

2016-11-07 From the preparatory notes for Class 27 of the introductory course on political economy: 'The evolution of property and how it rules the world'

Before turning to **Marx (1818-1883)**, it seems only right to say something about **Hegel (1770-1831)**.

Long before Marx, Hegel had read Adam Smith's *The Wealth Of Nations* and was 'considerably influenced' by it.¹ In turn, Hegel would influence Marx's approach to political economy more fundamentally than is generally understood.²

As a student Hegel shared the enthusiasm of his contemporaries for the French Revolution, but later bowed to the historic 'right' of monarchs and of the landowning class which was, he wrote, 'summoned and entitled to its political vocation by birth without the hazards of election'.³ He was nonetheless alert to the implications of the developing system of production for exchange. He accepted Smith's view of the market as guiding production and distribution as if by an 'invisible hand'.⁴ However, he articulated this in his characteristic idealist way: specific needs were different, but they were united abstractly by 'need in general'.⁵

When men are thus dependent on one another and reciprocally related to one another in their work and the satisfaction of their needs, subjective self-seeking turns into a contribution to the satisfaction of the needs of everyone else. That is to say, by a dialectical advance, subjective self-seeking turns into the mediation of the particular through the universal, with the result that each man in learning, producing, and enjoying on his own account is *eo ipso* [by that very fact] producing and earning for the enjoyment of everyone else. The compulsion which brings this about is rooted in the complex interdependence of each on all, and it now presents itself to each as the universal permanent capital which gives each the opportunity, by the exercise of his education and skill, to draw a share from it and so be assured of his livelihood, while what he thus earns by means of his work maintains and increases the general capital.⁶

Hegel's view of production for exchange appears here as entirely uncritical. Yet elsewhere he laments the vulnerability of the individual to the uncertainties and inequalities of the system as a whole. There was an ever-increasing mass condemned to unhealthy labour, insecurity

¹ Hyppolite, Jean. *Studies on Marx and Hegel*. Translated by John O'Neill. Heinemann Educational Books, 1969. p. 72. Cf also Taylor, Charles. *Hegel*. Cambridge University Press, 1975, p. 432.

² See generally Levine, Norman. *Divergent Paths: Hegel in Marxism and Engelsism. Volume 1: The Hegelian Foundations of Marx's Method*. Lexington Books, 2006, p. 54.

³ See *Hegel's Philosophy of Right: Translated with notes by T. M. Knox*. Oxford University Press, 1967, §§ 305, 306 and 307. Hegel also liked the fact that the landlords' wealth was 'independent' both of the state and of profit-making. Marx commented mockingly: 'Hegel has accomplished the masterpiece: he has developed peerage by birthright, wealth by inheritance, etc. etc., this support of the throne and society, out of the absolute Idea.' See *Marx's Critique of Hegel's Philosophy of Right*, Cambridge University Press, 1970, translation by Annette Jolin and Joseph O'Malley, p. 75.

⁴ Taylor, *op cit.*, p 433.

⁵ See *Hegel's Philosophy of Right*, §63 (T. M. Knox's translation).

⁶ *Id.*, §199.

and irremediable poverty.⁷ The conflict between rich and poor was replacing that between noble and peasant. Wealth attracted everything to itself, developing one-sidedly while poverty increased. *‘To him who hath shall it be given,’*⁸ was Hegel’s ironic observation.

We should see that Marx, like everyone else and like ourselves today, needed the shoulders of giants to stand on, if he was to see further.⁹

Regarding value theory, Hegel adopted the classical distinction between value-in-use (utility) and exchange-value. Things in use, having different specific utilities, could not on that basis *all* be compared. As we might say today, you can compare apples with apples, but you can’t compare apples with pears. For objects of different utility to be compared, said Hegel, they must share a universal characteristic. This universal characteristic is ‘value’ — the ‘genuine substance’ or ‘essence’ of the thing.¹⁰ But what did this value ‘substance’ or ‘essence’ consist of?

Work and effort, said Hegel, is the connecting link between subjective and objective,¹¹ between the individual and the universal.

The aim [of labour] is the satisfaction of subjective particularity, but the universal asserts itself in the bearing which this satisfaction has on the needs of others and their free arbitrary wills. ... Political economy is the science which starts from this view of needs and labour but then has the task of explaining mass-relationships and mass-movements in their complexity and their qualitative and quantitative character. This is one of the sciences which have arisen out of the conditions of the modern world. Its development affords the interesting spectacle (as in Smith, Say, and Ricardo) of thought working upon the endless mass of details which confront it at the outset and extracting therefrom the simple principles of the thing...¹²

There are certain universal needs such as food, drink, clothing, &c., and it depends entirely on accidental circumstances how these are satisfied. The fertility of the soil varies from place to place, harvests vary from year to year, one man is industrious, another indolent. But this medley of arbitrariness generates universal characteristics by its own working; and this apparently scattered and thoughtless sphere is upheld by a necessity which automatