-economicus) from those which did not. The concept of use-value as a subdivision of "value", acted for him, as the index to those economic facts which were manifestations of human needs and thus subjects for investigation.

Smith's attention from this point onwards, is directed towards the identification of a mechanism for measuring

exchange-value. In this direction he divided the category of exchange-value into real value and nominal or relative value. Operating with these two kinds of concepts, Smith attempted to uncover first, what the substance of a real measure of value would be; secondly, what it's component parts would consist of; and finally, why there is a tendency for deviations between a commodity's real value and it's nominal form. Smith's first problematic -- one which shall prove identical to Ricardo's -- was concerned with the identification of a need for an invariable means of measuring value. Such a contrivance he believed would allow him to specify why market prices vacillated around natural prices, and empower him to accurately measure the accumulation of "real value" over an extended period of time. But the identification of "real value" was further complicated by the existence of at least two different means of explaining value with labour as it's source.

#### Embodied Versus Command Theory of Value

The first of these alternatives (which he later rejected) argued that the value of a commodity could be strictly determined by the quantity of labour which is "embodied" in it's production. This theory, which was popularized by the famous deer and beaver illustration, was designated the "Labour theory of value" and was restricted by Smith, to "that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, (where)



the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstances which can afford any rule for exchanging them for one another".<sup>6</sup>

However, according to Smith, when production became more complex, when the division of labour reached a stage where production becomes performed not by independent producers, but by dependent labourers under the control of masters of production (capitalists), the whole product of labour -- and its exchange-value -- may no longer en bloc be attributed to the labourer. In other words, in the logic of Smith's paradigm, exchange-value would have to be equivalent to wages. So it is necessary in this more complex climate of production, for the labourer, in the realization of the value of his products, to relinquish proportionate amounts of his product to the capitalist and the landlord. Thus Smith's second supposition was that, with increased division of labour and continued accumulation of fixed capital, the value of a commodity is no longer determined by the labour it embodies, but rather by the magnitude of labour which the product of labour may purchase or "command" on the market. Smith specifies "The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase

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6. Ibid., p. 38.

or command".<sup>7</sup> But this discursive method contains certain restrictions, for, by measuring the value of a thing by the amount of labour it commands, it limits itself to those peculiar modes of production where labour may be purchased in the form of wages, or more concisely, where labour itself has become a commodity. In other words, Smith's command theory is correlative or contemporaneous, to those phenomenal forms visible in the late 18th century -- namely, petty-commodity production. In synopsis then, we may say that Smith constructs a dual scheme, whereby value is constituted by the labour theory of value in that "early and rude state", and by "the command theory" in capitalism.

The next question in Smith's discourse, is how the command theory of value can explain the realization of profit. Smith proclaims "the quantity of labour, which the national product would purchase or command (i. e., the value of the product) was generally greater than the quantity of labour required to produce it (i. e., than the cost of the product) and the difference between these two quantities of labour was a measure of the amount of accumulation which it was possible for the community to carry out in the next period of production".<sup>8</sup>

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7. Ibid., p. 24.

8. Ibid., p. 56; also quoted by Ronald Meek; Studies in the Labour and Theory of Value, 1956 ..... p. 66.

The natural price of a commodity must be sufficient to compensate the Capitalist and the landlord; the regulator of value, or the amount of labour it may command, therefore, becomes the combination of equilibrium levels of wages, profit, and rent. In other words, within Capitalism, the natural price of a commodity is determined by the sum of all the factors of production, and these same constituents of natural price function as independent regulators in the determination of the "real value" of the commodity. Smith exalts "wages, profit, and rent (as) ..... the three original sources ..... of all exchangeable values."<sup>9</sup> The new increment of value, of profit (rent & profit), which is extracted from the commodity through the realization of its value in the exchange process functions as the indicator of the pace of the accumulation of wealth. The logic of this formulation is somewhat circular, for once an inequality between the value of input (costs of production) and the value of output (products command over labour) is dictated or imposed, it becomes somewhat tautological to explain the inequality as that portion which is to be distributed to the landlord and capitalist.

In summary, we may say then, that Smith formulates his concept of natural price, beginning with the circumstantial order of social relations and distribution of wealth, and

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9. Ibid., p. 51.

thereafter proceed to descriptively build the greater part, or at least the most essential elements of his analytical, structure around it.

The second modality of Smith's treatise on exchange-value concerns the market-price, which he distinguishes from natural price developed above. Market price is governed by the spasmodic pressures of the effective demand of society, in conjunction with the available supply of products. For example, if the demand for goods rose above it's supply, the "market price" would rise above it's 'natural price', but new resources would then be quickly engaged in the industry, forcing the market price back into isometrics with it's natural price. (cf. Wealth of Nations, Book I, Chapter 6 & 7). The inverse would of course occur for falling market prices, such that in the long run pressures of the "invisible hand" or competition, would tend to equalize market prices with the natural prices, and permit the optimum allocation of scarce resources.

In general, although, this command theory of value did not adequately overcome a number of fundamental problems. The foremost of these, and one which was also to perplex Ricardo, was the problem of the invariable measure of value. The essential enigma was that the input or cost of production depended to a large degree on the value of labour, or on wages. Wages in turn were refined by Smith to the value of food grains or "corn", which was the main component necessary

for the continued existence of the labourer. Therefore since corn played such a dominating role in command theory of value, it's existence, it's value, became the necessary precondition for the command theory of value. This kind of formulation became exceedingly ambiguous when, in measuring the natural price of corn, you deduct average profit and rent from it's output value; the result is that you are left with the "value of labour" measuring the value of labour.<sup>10</sup>

Secondly, if wages fall (i. e., if the value of corn falls) while other prices and income shares remain constant, output, expressed as command over labour, would appear to have expanded even when no change in production had actually occurred. Smith's disposition towards wages on this account was to assume that they maintained a stable value over an extended period (cf. *Wealth of Nations*, Chapter 8-11), which contradicted his primary thesis, that through the course of the accumulation of wealth that the society as a whole would benefit, i. e., that wage labour's share in the distribution of society's wealth would also proportionately rise. Ricardo

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10. Marx's comments are appropriate: "Here he (Smith) makes the exchange value of labour the measure for the value of commodities. In fact, he makes wages the measure; for wages are equal to the quantity of commodities bought with a definite quantity of living labour, or to the quantity of labour that can be bought by a definite quantity of commodities. The value of labour, or rather of labour-power, changes, like that of any other commodity, and is in no way specifically different from the value of other commodities. Here value is made the measuring rod and the basis for the explanation of value -- So we have a vicious circle". Marx Theories of Surplus Value, Part I, pp. 70-1.

critically accentuated the internal contradiction of Smith's "fixed proportions of distribution" theory, but as we shall see, his solution, indeed his question, was as equally impossible.

In résumé, therefore, Smith's conception of the process of accumulation as the consequence of the division of labour and as the governor of economic expansion can not be dissociated from the order of the distributions of wealth predominating among the classes of his day. Indeed, in its ideological capacity, it re-affirmed this order. Furthermore, in his theory, the value of a commodity varied directly in concurrence with any variations in the division of the product between wages, profit, and rent, independent of any deviations in the conditions of production. The main issue in Smith's analysis of growth could thus be viewed in terms of the manner in which the recipients of profits and rents exercised their command over labour.

But to be sure, Smith made lasting contributions to political economy; he for example, isolated the source of value in the division of labour or in the labour process in general. This was in radical polarity to the conception earlier propagated by the physiocrats, that value was produced solely by agricultural labour, and also from the perspective of the mercantilists who saw the source of wealth as synonymous with the accumulation of gold. Smith writes "Labour alone, therefore, never varying in its own value, is alone

the ultimate and real standard by which the value of all commodities can ..... be estimated ..... It is their "real price".<sup>11</sup>

David Ricardo

Both Smith and Ricardo ostensibly appear to share the same problematic in endeavoring to understand the laws of accumulation, and in searching for the tools with which to measure the increases (or at least fluctuations) in the wealth of nations. Their conceptual order, however, is quite dissimilar. As we have seen, Smith's theory concentrated on those principles determinate in the process of accumulating wealth, but the laws which ordered the distributions of this wealth were recognized as a secondary problem. Ricardo on the other hand, was to examine the process of accumulation strictly in the light of its effect on the distributions of shares of "profit" between the capitalist and landlord. This interest was congruent with the ideological rivalry between the landed and industrial capitalists, which in his time was raging over the corn laws and parliamentary reform. Ricardo's position in this debate was as you may well know, sympathetic to the sentiments of the rising bourgeoisie, as he saw that the predominant gain in accumulation was through industrial capital.

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11. Marx, Contributions to the critique of Political Economy of 1859, footnote p. 59 or Wealth of Nations, Book I, Chapter V.

In the early years of Ricardo's economic writing, his concern was strictly with monetary problems, specifically currency and exchange phenomenon, which became of increased interest after the suspensions of "specie" payments by the Bank of England in 1797. At this time, he made but passing comments on what affected the changes in relative values, indeed, his theory as late as 1810 was primarily a very crude monetary theory where paper currency represented a "standard measure of value" somewhat similar to that which was later to be named an "invariable measure of value". In Notes on Bentham of 1810-11, for instance, Ricardo began for the most part where Smith had left off. He accepted Smith's notion of value, i. e., the distinction between use-value and exchange-value, writing "I like the distinction which Adam Smith makes between value in use and value in exchange. According to that opinion utility is not the measure of value".<sup>12</sup> Furthermore Ricardo, like Smith, accepted in his early works the form of the relations of production in the capitalist mode as the pregiven conditions for the consideration of any economic laws. He even adhered to Smith's assumption that the distribution of wealth is proportioned in fixed ratios, such that when there is a rise in wages, prices must also rise, and also to the notion that the rate of profit is maintained at a general average through the competition of capitals. To

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12. Refer Ronald Meek; Studies in the Labour and Theory of Value, p. 88.



some degree this latter supposition stemmed from Smith's "corn theory of agriculture", but it was modified by Ricardo when he combined the conception that competition forces the rate of profit to fall, with the realization that the falling price of corn means higher profits. The movement of the general rate of profit and its tendency to decline, became associated more with Ricardo's theory of the law of diminishing returns in agriculture (which was roughly that when less fertile land was utilized, the cost-prices and labour embodied in the production of grain tended to drive the rate of profit for the farmer downward). Hence it was because agriculture was primary in the determination of the value of wages, and because the rate of profit in agriculture determined the general rate of profit to which all others must adjust or yield too, that the general rate of profit declined. This shift away from Smith's conjecture, was symptomatic of Ricardo's early tendencies to emphasize labour vis à vis capital as the controlling source in the production of wealth.

Besides its theoretical import, this theory of profit was politically instrumental in the debates over the corn laws. In this polemic, Ricardo was arguing that restrictions on importing corn from abroad would necessarily effect a lowering in the rate of profit. Malthus' answer was that the rate of profit rested on the principles of Say's law whereby "demand would be regulated by its supply", therefore, for him, the increase in capital supplies (due to accumulation

in wealth made by the landed gentry through high rates of profit and rent in agriculture) would increase the general level of consumption and accumulation of the capitalists. For Ricardo on the other hand, the accumulation of capital would have the negative tendency of increasing the demand for food, which was in turn, regulated by the fertility of the soil and -- barring no improvements in agricultural technology -- would cause a rising cost for maintaining wage labour (wages), and hence produce a decreasing rate of profit. Wherefore, contrary to Say's law, Ricardo pictured demand as remaining constant, or even of increasing, irregardless (within fixed limits) of the movement of supply.

However, in his later writings, Ricardo became more and more preoccupied with the problem of the distribution of wealth and it's relationship with agriculture. His theory of profits and wages also as time went by, became inexorably connected to his laws of diminishing returns in agriculture; he comments, "If with every accumulation of capital we could tack a price of fresh fertile land to our Island, profits would never fail".<sup>13</sup> In other words, for him the laws of diminishing returns in agriculture founded the principium for his theory of rent, whereby, the gradual expansion of agriculture forced the utilization of marginal land, and in general lowered the farmers' rates of profit. It followed

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13. Ibid., p. 92.

from this, that in the process of the accumulation of capital, corn prices would tend to rise and wages would correspondingly rise, leaving all other commodities at their original price and forcing the general rate of profit to fall due to the general rise in wages.

Even although the role of agricultural production (corn) remained a prime function in his theory (even within the "Principles"), he was to reject the determinate relationships between the farmers' rate of profit and the general rate of profit. Ricardo reasoned that if the price of corn regulated the price of all commodities, and if it's price increased, and the price of all commodities also increased, then profits might not fall with a general rise in wages. The breaking of this dependent theoretical relationship was, as we shall see, indexical of a far deeper break with Adam Smith.

#### Ricardo's Critique of Smith

In the "Principles of Political Economy and Taxation"<sup>14</sup>, Ricardo parts with Smith's notion of "fixed shares" in the distribution of wealth, affirming that

"The product of the earth-all that is derived from it's surface by the united application of labour machinery and capital, is divided

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<sup>14</sup>. Ricardo; "Principles of Political Economy and Taxation", edited by Sraffa.

among the three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for it's cultivation, and the labourers by whose industry it is cultivated.

But in different stages, the proportions of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profits, and wages, will be essentially different, depending mainly on the actual fertility of the soil, on the accumulation of capital and population, and on the skill, ingenuity, and instruments employed in agriculture".<sup>15</sup>

He now speaks of profit, in it's aggregate form, as limited foremost by the total social effort which a society as a whole must expend on the support of it's labourers. Intrinsic to this view is that the value of a commodity is no longer determined through the exchange process but rather by the facility or difficulty of production.

These shifts in approach follow from Ricardo's critique of Adam Smith's "source of much error" in the treatment of the provenance of value (Cf. "The Principles, Chapter I, "on Value"). Ricardo relocates from his earlier works the limits of his investigation, utilizing Adam Smith's differentiation between use-value and exchange-value, he eliminates all those commodities from examination whose exchange-values are measured by utility alone (although re-affirming that utility is still an essential requirement for any commodity).

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15. Ibid., p. 5.

This is to say:

"Utility then is not the measure of exchangeable value although it is absolutely essential to it. If a commodity were in no way useful -- in other words, if it could in no way contribute to our gratification -- it would be destitute of exchangeable value, however scarce it might be, or whatever quantity of labour might be necessary to procure it".<sup>16</sup>

And again:

"In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint".<sup>17</sup>

Thus use-value still acts (like that of Smith), as the decisive criteria by which the economic facts are isolated for investigation. In other words, although he alters to some degree the scope of the phenomena, Ricardo still employs utility as the formal definition standing behind exchange-value.

Also, within these first few pages, he strikes out at Smith's "command labour theory", writing, "The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantities of labour"

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16. Ibid., p. 11.

17. Ibid., p. 12.

which is necessary for it's production and not on the greater or less compensation which is paid for that labour".<sup>18</sup> He reproaches Smith for relegating the labour embodied theory of value to an "early and rudimentary state", and for modifying this theory into the command labour theory on the basis of a change in the distribution of the value of commodities. For if in the "early and rude state" of affairs the labourer received the full value of his labour, and that if, in the capitalist mode of production, the labourer no longer receives the total value, this does not necessarily infer that the value of the commodity produced has changed. In other words, the simple redistribution of the proportionate rewards to the agents of production, will not perforce effect their real values. Ricardo is therefore condemning Smith's treatment of value because it is "as if, when profits and rent were to be paid, they would have some influence on the relative value of commodities, independent of the mere quantity of labour that was necessary to their production".<sup>19</sup>

In Ricardo's discussion of value on the other hand, distribution plays a superfluous role in the determination of value, it is an effect rather than a cause of the production of value. The quantitative measurement of labour (labour-time) for him, becomes the foundation and source of value,

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18. Ibid., p. 11.

19. R. Meek; "Studies ....., p. 100.

not only for primitive societies but also for capitalism. The main problem which he faced in evincing this thesis, was to demonstrate, contrary to Smith, that the payment of profit and rent did not contradict the theory of labour embodiment as the determinant of value. Smith professed as I have already mentioned, that the price of corn would have a determinant effect on the relative prices of all commodities in general. He therefore conjectures the two values, of corn and labour, as invariable. This is to say, that when the price of corn (and of labour) decline, this signifies not a decline in these fixed values, but rather a general rise in all other commodities' exchange-values. But Ricardo asks "... is not the value of labour equally variable, being not only affected, as all other things are, by the proportions between the supply and demand which uniformly varies with every change in the conditions of the community, but also by the varying price of food and other necessaries, on which the wages of labour are expended? "<sup>20</sup> For Ricardo, gold as a money-commodity, is also a commodity and would similarly be effected by a rise in wages. A change in the price of corn would therefore increase wages and decrease profits but would not effect the value of the commodities. There would be no change in relative values (prices of production), i. e., in the ratio of gold to all other commodities.

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20. Ibid., p. 99.

Moreover, he proposed, that a rise in wages, may in fact, when any fixed capital is used in the production of a commodity, produce an absolute fall in the price of some commodities, "this fall being greater as the proportion of fixed to circulating capital was greater". Which is to say, that when wage rates rise, profits are forced down, and prices remain the same or even decrease.

This decline of prices and profits was found to be most noticeable in those industries with a higher proportion of fixed capital to circulating capital, i. e., "as a result of a rise in wages ... Ricardo contested (in opposition to Smith and predecessors) .... none (of the values of commodities) would in fact rise, and the great majority would actually fall".<sup>21</sup> Again, it was these same contentions which inspired Ricardo to elucidate in a letter to James Mill in 1818, that ...

"Adam Smith thought, that as in the early stages of society, all the produce of labour belonged to the labourer, and as after stock was accumulated, a part went to profits, that accumulation, necessarily, without any regard to the different degree of durability of capital or any other circumstances whatever, raised the prices or exchangeable value of commodities, and consequently that their value was no longer regulated by the quantity of labour necessary to their production. In opposition to him, I maintain that it is not because capital accumulates, that exchangeable value varies, but it is in all stages of society, owing only to two

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21. Ibid., p. 105.



sources: one the more or less of quantity of labour required, the other the greater or less durability of capital; that the former is never superseded by the latter, but is only modified by it".<sup>22</sup>

In short, his position was to reject Smith's contention that the labour embodiment theory was solely applicable to early forms of labour intensive production, and that with the accumulation of capital it could be successfully modified into a cost of production theory.<sup>23</sup> From this same text quoted above, we may also extricate the second cause which Ricardo introduces in the determination of exchange-value, namely, the greater or less durability of capital. This, he hoped, would act as a useful expedient in defending the labour embodiment theory of value as the only effective means of discerning exchange-values in capitalism. The dilemma which he confronted, was that for equal quantities of capital (with unequal ratios of fixed to circulating capital) there was produced equal profits, that is, value appears to be proportional to the magnitude of capital advanced, totally ambivalent to the quantity of labour embodied in the production.

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22. Ricardo, "Principles of P. E., Vol. I, xxxvi-vii, Cf. Sraffa's introduction.

23. Pierro Sraffa mentions the controversy over Ricardo's so-called retreat from the labour embodiment theory; in response, he qualifies Ricardo's terracity to the labour theory of value with a letter written in Jan. 1821, in which he emphasizes "I am fully persuaded that in fixing on the quantity of labour realized in commodities as the rule which governs their relative values are on the right course"; *ibid.*, p. xii.

process. This juxtaposition accordingly appears as a contradiction between labour as the source of value, and labour as the quantitative regulator of market values, and moreover, it appears somewhat analogous to the problematic of Marx's "transformation problem" -- we shall return to this subject in a few moments.

Ricardo was still confident that changes which may occur between two commodities' exchange values, occur primarily in response to alterations in one of the individual commodity's values in isolation. The question was how to measure these individual commodity values without employing relative kinds of tools for measurement. His solution, like that of Smith's, was to relegate exchange value (in this case relative prices) and the determinant factors of their variation, exogenic to the real movement of absolute value. Without this type of structure, without relative value distinguished from absolute value, change would be doomed to an absolute relativism where, "when some goods become cheaper, the rest necessarily become dearer",<sup>24</sup> or to the question, that "if wheat buys more cloth now than before, is it that wheat has become more costly to produce, or that the productivity of labour in the textile industry has risen?"<sup>25</sup>

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24. Marc Blaug. Ricardian Economics, p. 19.

25. Ibid.

Ricardo's denouement in this controversy, was to modify the principles of the labour embodiment theory to take into consideration the employment of machinery and other fixed and durable capital. He adopted categories which differentiated between the durability of fixed and circulating capital. This distinction, in a way similar to that of Smith's, was based primarily on the physical attributes of the capital, such that fixed capital was perceived as a stage in the progressive materialization of circulating capital or labour. He then ascertained, that in proportion to the durability of capital employed in the production process (durable in the sense of it's longevity of service to the production process), the relative prices of those commodities which have more durable capital employed in their production, will fall as wages rise and rise as wages fall. The key to this collocation was the ratio of circulating to fixed capital; accordingly, he acknowledged that "on account .... of the different degrees of durability of their capitals, or, which is the same thing, on account of the time in which must elapse before one set of commodities can be brought to market, they will be valuable, not exactly in proportion to the quantity of labour bestowed on them -- they will not be as two to one, but something more, to compensate for the greater length of time which must elapse before the most valuable can be brought to market".<sup>26</sup>

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26. Ricardo; 'Principles', p. 34.

In other words, capitalists may employ the same quantities of labour in the production of their commodities, but their value will differ in reference to the different quantities of fixed capital, or accumulated and materialized labour each employs. Commensurate with this schema, in the third section, chapter one, of the 'Principles' -- titled "On an Invariable Measure of Value" -- Ricardo proceeds to distinguish between those spheres of industry with either a high or low proportion of durable capital. Subsequently, in concluding this endeavor, he postulates that although it would be expedient to possess an invariable element for the measurement of the movement of real or absolute value within commodities, it appears as if there can be no such appurtenance, because, "there is none which is not subject to require more or less labour for it's production".<sup>27</sup>

So Ricardo returns, in full circle, to that position entertained by Smith, where all elements (including both labour and corn) are still subject in their production of value to variations in proportions of fixed and circulating capital, variations in their durability, and variations in the time requisite for bringing the goods to market. That is, they are subject to circumstances "which ... disqualify any commodity that can be thought of from being a perfectly

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27. Ibid., p. 44.

accurate measure of value".<sup>28</sup> Indeed the theory of Ricardo appears to be reduced to the conditions (circumvented by Smith by dismissing the labour embodied theory) where labour, as an invariable measure of the value of commodities, is functional as a determining principle of exchange-value only in the limited domain of the exchange of commodities produced with isometric magnitudes of labour (circulating capital), and commensurate proportions of fixed capital. This is to say, where the capitals employed are composed of equal durability, or where no fixed capital is used in the production process whatsoever, i. e., Smith's 'crude and early state'. But Ricardo valiantly opposes such a retrogression. His perplexing answer was to select a measuring device which was of a mean average combination of labour, capital, and durability, which was to play the role of the 'invariable measure of value' -- and this was gold.

As I mentioned, the discussions encompassing the problem of the invariable measure of value (by both Ricardo and Smith) were synonymous in configuration to Marx's transformation problem earlier outlined. Or more accurately, the enigma of how labour as the source of value (Marx's value, Ricardo's absolute value) can account for the fact that in capitalism, prices, (Marx's prices of production, Ricardo's relative-prices) are regulated in terms of the magnitude of

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28. Ibid.

capital employed irregardless of the quantity of labour employed. This analogy has been posed in perhaps it's most striking form, in a work by A. C. Whitaker<sup>29</sup> History and Criticism of the Labour Theory of Value. It would seem profitable therefore to quote from this account in some length.

"McCulloch anticipated ... " writes Whitaker, "Karl Marx's solution of the "organic composition of capital problem. Marx closed his theory of value, in the first volume of *Das Kapital*, with the confusion that, to all appearances, the facts of market values contradict the theory. He promised, however, to show, in a later volume, that in reality there is no contradiction .... The answer to the enigma, as it appeared in the posthumous third volume of *Das Kapital*, is precisely the one McCulloch gave to the same question".<sup>30</sup>

"The fatal difficulty in which the Marxian theory of value culminated, due to the fact, as Marx described it, that the "organic composition of capital is, for technical reasons, different in different lines of business. The make-up of the entrepreneurs outlay with respect to these proportions Marx calls the "organic composition" of his capital. The facts of life are that equal capitals, in the sense of equal outlays, in different employments tend to produce equal "profit funds", regardless of their organic composition. Now what the profit fund actually turns out to be, depends on the selling price or value of the product. If we take a capital spent in large proportion for labour, the large amount of surplus labour time exploited ought to give the product a value very much in excess of the outlay, and afford a large profit fund. If we take a precisely equal capital, spent in very small proportion for labour, and almost entirely

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29. By coincidence Whitaker was a student of Adolf Wagner who, in "Notes on Wagner ....", was severely criticized by Marx for his muddled conception of value.

30 A. C. Whitaker's 'History & Criticism of the Labour Theory of Value', 1906, p. 62.

for machinery, etc., the relatively small amount of surplus labour time exploited ought to make the value of a product not nearly so great as that of the first capital.

Since Marx frankly admits that in fact competition makes the value of these products equal instead of unequal, how does he 'solve the contradiction' and redeem his theory?"

and finally ....

"The point desired to be made here, is that Ricardo's difficulties of "fixed and circulating capital is the same as in the Marxian theory".<sup>31</sup>

It follows from the lines of this tendentious argument, that Marx provides -- or is at least attempting to provide, -- a solution to the problematic of classical political economy.<sup>32</sup> One must readily admit that there does seem to be a remarkable resemblance between the two expositions of the 'transformation problem' and the 'invariable measure of value'. But, as I shall develop in the latter half of this chapter, the similarity is not due to a common problematic, but rather, a product of the misreading of Marx's object, or better, the reading

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31. Ibid., p. 68.

32. Marc Blaug in Ricardian Economics - A Historical Study, furnishes the same kinds of analogies with regard to the 'transformation problem', writing "It is not surprising, therefore, that Marx secures the same answers as Ricardo when he considers a Ricardian problem: the effect of a change in wage upon prices"! p. 233 (Cf., also the whole Appendix A - on Ricardo & Marx). For an equivalent position by Joan Robinson refer to her Collected Economic Papers III, pp. 150-1; also to Schumpeter in History of Economic Analysis, p. 390, where he poses Marx as a minor Ricardian.

of the problematic of classical political economy into Marx's discourse.

Before passing on to this discussion in detail, I should like to make one final comment on Ricardo's thesis. I think we may correctly stipulate, that, within the 'Principles', the central problem with which he was mainly concerned, was in defining the 'invariable measure of value' and it's role in determining exchange-value; even although the solution seems to move away from the labour theory of value.<sup>33</sup> In general, his failure in solving this complex problem was expressed as follows:

"I am more convinced than ever that the great regulator of value is the quantity of labour required to produce the commodity valued. There are many modifications which must be admitted into this doctrine, from the circumstances of the unequal times that commodities require to be brought to the market, but this does not invalidate the doctrine itself. I am not satisfied with the explanation which I have given of the principles which regulate value. I wish a more able pen would undertake it. The fault is not in the inadequacy of the doctrine to account for all difficulties, but in the adequacy of him who has attempted to explain it".<sup>34</sup>

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33. We noted, that in his last essay, he converged specifically on the development of the concept of Absolute value, and re-emphasized that the substance of the Absolute form provided only labour as the possible source.

34. Ricardo's Works, edited by Sraffa, Vol. VIII, p. 142.



In summation of our discussion of the classical economists, we may extract two conclusions: First, and most important, is that the problematic of the 'transformation problem' (i. e., determination of exchange-value), as outlined in the preceding chapter, appears to be congruent with the problematic of classical political economist's 'invariable measure of value'; second, and this is something which I wish to expand upon later, labour acts for them as the sole source of the production of value, either in the form of the division of labour, as in Smith, or as the composite for Absolute value in Ricardo.

## Part B      Marx Versus Political Economy

It now remains -- through a programatic presentation of some of the elements of the 'structuralists' reading -- to illustrate the radical distinctions between the problematics of classical political economy and that of Marx. By so doing, I hope to be able to establish, that the transformation problem is the product of an inaccurate and ideological reading of Marx's object in Capital.

### I.    Marx's Redefinition of Use-Value and Exchange-Value

Marx's rupture with the classical economists is most clearly shown in their common treatment of the concepts of use-value and exchange-value. I have briefly outlined the manner in which Smith and Ricardo treated these categories,

and I concluded that for them use-value for instance, was defined as a sub-unit of the concept of value, which in turn, was a product of the labour process or the division of labour. Smith spoke of the word 'value' as the derivative which expressed two diverse meanings -- of exchange and use, and Ricardo modified this by re-affirming the fact that both units were necessary prerequisites for labour to produce value. Both notions of value were therefore regarded as sharing a common essence of labour in it's concrete individual form.

On the other hand, on the first page of Capital, Marx separates himself categorically from this kind of construction, he begins, "The wealth of those societies in which the capitalist mode of production prevails, presents itself as "an immense accumulation of commodities", it's units being a single commodity. Our investigation must therefore begin with the analysis of a commodity". (M.E.)<sup>35</sup> He is not here beginning from a mere word, nor is he attempting to make a simple semantical distinction, his purpose is to introduce, as he has announced, the analysis of a commodity. From the concrete entity of the commodity (concrete; not in it's empiricist sense), he finds that it contains both a use-value and an exchange-value; but he finds that these two categories are entirely dissimilar to those of the classical political economists, because, as he says in

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35. Marx; Capital I, p. 41.

Notes on Wagner<sup>36</sup> .... "I do not start from 'concepts' and hence do not start from the 'concept' of value, and therefore do not have to 'divide' the latter in any way. What I start from is the simplest social form in which the labour product is represented in contemporary society, and this is the commodity. I analyze this and indeed, just in the form in which it appears. Here I find that on the one hand it is in it's natural form a thing of use, alias a use-value, on the other a bearer of exchange-value, and in this respect itself 'exchange-value'. Further analysis of the latter shows me that exchange-value is only a phenomenal form', an independent mode of representation of the value contained in the commodity and then I proceed to analyze the latter .... A commodity is a use-value or object of utility, and a 'value'. It is represented as this two fold thing that it is, as soon as it's value possesses a specific phenomenal form different from it's natural form viz., the form of exchange-value "and again, in even a clearer manner" thus it is not I who divide 'value' into use-value and exchange-value as oppositions into which the distraction 'value' divides itself, but the concrete social form (concrete in the sense that it is referring to specific social conditions of production) of the labour product, a 'commodity', is on the one hand use-value

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36. Marx, Marginal Notes on Adolph Wagner's 'Lehr-  
bruch der Politischen Okonomie' Theoretical Practice Issue #5  
Spring 1972, pp. 50-1.

and on the other 'value', not exchange-value for the mere phenomenal form is not it's true content". The one general point to be made here is that the subject under analysis, is not the concept 'value' in a vacuum, but the commodity form which the product of labour in capitalism takes on. Also further on in this same text, Marx contends that value may exist in an independent form from exchange-value; in other words, a thing may have value as a product of labour and yet it may not be a commodity. Or as he states in Capital "Whoever directly satisfies his wants with the produce of his own labour, creates, indeed, use-values, but not commodities".<sup>37</sup> Therefore value exists in a mode distinct from exchange-value as it manifests itself in the characteristic form of a commodity. A labourer who produces a good for his direct consumption, produces use-values and yet he does not produce a commodity. Use-value describes a product which satisfies the needs of the producers, or of human labour, but by so doing, all human labour does not necessarily produce commodities; commodities are a product of "use-values for others, social use-value".<sup>38</sup> What there needs to be, as Marx himself states, is a distinction between the notion of 'value' and 'value form'. In other words, "First, the valid exchange-value of a given commodity expresses something equal,

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37. Marx, Capital, p. 48.

38. Ibid.

secondly the exchange-value, generally, is only the mode of expression, the phenomenal form, of something contained in it, yet distinguished from it".<sup>39</sup> He gives us a conceptual example of the existence of value outside of the common form in the following statement:

"the patriarchal industries of a peasant family that produces corn, cattle, yarn, linen and clothing for home use. These different articles are, as regards the family, so many products of it's labour, but as between themselves they are not commodities. The different kinds of labour, such as tillage, cattle tending, spinning, weaving and making clothes which result in the various products, are in themselves, and such as they are, direct social functions, because functions of the families, which, just as much as a society based on the production of commodities, possesses a spontaneously developed system of division of labour. The distribution of the work within the family, and the regulation of the labour time of the several members, depend as well upon differences of age and sex as upon natural conditions varying with the seasons. The labour power of each individual by it's very nature, operates in this case merely as a definite portion of the whole labour power of the family, and therefore the measure of the expenditure of individual labour power by it's duration, appears hereby by it's very nature as a social character of their labour".<sup>40</sup>

and from Notes on Wagner

"Herr Rodbertus takes his measure of the quantity of value from Ricardo; but no more

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39. Marx, Capital, Vol. I, p. 37.

40. Ibid., pp. 77-8.

than Ricardo has he investigated or understood the substance of value itself; for example, the 'common' character of the (labour process) in the primitive community as the common organism of the correlative labour powers and hence that of their labour, <sup>1</sup>, e., of the expenditure of those powers".<sup>41</sup>

It is this form in which value is conditioned into in commodity production which Marx wishes to investigate, not the concept of use-value as an independent concept. That is to say, what is at issue is the *raison d'être* for it's existence being determined by a specific mode of social organization.

Classical economists, on the other hand, imputed use value and it's ability to satisfy the needs of men, as a property of the 'thing' or the 'object in itself'. On the contrary, Marx tells us, use-value does not identify the 'value' of a commodity, indeed value must simultaneously be different from it's own use-value. As he writes, "Value as an aspect of the commodity is not expressed in it's own use-value, or in it's existence as use-value. Value manifests itself when commodities are expressed in other use-values, that is, it manifests itself in the rate at which their other use-values are exchanged for them".<sup>42</sup> (i. e., when

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<sup>41</sup>. 'Marx's' Notes on Adolf Wagner: An Introduction' by Athar Hussein, Theoretical Practice, p. 39.

<sup>42</sup>. Ibid., p. 44.

the commodity takes on the relative form, Cf. Capital, Vol. I., pp. 57-81.

As for exchange-value, we saw how both Ricardo and Smith treated it as if it were a quantitative relationship which was purely relative, i. e., as an attribute of the 'thing' which simply expresses tantamount proportions of use-value in a relative and extrinsic manner. In other words, for them, exchange-value measured the magnitude of quantities of use-values. Marx, on exchange-value, stipulated that: "As use-values, commodities are, above all, of different qualities, but as exchange values they are merely different quantities, and consequently do not contain an atom of use-value". He therefore proposes a dilemma whereby a commodity's exchange-value cannot be reduced to use-value, and yet, both are necessary for the existence of the commodity; how can such conditions exist? The distinction, or better the contradiction, which Marx articulates between use-value and exchange-value within commodities, is representative of the two kinds or conditions of labour which are necessarily presupposed in the production of a commodity. This is to say, the notion of a commodity harbours these two contradictory forms -- (exchange) value and use-value -- by way of it's role of representing the 'two-fold nature' of labour. Or as Marx expounds "On the one hand all labour is, speaking physiologically, an expenditure of human labour-power, and in it's character of identical abstract human

labour, it creates and forms the value of commodities. On the other hand, all labour is the expenditure of human labour-power in a special form and with a definite aim, and in this, it's character of concrete useful labour, it produces use-values".<sup>43</sup> or "In the course of time, therefore, some portions at least of the products of labour must be produced with a special view to exchange. From that moment the distinction becomes firmly established between the utility of an object for the purposes of consumption, and it's utility for the purpose of exchange. It's use-value becomes distinguished from it's exchange-value".<sup>44</sup>

In other words, there is labour which is at once of a particular concrete and qualitatively distinct nature, which produces the use-values of the commodity, and co-existing with the latter, there is also an abstract general social form of labour which expresses no qualitative distinctions, but solely the quality of being human labour in the form of value, or magnitudes of exchange-value. Marx writes, "Whereas labour positing exchange-value is abstract, universal and uniform labour, labour positing use-value, is concrete, and distinctive labour comprising infinitely varying kinds of labour as regards it's form and the material to which it is applied".<sup>45</sup> It was the discovery of the double nature of

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43. Ibid., p. 54. (M.E.)

44. Ibid., p. 100.

45. Marx, 'Notes on Wagner ....' Theoretical Practice Issue #5, p. 36, (M.E.)



labour (i. e., abstract and concrete) which reflected the introduction of a completely new conceptual schema for political economy. Classical economics had found the substance for the calculation of exchange-value to be labour, but it had neglected to explain the conditions which were necessary for such an equivalence. The questions are therefore, directed at the relations necessary for an equivalence between the commodity's exchange-value and the value of labour. From this perspective, magnitudes of 'exchange-value' must be distinguished from 'value'. Marx informs us that "..... the value (use-value) of a commodity obtains independent and definite expression, by taking the form of exchange-value. When at the beginning of this chapter (Chapter I of Capital) we said in common parlance, that a commodity is both a use-value and an exchange-value, we were, accurately speaking wrong. A commodity is a use-value or object of utility, and a value. It manifests itself as this two-fold thing, that it is, as soon as it's value assumes an independent form, -- viz., the form of exchange-value".<sup>46</sup> He distinguishes value from exchange-value, such that value represents a common substance which is realized in the exchange relationship by exchange-value. For classical political economists in the process of exchange, both use-value and exchange-value were realized and rep-

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46. Marx, Capital, p. 70, (M.E.)

resented directly in it's nominal form, i. e., wages, profit, rent, market prices, etc. But for Marx there are three forms which categorically may be identified as necessary elements for commodity production. There is the use-value of a commodity, representative of a particular and concrete form of labour, there is value in general which is representative of labour in general or better as abstract social labour, (which is common to every mode) and there is exchange-value, which is the phenomenal form of value, that is, a specific expression of abstract human labour under capitalism. In other words, exchange-value, as a form of socially abstract labour "did not happen from the beginning, but only in a certain period of social development, hence at a determinate stage of historical development. Exchange-value is therefore a 'historical concept'".<sup>47</sup> We may conclude then that the unity of concrete and abstract labour expresses the special form that the general characteristic of labour takes in a determinate mode of production. From this definition the "law of value" is that which specifies the relation between abstract social labour and concrete labour.

But here I do not wish to suggest, as many others have, that this relationship, between value and exchange-value, denotes a Hegelian-'essence to phenomena' relation-

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<sup>47</sup>. Marx, op. cit., p. 55 (+ p. 45).

ship.<sup>48</sup> Rather, my position would be that it characterizes a distinction between 'value' as a common factor to every mode, and it's 'mode of representation' which expresses the particular 'form' of the production process. And in this sense also, abstract labour may only be conceived -- not as an independent form -- but as one which is a 'mode of representing' the labour process in general, which under particular endemic conditions -- namely those of the exchange of commodities -- takes the form of commodity.

Commodities 'value' are thus already presumed as values in distinction from their use-values before they may represent value in exchange. "Our analysis has shown" writes Marx "that the form or expression of the value of a commodity originates in the nature of value, and not that value and

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48. For example, Colletti saw abstract labour rather than exchange-value as specific only to the capitalist mode, he comments "In the production of commodities, ... where social labour is presented as equal or abstract labour, the latter is not merely calculated irrespective of the individual and concrete labours, but also acquires a distinct existence independent of them ... this abstraction of labour from the concrete labouring subject, this acquisition of it's independence from man, culminates in the form of the modern wage labourer ... etc." Ideologia e Società (Bari 1970), p. 114, quoted by Athar Hussain, Theoretical Practice #5, p. 34, or as Sweezy writes, "'reduction of all labour to a common denominator not an ad hoc abstraction but "as Lukacs correctly observes, an abstraction 'which belongs to the essence of capitalism'", p. 31, The Theory of Capitalist Development."

it's magnitude originate in the mode of their expression as exchange-value"<sup>49</sup> or "All commodities are non-use-values for their owners, and use-values for their non-owners. Consequently, they must all change hands. But this change of hands is what constitutes their exchange, and the latter puts them in relation with each others as values, and realizes them as values. Hence commodities must be realized as values before they can be realized as use-values".<sup>50</sup>

The common substance of the phenomenal form of value (exchange value) is not therefore "labour" as characterized by the classical conception -- as useful -- but rather value (abstract). The value form of objects (an example would be the exchange-value of commodities) are determined by the social conditions of it's existence, in other words, by the conjuncture of the social relations (property relations) and the labour process or means of production. (The labour process here refers to the means of 'real appropriation' of nature which is the common factor to all forms of production, although differentiable by the peculiar combination of it's elements. As Marx reports "The elementary factors of the labour-process are (1) the personal activity of man, i. e., work itself, (2) the subject of that work, and, (3) it's

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49. Marx, Capital, p. 70.

50. Ibid., p. 97. (My Emphasis)

instruments".<sup>51</sup> The substance of value is precisely this common character of the labour process; exchange values are thus the mode of representing the production of goods (of value) under specific social conditions, i. e., under generalized commodity production.

In short, exchange-value identifies the specific 'social space' in which the production of value is expressed in the form of abstract social labour. For example, commodities may be equivalent in exchange, under the capitalist mode of production, with unequal use-values (or forms of concrete labour necessary for their production); in the exchange process this non-equivalence between useful labour is bridged by the commodities' proportions of equal amounts of exchange-value, which acts as the necessary prerequisite for exchange. In other words, what allows the equivalence of these two objects? What acts as

"... the residue of each of these products; (is that) it consists of the same unsubstantial reality in each, a mere congelation of homogeneous human labour, of labour-power expended without regard to the mode of its expenditure. All that these things now tell us is, that human labour-power has been expended in their production, that human labour is embodied in them. When looked at as crystals of this social substance, common to them all, they are -- values".<sup>52</sup>

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51. Ibid., p. 198; also Cf. Balibar's article in Reading Capital, "From periodization to the modes of production".

52. Ibid., p. 45.

Hence, although unequal qualitatively; their equivalence is established via first, the existence of the conditions of such an equivalence (products of social labour) and then by quantities of exchange-value units. Thus a commodity "As the embodiment of labour-time, it is value in general, as the embodiment of a definite quantity of labour-time, it is a definite magnitude of value"<sup>53</sup> or exchange-value.

But how is this different from Ricardo's formulation? Ricardo, as we remember, conceptualized the distinction between use-value and exchange-value on the foundations of human labour in general, as the source for both the expression of value in exchange, and of it's essence, use-value. Hence embodied labour in it's qualitative form, or use-value, is measured in terms of exchange-value. Ricardo's immediate problem is the laws which regulate the exchange of equal quantities of labour such that exchange-value is reduced to use-value; use-value identifies the 'economic objects' (their ability to satisfy men's needs), while exchange-value measures their quantitative relationship. The whole conceptual framework appears flat and homogeneous. Ricardo fails to conceptualize (and thus discover) the contradictory existence which value takes in the commodity form, i. e., in the need

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52. Ibid., p. 45.

53. K. Marx, Theories of Surplus-Value, Part III, 19..., Moscow, p. 128.

for a particular kind of concrete labour in the production of value, and, at the same time, the need for it's exact opposite in a form conducive for exchange; in abstract social labour. In other words, Ricardo combines the theory of form (the relationship of abstract labour and concrete labour) with the peculiar development of that form (the relationship between exchange-value and concrete labour).

"As regards values in general, it is the weak point of the classical school of political economy that it nowhere expressly and with full consciousness, distinguishes between labour, as it appears in the value of a product and the same labour, as it appears in the use-value of that product. Of course the distinction is practically made since this school treats labour, at one time under it's quantitative aspect, at another under it's qualitative aspect. But it has not the least idea, that when the difference between various kinds of labour is treated as purely quantitative, their qualitative unity or equality, and therefore their reduction to abstract labour, is implied".<sup>54</sup>

What this implies is that Ricardo expresses the equivalence, and yet he cannot explain this equivalence. That is he cannot conceive of anything outside of the commodity form, for he mistakes this form as characteristic of the product itself, i. e.:

"The only thing that Ricardo can be accused of in this context is that, in elaborating the concept of value, he does not clearly distinguish between the various aspects, between

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<sup>54</sup>. Karl Marx, Capital, Vol. I, p. 92.

the exchange value of the commodity, as it manifests itself (appears in the process of commodity exchange) and the existence of the commodity as value as distinct from its existence as an object, product, use-value"<sup>55</sup> and " .... the bourgeois form of labour", for Ricardo, "is regarded .... as the eternal natural form of social labour".<sup>56</sup>

### 1) The Invariable Measure of Value

This consequently leads Ricardo and Smith's analysis into a search for an 'invariable measure of value' which possesses the dual qualities of being quantitatively measurable as per the exchange process, and yet retaining the peculiar form of useful or concrete labour necessary for the production of goods. Marx concludes that "Ricardo often gives the impression and sometimes indeed writes, as if the quantity of labour is the solution to the false or falsely conceived problem of an 'invariable measure of value' in the same way as corn, money, wages, etc."<sup>57</sup> which is to say, that Ricardo fails to separate the magnitude of value from its general form, as labour independent of individual labour, i. e., as say socially abstract labour. And thus, he is incapable of articulating why labour, as the substance of value,

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<sup>55</sup>. Karl Marx, Theories of Surplus Value, Part III, p. 125.

<sup>56</sup>. Karl Marx, Contribution to the Critique of Political Economy of 1859, 1971, Moscow, p. 60.

<sup>57</sup>. Marx, T.S.V., Part III, p. 137.



must take this form -- such as wages, profit, rent, commodities, etc., -- but simply accepts them as the given economic space, as the readily 'visible' and traditional criteria to be investigated without comprehending the contradictory nature of their existence.

I earlier traced, somewhat programatically, the conceptual distinctions which Smith and Ricardo articulated between use-value and exchange-value, and we found that their essential concern was with explaining exchange-value. Furthermore, it was found that they continuously seem to confuse or reduce value to exchange-values. As for example Ricardo's notion of real value or absolute value, which was determined by magnitudes of labour embodied in the production of a commodity. Central to this definition was that it's essence was arrogated by it's existence as a product of useful labour, as a means of satisfying the needs of man.

For Marx, on the other hand, the comparative relations expressed between two things, "the distance" revealed in the exchange process, requires, indeed demands as it's prerequisite, a formal definition of a 'spacial dimension' which adequately limits or locates that zone in which the two objects are to be compared. More than just the visible, physical relationships must be conjectured, what behooves explanation, is the conditions of their relationship; as Marx himself expresses it " ... a dimension of space, it is a certain length which may well express the distance of two

other things besides those compared" for example "What is the distance between the syllable A and a table? The question would be nonsensical. In speaking of the distance of two things, we speak of their difference in space, to be points of space, and only after having them equalized sub specie spatic (under the aspect of space) we distinguish them as different points of space. To belong to space is their unity".<sup>58</sup>

Marx's problematic in Volume I, is thus, not that of the relationships of magnitude or essence of exchange value, but rather of what conditions necessarily mediate that human labour in general be represented in the value form, in other words, what determines the space, the form, in which the notion of value must reside -- for 'value' communicates more than a relation between two concrete 'things'. 'Things' are not equal, either in form or quantity, outside of a space which conditions a need for such an equivalence -- and it is this space as a determinant force, which Marx wishes to investigate. Therefore space as the structural conditions which are determinate in the last instance, rather than magnitudes of human labour as the essence of wealth, becomes the object of Marx's political economy. As Rancière comments:

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58. K. Marx; T.S.V., Part III, p. 143; also see J. Rancière 'The Concept of Critique' and the 'Critique of Political Economy', Theoretical Practice #2.

"What determines the connection between the effects (the relations between the commodities) is the cause (the social relations of production) insofar as it is absent. This absent cause is not labour as a subject, it is the identity of abstract labour and concrete labour inasmuch as it's generalization expresses the structure of a certain mode of production, the capitalist mode of production".<sup>59</sup>

For instance, all products which possess value, and which are produced for other than direct consumption by the producer (i. e., commodities), express a socially abstract form of materialized labour in distinction, from their contemporaneous existences as use-values. And this is so because:

"A superficial observation of this fact, namely, that in the equation of value, the equivalence figures exclusively as a simple quantity of some article, of some use-value, has misled Bailey, as also many others, both before and after him, into seeing, in the expression of value, merely a quantitative relation. The truth being, that when a commodity acts as equivalent, no quantitative determination of it's value is expressed".<sup>60</sup>

Hence Smith and Ricardo's search for an 'invariable measure of value' is a false problem, a false question; for just the opposite qualities are required in the commodity form. What is required is a common substance, a relative form,<sup>61</sup> which

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59. Rancière, The Concept of Critique ..., T.P. #2, p. 36.

60. K. Marx, Capital, Vol. I, p. 64-5. (M.E.)

61. Cf., Marx's Capital, Vol. I, Chapter I, Part I, for the distinction between the relative and equivalent forms.

is the manifest product of the capitalist social relations and which expresses the compared object's qualities as a use-value, as concrete labour. Ricardo identifies value with the concept of an 'invariable measure of value' but variability is precisely the character required for value.

"The term invariable" states Marx "expresses the fact that the imminent measure of value must not itself be a commodity, a value, but rather something which constitutes value and which is therefore also the imminent measure of value".<sup>62</sup>

In summary then, the value of a commodity is neither solely it's use-value or it's exchange-value; for first, use-value as a specific integrant, describes the means of satisfying the needs of the producer -- but this is not to produce a commodity; second, exchange value simply describes the magnitude of value which is prescribed by the social space of comparison peculiar to the form and needs of commodity production (i. e., for M-C-M). Thus in the formal conditions for a commodity's existence, it cannot be composed of either one or the other type of labour; the commodity is characterized by a double existence, containing both concrete and abstract labour which are respectively expressed in exchange-value and value. Thus both Ricardo and Smith fail to "examine the form -- the peculiar characteristics of

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62. K. Marx, T.S.V., Part III, p. 155.

labour that create exchange -- value or manifests itself in exchange-value -- the nature of this labour",<sup>63</sup> rather .....

"Right from the start" Marx continues, "Ricardo is only concerned with the magnitude of value, i. e., the fact that the magnitude of the values of the commodities are proportionate to the quantities of labour which are required for their production. Ricardo proceeds from here and he expressly names Adam Smith as his starting point. .... "His method is as follows: He begins with the determination of the magnitudes of value of the commodity by labour-time and then examines whether the other economic relations and categories contradict this determination of value or to what extent they modify it. The historical justification of this method of procedure, it's scientific necessity in the history of economics, are evident at first signs, but so is, at the same time, it's scientific inadequacy. This inadequacy not only shows itself in the method of presentation (in a formal sense) but leads to erroneous results because it omits some essential links and directly seeks to prove the congruity of the economic categories with one another". (M.E.)<sup>64</sup>

Or even more concisely, he writes in a letter to Dr. Kugelman dated July 11, 1868, that

"... science consists precisely in demonstrating how the law of value operates. So that if one wanted at the very beginning to "explain" all the phenomenon which apparently contradict the law, one would have to present the science before the science" and often "... it is precisely Ricardo's mistake that in his first chapter on value he takes as given all pos-

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63. K. Marx, T.S.V., Part II, p. 164.

64. K. Marx, T.S.V., Part II, pp. 164-5.

sible categories which have still to be developed for us, in order to prove their conformity with the law of value".<sup>65</sup>

What Marx is pointing to here, is not only the absence of concepts and categories within classical political economy, but more, this absence, as symbolic of their complete lack of a non-empirical and structured conceptual schema. This is to say, that the reason behind Ricardo and Smith's false problematic is their inadequate starting-point, in their acceptance of the forms of appearance (with man as their subject) as the raw material for their theories in a crude and uncritical manner. From this point onwards, they are incapable of conceptualizing anything but a direct identity or an unequivocal relationship between on the one hand the labourer, his productive activity, his needs, and on the other, the expression of his product as value in the market.

That is why, the introduction by Marx of new categories of value and surplus-value signifies the end for the descriptive (and anthropological) categories of classical political economy, and pronounces a new object for political economy. So much so, that one could in fact say that the title of Capital, as "A Critique of Political Economy" is misleading. It is misleading, because it is not a critique

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65. K. Marx, Selected Works, Vol. II, p. 419.

of classical political economy alone, it is more than a critical operation, it projects the object of political economy onto a new plane, onto a multi-level complex structure, where forms of appearance -- the homogeneous plane of classical economists -- are explained scientifically by laws which penetrate, or better, are inverted from their pedestrian expression.

### Significance of Marx's Distinctions

At first sight the redefinition of the concepts use-value and exchange-value may appear to the reader as a simple semantical re-organization which still occupies the problematic of Smith and Ricardo. What one may be tempted to classify as merely a 'clearing up' of bad terminology. But quite the contrary to this kind of a function, we find that Marx's neologisms symbolize a break with classical political economy in two fundamental ways. The first of these, as we have already mentioned, was in Marx's break in Vol. I with the classical economist's habit of defining economic facts exchange-value by their ability to be quantified or measured. The second aspect, which is linked with the first, and which I should like to develop in greater detail, is their practice of correlating these 'economic facts' in accordance with a common essence of the needs of man and his labour. Louis Althusser has characterized this custom, as one of identifying economic facts in terms of their utility to MAN, and reducing exchange-value to the

essence of man's productive activity. As Althusser puts it:

"In the concept of the sphere of needs, economic facts are thought as based in their economic essence on human subjects who are a prey to 'need': on the homo oeconomicus, who is a (visible, observable) given too. The homogeneous positivist field of measurable economic facts depends on a world of subjects whose activity as productive subjects in the division of labour has as its aim and effect the production of objects of consumption, destined to satisfy these same subjects of needs. The subjects, as subjects of needs, support the activity of the subjects as producers of use-values. The field of economic phenomena is thus in origin as in aim, founded on the ensemble of human subjects whose needs define them as economic subjects. The peculiar theoretical structure of Political Economy depends on immediately and directly relating together a homogeneous space of given phenomena and its space on man as the subjects of needs (the givenness of the homo oeconomicus)".<sup>66</sup>

Thus these political economists reduced the obviousness of the object, of the commodity, down to the expression of human labour, whereupon their exchange-value is treated as belonging to the thing itself. The non-distinction between use-value and exchange-value (or for that matter, value) delivers a set of phenomena, or objects, pre-defined by the subject, that is, by the needs of men in the accumulation of wealth. This whole schema re-affirms the peculiar form of the objects -- the commodity form -- as the absolute space, moreover the only space, in which the investigation may proceed. In other words, they effectively limit the analysis of the principles of

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66. Louis Althusser & Reading Capital, p. 162.



political economy to human subjects, such that it is the needs of man "that defines the economic in economics".<sup>67</sup> The object of classical political economy hence fuses a unity between a conception of man, a philosophical anthropology, and the fixed forms of wealth. The object which conditions their investigation becomes how man, 'homo oeconomicus', proceeds to satisfy his needs and, therefore, how commodities may fulfil these needs. We find that it is these needs -- and their ideological role -- which underlies and consolidates the theoretical concepts of classical political economy. It is this unity of the homogeneous field of investigation (quantities of human labour) and latent Anthropology (man's needs) which adequately characterizes their real conceptual framework.

For Marx, on the other hand, the category of use-value was not one regulated by the needs of human nature, but rather, the needs were 'historical'. Historical in the sense that they were determined by the form of the structure of the production process, i. e., by the forces of production (level of productivity, or the peculiar matrix of the elements within the means of production, etc.) and by the relations of production (class relations). Thus Marx transfers the subject of political economy from man, quantities, etc., to

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67. Ibid., p. 163.

the structure of the production process.

Schematically, an example of Marx's transition, is provided in his division of the production process into two Departments where Department one produces the means of production, and Department two produces the means of production. The first is concerned with producing goods for the means of production (constant capital) and the second with the goods to be consumed by the labourers of both Departments. Within this schema, half of consumption is thus absorbed by the needs of further production, or, in the reproduction of the means of production by Department one. Similarly, the other half, the consumption by the individuals or labourers within the capitalist mode, is simply an aspect of reproducing the continuing and future sources of labour-power. Marx succinctly comments "The individual consumption of the labourer, ... forms therefore a factor of the production and reproduction of capital ... Even it's individual consumption is, within certain limits, a mere factor in the process of production".<sup>68</sup>

Hence an object's use-value is not defined by the needs of MAN, a thing is useful in terms of it's function in the labour process:

"We see, that whether a use-value is to be regarded as raw material, as instrument of

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68. Marx, Capital, Vol. I, pp. 627-8.

labour, or as product, this is determined entirely by it's function in the labour process, by the position it there occupies; as this varies, so does it's character".<sup>69</sup>

Also:

"Here individuals are dealt with only in so far as they are the personifications of economic categories, embodiments of particular class-relations and class-interests. My standpoint .... can less than any other, make the individual responsible for relations whose creature he socially remains, however much he may subjectively raise himself above them".<sup>70</sup>

Man in the production process, acts merely as a support, as an agent, to this function. Whereas classical economists continuously placed labour, and the division of labour, as the object of their investigation, labour acted as the sole source of all exchange-value. They therefore identified a unity within their theories between commodities as use-values (their ability to satisfy man's needs), and human labour as the producer of use-values. The value of a commodity was subsequently reduced to the value of labour.

"In the expression 'value of labour'", Marx writes:

"the idea of value is not only completely obliterated, but actually reversed. It is an expression as imaginary as the value of the earth. These imaginary expressions,

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69. Ibid., p. 203. (M.E.)

70. Marx; Capital, Vol. III, quoted by Maurice Godelier, Rationality & Irrationality in Economics, N.L.B.

arise, however, from the relations of production themselves. They are categories for the phenomenal forms of essential relations. That in their appearance things often represent themselves in inverted form is pretty well known in every science except political economy". .... "What economists therefore call 'value of labour', is in fact the value of labour-power as it exists in the personality of the labourer, which is as different from it's function, labour, as a machine is from the work it performs".<sup>71</sup>

The labourer or homogeneous human labour, as the subject of the analysis, is replaced for Marx, by labour-power or the labourer's capacity for socially productive activity. Thus the subject of Marx's examination of the production process becomes labour-power, and again here the labourer acts merely to support this function.

Contrary to Classical Political Economy, Marx also acknowledges that the means of production (nature) plays as significant role in the production of use-values as that of labour. He propounds that "... labour is not the only source of material wealth, of use-values produced by labour. As William Petty puts it, labour is it's father and the earth it's mother".<sup>72</sup> In considering the production process, the distinctions between variable and constant capital, and their production in Department I and II, the reproduction of the means of production, (i. e., that of Department I),

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71. Ibid., pp. 588-9. (M.E.)

72. Ibid., p. 50.

plays as important a function as that of the production of consumer goods. So the material prerequisites which are necessary for production in all modes, must be considered in the formation of value or wealth, i. e.;

"Thus Nature becomes one of the organs of his activity, one that he annexes to his own bodily organs, adding stature to himself in spite of the Bible. As the earth is his original larder, so too it is his original tool house. It supplies him, for instance with stones for throwing, grinding, pressing, cutting, etc."<sup>73</sup>

In summation then, we may formulate two points:

First, the production process and the reproduction of it's elements, determines the kinds of products which shall be produced. The object of political economy becomes the structure, rather than Man's needs, or homogeneous human labour, in determining the form of production.

Secondly, wealth is no longer the product of human labour alone, the labour process (as a common element to every mode) is composed of both the material and technical means of production in opposition to the propositions of classical economists especially that of Smith. Marx considers the wealth supplied by nature itself, and it's role as instruments of production in the labour process. The determination

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73. Ibid., p. 199. Cf. Marx, A Contribution to the Critique of Political Economy, pp. 35-6.

of the labour process by these material conditions is at once also a denial of the humanist idealism that labour is the creature of all wealth. Smith for example, excluded any recognition of a need for reproducing the means of production (and thus of a theory of reproduction, Cf. Vol. II, Capital). In the same way that it "made it possible for Marx, in the 1844 Manuscripts, to call Smith the 'Luther of Political Economy' because he reduced all wealth (all use-value) to human labour alone; and to seal one theoretical union of Smith and Hegel".<sup>74</sup>

Hence MAN or human relations, the form of a 'philosophical anthropology', is eradicated from it's position as the beginning (the source) and the end (the consumption) of economic analysis.

Before concluding with what effect these distinctions have upon the object of volume one, and their ramifications on the 'transformation problem', I should like to provide a summary of the main points which have been sketched in this chapter.

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74. Althusser, R. C., p. 171. Incidentally this is the sense in which Joan Robinson interprets Marx's notion of the labour theory of value; Cf. An Essay on Marxian Economics, London, 1947, p. 13.

Summary

First, Marx, instead of referring to the immediate objects themselves as the economic facts, constructs in the order of his discourse in Capital, the concept of the object. He therefore rejects both the homogeneous field and the philosophical Anthropology which predominated classical political economy. He replaces this vacuum -- where visible economic facts are defined by the subject homo oeconomicus -- with a complex multi-level structure as the object of political economy.

Secondly, as part of this new complex space of investigation, he no longer confines himself to measurable and comparable entities. All 'objects' are no longer measurable, for as Althusser emphasizes "Mathematical formalization must be subordinate to conceptual formalization".<sup>75</sup> Accordingly, volume one is not a discussion of the quantitative conditions of the phenomena exchange-value, but, of value, independent of it's phenomenal form.<sup>76</sup>

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75. Althusser, R. C., p. 183.

76. Paul Sweezy, in Theory of Capitalist Development, explicitly believes that it is possible to skip the 'notion value' and deal directly with the value 'form' in quantitative terms. Although acknowledging, it is preferable to first introduce social relations in the understanding of 'prices of production', refer pp. 128-130. We discuss this in greater detail in our next chapter.

"We never leave abstraction on the way from volume one to volume three, i. e., we never leave knowledge, the 'product of thinking and conceiving' we never leave the concepts".<sup>1</sup>

## CHAPTER V

### Is the Transformation Problem Irrelevant?

The question that remains, and which logically follows from our previous discussion, is how may we now perceive the interrelationship of the three volumes of Capital? Does, on the one hand, volume one remain in a vacuum separated in a sense from the analysis of capitalism, or, on the other, does it provide some new quantitative mechanism for calculating exchange-value?

To answer these questions I think we have to reflect momentarily upon the readings of Capital which were elaborated upon in chapter three. You remember, for example, our discussion of Engels' historicist thesis which differentiated between the first two volumes and volume three by their relative historical determinacy. Volume one in this instance portrays a simple commodity producing economy

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1. E. Althusser, R. C., p. 19.



which precedes historically and logically that of capitalism; whereas, volume three remains as the incisive text with which to understand capitalism. Meanwhile the quantitative argument (Meek and Maurice Dobb in particular) attempted to systematically delineate the problematic of Marx to that of Ricardo. Here the object of Capital again appears as the invariable measure of value.

In both cases it appears rather clear that Marx's transition from volume one to volume three is somewhat unwarranted, and at the very least an overly cumbersome approach to the problem at hand. Many of these problems may be attributed to the fact that in Marx's break with the classical political economists, he lacked a conceptual language to express his break in philosophy. Capital becomes confusing because Marx was forced to allude to this break with the philosophical concepts of his time. Because of this, the "transformation problem" has gained a certain degree of legitimacy for Marxist scholars, and certainly has played a significant role in the debate over the logical discourse of Capital. However, I do not believe that this necessarily needs to be the case. Simply, on an intuitive level, one should beware considering that Marx, in what Engels referred to as his magnus opus, would naively attempt to reiterate -- within the identical perimeters -- a problem which had previously been demonstrated as unworkable by both Smith and Ricardo. This would certainly not follow in terms of Marx's

earlier writings, and it certainly does not follow for the theoretical order of Capital.

Of course, the second alternative would be to consider, as some have, that Marx's Capital developed and extended classical political economy by the addition, or better by the synthesis, of the Hegelian dialectic. The distinctiveness of his labour theory of values thus being in it's historical frame of reference.

Again, it appears to me that this is far from the real nature of Marx's contribution. I think if one carefully examines the discourse of Capital it becomes clear that Marx continues his discussion of both value and prices of production not as an essence/phenomena relationship, but as concepts located on equal levels of abstraction. From this perspective you will find that Marx's problematic, far from inconsistent, follows a highly coherent and ordered development. Moreover, it is through this method of abstraction that we discover Marx's scientific contribution to the understanding of the history of society. In essence, dialectical materialism, or even perhaps the notion of fetishism, captures the admonition that "the first rule of advocacy is that nothing must be taken as self-evident"; in other words, in Marx's own words, "that in their appearance things often represent themselves in inverted form is pretty well known in every science except political economy".<sup>2</sup> But this is not an ad hoc

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2. Marx quoted by Rancière, Theoretical Practice #III, p. 32.

inversion done as a mechanical principle of negation, but an inversion related to a general but radical model -- i. e., that of a non-empiricist conceptual model. Thomas S. Kuhn has aptly characterized the opposite of such a process with regards to the Copernican revolution, suggesting that the

"idea that the earth moves seems initially equally absurd. Our senses tell us all we know of motion, and they indicate no motion for the earth. Until it is re-educated, common sense tells us that, if the earth is in motion, then the air, clouds, birds, and other objects not attached to the earth must be left behind .... since none of these effects are seen, the earth is at rest. Observation and reason have combined to prove it".<sup>3</sup>

Marx, like Copernicus, approached the social phenomenon via the problematic of political economy in a new manner. He writes:

"It is not our intention to consider, here, the way in which the laws, imminent in capitalist production, manifest themselves in the movements of individual masses of capital, where they assert themselves as coercive laws of competition, and are brought home to the mind and consciousness of the individual capitalist as the directing motives of his operations. But this much is clear, a scientific analysis of competition is not possible, before we have a conception of the inner nature of capital, just as the apparent motions of the heavenly bodies are not intelligible to any but him, who is acquainted with their real motions, motions which are not directly perceptible by the senses".<sup>4</sup>

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3. T. S. Kuhn, The Copernican Revolution, Harvard, 1966, p. 43.

4. K. Marx, Capital, Vol. I, p. 347.

In other words, here Marx makes it quite clear that his operation of abstraction is one which transcends the symptomatic structure of sensuous objects. Likewise, instead of fetishism being regarded solely as a subjective aspect of commodity production (alienation from its inner essence) we find that it becomes a general means of perceiving every condition of production of a class nature. This is to say, that the process of de-fetishizing represents the scientific operation by which we may examine history. Let us study this particular aspect more closely.

### The Law of Value and Equivalent Exchange

We saw for example that the exchange between the capitalist and the worker appears at first sight to be an equal exchange. How could it be otherwise; did not Aristotle tell us that exchange is based on fair and equal reciprocity? The total exchange value produced by the labourer appears to be equal to his portion of exchange-value distributed in wages. As Marx noted:

"Every condition of the production is satisfied, while the laws that regulate the exchange of commodities, have been in no way violated. Equivalents have been exchanged for equivalents. For the capitalist as buyer paid for each commodity, for the cotton, the spindle and the labour-power, its full value (proportion of total social labour necessary for its reproduction). He then did what

is done by every purchaser of commodities, he consumed their use-value".<sup>5</sup>

Just as the exchange process appears to take place by the equivalent exchange of goods, so these same laws seem to regulate the exchange between worker and capitalist. We know, however, that this is not the case. The worker for Marx has nothing but his labour to exchange, and he exchanges it for a value which "appears" equivalent to the value of the goods produced, but which in essence is equal to the value of the goods necessary for his own reproduction. Thus we find, that what regulates the exchange between capitalist and worker is not that of the "ideology of equivalent exchange" (structural mystification) but rather that it is the effect of the peculiar space in which labour, as a commodity, is set free from the means of production. Hence the development of the concrete forms within capitalism stem from the unequal unity of the production and circulation process such that labour power's use-value becomes unequal to it's exchange-value, i. e., a relationship which is concealed such that "the wage form thus extinguishes every trace of the division of the working day into necessary labour and surplus labour into paid and unpaid labour".<sup>6</sup>

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5. Ibid., p. 217.

6. Ibid., p. 591.

Consequently, wages are not paid in accordance with the principles of equal exchange; rather labour-power's use-value is forced by the means of the structure of (re-) production to produce more than it's equivalence in wages. We can surmise then, that in radical distinction from the classical political economists, Marx defines the economic structures as effects of those class relations which mediate the distribution of goods and their value. As the structuralists were to say with regards to Marx's relationship with the problematic of classical political economy, "Marx's analytical effort took the form precisely of a critique of this illusory foundation of political economy and resulted in the replacement by another, which puts the science of economic relations on a different basis. This is what is meant by Marx's break with political economy".<sup>7</sup>

For example, just as Ricardo believed a good possessed an "exchange-value-in-itself", as if the calculation of a good's value emanated strictly in accordance with it's magnitude of embodied human labour, so did he accept that capital, as a physical entity (in his terminology durable capital), produced an average rate of profit. The prices of production for him are thus formulated by calculating the average rate of profit on the average cost of production.

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7. Aghiri Emmanuel, Unequal Exchange, quoted from Charles Bettelheim's appendix, p. 312, My Emphasis.

But this in itself conceals a much more important fact, namely that the total average rate of profit, far from a physical character of capital, speaks of the total surplus value appropriated by the capitalist class. The social relations of surplus value are lost in the form of profit; Marx's object is to relocate the movement of the forms (concepts) which in process of theoretical production of capitalism are not apparent.

Thus we discover that the category of profit determines the distribution of surplus-value but not its production. Profit expresses the distribution of surplus-value, and the order of this distribution appears to be constitutive of the existence of surplus-value. The real relations on the other hand are that profit as a category depends upon the production of surplus value via the labour process. Subsequently, instead of validating the law of value to the phenomenal forms, Marx shows why they must necessarily contradict it, and yet how they are determined by it.

The conclusion which the classical economists were forced to consider, were either to disregard the perceived phenomena which contradicted the law of value, or to drop the law itself, i. e., like that of "Adam Smith who, having sent the law of value packing to pre-adomatic times, determining the value of the commodities by the theory of the three

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8. (top of page 187). K. Marx, Contributions to the Critique of P. E. of 1859, p. 59.

sources (wages, profit and rent)".<sup>8</sup> Or again, to follow the course of Ricardo, and maintain the law, sacrificing it to such contradictions as the average rate of profit. Rather than beginning, as he does, with the investigation of labour in it's quantitative term as the determiner of exchange-value, and thereafter surreptitiously checking to see if this contradicted the apparent economic phenomenon and modifying his theory accordingly, he should have begun, like Marx, with the simplest form, i. e., with the notion of a commodity.

In other words, what I have attempted to argue is that it was the analysis of the commodity, as an isolated abstraction, which allowed Marx to reconstruct the concrete process conceptually. What Ricardo and Smith failed to question is the form, the concepts, separated from their "empirical obviousness". Their analysis as a consequence is portrayed by Marx as a comparative analysis of homogeneous forms. Marx sums up his appraisal of Ricardo, and in a sense the whole of classical political economy, in this following quote:<sup>9</sup>

"Ricardo .... consciously abstracts from the form of competition, from the appearance of competition, in order to comprehend the laws as such. On the one hand he must be reproached for not going far enough, for not carrying his abstraction to completion, for instance, when he analyses the value of the commodity, he at once allows himself to be influenced

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9. Marx's comments on their failure also in T.S.V., Part II, p. 172 or p. 191, Moscow, 1968.



by considerations of all kinds of concrete conditions. On the other hand one must reproach him for regarding the phenomenal form as immediate and direct proof as exposition of the general laws, and for failing to interpret it. In regard to the first, his abstraction is too incomplete; in regard to the second, it is a formal<sup>10</sup> abstraction which in itself is wrong".

Accordingly, we may say that in distinction from Ricardo, the whole of Marx's discourse in Capital is of an extremely abstract nature. Abstract in order to logically "interpret" the phenomenal form at the conceptual level. Marx's notion of materialism therefore never reaches the "concrete" reality of empiricism, for this link was conceptually impossible. The object of Capital was rather to demystify the notions which were prevalent, (i. e., those which were propounded by the classical political economists) and present the real form of capitalism. In this respect Marx demonstrates that the form of prices of production, profits, etc., are no more than expressions, or better, a theoretical mode of representing a set of social relations and means of production.<sup>11</sup>

In so doing, he formed a scientific construct which was arranged independent of all historical exigencies, and

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10. Ibid., p. 106.

11. Marx's method could be used as well to explain the fetishized social forms within Feudalism. In other words, in explaining the crucial role which religious ideology played in maintaining the conditions of production.

which, because of this, allowed for the first time the categorization of history in an analytical manner extraneous to those earlier descriptive accounts which had simply mimicked history's auto-development.

Thus the concept of value outlined in volume one undermines in more general terms the concept of exchange-value pictured as a reflection of inherent physical attributes of the commodity. (i. e., from those accounts where each commodity's value was equal to it's use-value). We are left then with a means of conceiving the rate of profit as a symptomatic response to causal links at the conceptual level.

Today, for example, in opposition to the above, we find that typically in econometric models the problematic is transferred to isolating the "moment of exchange" rather than situating it within the field of production relations and productive forces, failing therefore to integrate itself into the world system of structures. And yet, if there is a withdrawal from the analysis of structural relationships to a theoretical model which instead mirrors the immediate appearances (i. e., flow of money, etc.), then you lose the insights necessarily gained through abstraction. Similarly, any attempt to reform Marx's Capital into a science of immediacy (in an empiricist sense) mutilates and transforms Marx's concepts into an alien problematic.

How do the Structuralists Situate the Transformation Problem?

In essence this returns us back to our opening question. Clearly in the structuralist reading of Capital we may say that there can be no contrast between value and price of production. For them there are not two separate theories; in other words, the law of value as it is expounded in volume one does not apply to a simple commodity producing society separate from that of the capitalist mode. Whereas we have seen that in the historicist and quantitative interpretations of the labour theory of value, volume one is represented as an economy where only labour acts as the source of value, and as such, within this economy, the distribution and magnitude of value is determined by quantities of labour. Similarly, they<sup>12</sup> represent capitalism as a society where two factors, labour and the means of production, play an instrumental role in producing value. Volume one is thus contrasted with volume three in terms of the number of variables under consideration. The structuralists argue in opposition to this, that both factors are common to each and every mode -- Marx himself had argued this same position against Smith (Cf. Capital, Vol. II "Former Presentations of the Subject"). To be sure then, Marx must not be looked upon as developing two

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12. This is especially true of Aghiri Emmanuel who has developed an interpretation of Capital and the transformation problem based on the 'one versus two variable' theory. Cf. pp. 402-26, Unequal Exchange.

"historical" conditions, but rather, that in the discussions of volume one a frame of reference is constructed which captures the common elements of every mode; that is to say, he constructs a concept of 'mode of production'. Once this notion of the 'mode of production' is established, it merely becomes a process of extension, that prices of production developed in volume three, are articulated as the effect of the determined distribution of socially necessary labour time between the different branches of production. Marx's notion of the labour theory of value, his law of value, is thus more than a signpost to exchange-value, it is a way of understanding history, it is proof of the statement -- for the most part conjectured in the Communist Manifesto -- that "the history of all hitherto existing society is the history of class struggle" (p. 9, Appleton-Century, 1955).

The exercise of reducing the value of various products to that of embodied labour ratios -- like Ricardo, Meek, et al -- is hence at once realized to be a false and fetishized problem. Meek, by using the logic of Sraffa, may provide the solution to the "transformation", but by so doing, he revokes the very framework which Marx had developed. Like those before Marx, their frame of reference again denies science as being anything but the expression of empirical reality in immediate terms. And again, as Althusser comments, for them ...

"Marx's object (becomes) no more than  
Ricardo's object. The history of  
political economy from Ricardo to Marx

thus becomes a beautiful unbroken continuity, which is no longer a problem. If there is a misunderstanding, it is elsewhere, in Ricardo and in Marx -- no longer between Ricardo and Marx, but between the whole of the classical economics of labour-value, which Marx merely brilliantly touched up. .... And in fact, when we read certain of Gramsci's commentaries (Marxist philosophy is Ricardo generalized<sup>13</sup>), Rosenthal's theoretical analysis or even the much more critical remarks of Della Volpe and his disciples, we are struck by the fact that we never forsake this continuity of object. These authors see no essential difference between Smith's and Ricardo's object and Marx's object".<sup>14</sup>

#### In Conclusion: Structuralism and the Symptomatic Reading

The uniqueness of the structuralist reading can thus be delineated down to the fact that in their conception, Marx revolutionized the notions of economics and history, because epistemologically he recognized that it was necessary to first detour, to reconstruct, and articulate the concept of the object to be examined; this must be done before that object may become theoretically possible to understand. This interpretation opposes the orthodox distinction developed in chapter one, where Marx's method was one of de-fetishizing

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13. L. Althusser, R. C., pp. 85-6.

14. As Antonio Gramsci wrote in the Prison Notebooks. "One could say in a sense, I think, that the philosophy of praxis equals Hegel plus David Ricardo", p. 400, International Publishers. Indeed, Gramsci was a personal friend of Pieno Sraffa.

the phenomenal surface with a truer vision (i. e., "the proletarian perspective") to uncover the more real and concrete relationships of it's essence. That is to say, that Hegelian structural distinction, which opposes levels of the real object itself (i. e., the inner essence with the outer surface, the essential from the essential) as if there existed a one-to-one identity between the object of knowledge and knowledge.<sup>15</sup>

The structuralists, on the contrary, revoke the schema of posing the interiority (the essence of social relations) to that of it's surface (economic ideology) -- instead they view this interiority as nothing but the concept. In other words, the interiority is not part of the real object but the knowledge of it. Hence there is no split-level reality with an inside and outside, instead the inside and outside are progressive conceptualizations of reality. Thus in contradiction to ....

"all those arguments .... which present the development of the concepts as the transition from the abstract to the concrete, a transition understood as the transition from the essential, in principle abstract interiority to the concrete, visible and palpable outer determinations, a transition summed up in the transition from volume one to volume three. All these ambiguous arguments depend once again on the confusion between the thought-concrete, which Marx completely isolated from the real-concrete in the Introduction<sup>16</sup>, and

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15. A good example of this is Paul Mattick's article "The Transformation of Marxism into Bourgeois Economics", Science & Society, Fall, 1972.

16. The Introduction to the Contribution of the Critique of P. E.

this same real-concrete -- whereas in reality, the concrete of volume three, i. e., the knowledge of ground, profit and interest, is, like all knowledge, not the empirical concrete but the concept, and therefore still always an abstraction".<sup>17</sup>

The transition from volume one to volume three (the "transformation"), therefore becomes the passing "within the abstraction of knowledge from the concept of the structure (mode of production) and of it's most general effects, to the concepts of the structure's particular effects".<sup>18</sup> The transformation problem is thus no longer the transfer of theory to concrete reality; it remains therefore not as the Achilles heel of Capital, but as a theoretical transition from the general to the specific.

The value of the structuralist reading therefore lies in the fact that it locates the real theoretical space of Marx's argument; just as Marx had himself relocated the space of classical political economy. They take Marx's texts in Capital back to the conceptual level, outside of the absoluteness of empirical history, and here they capture the real 'problematic' of Capital -- breaking from the fetishisms of it's empiricist reading.

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17. Althusser, R. C., p. 189.

18. Ibid., p. 190.

One could well conclude that, just as Marx's science appeals to the understanding of history, so in a sense does it appeal to an understanding of his own writings.



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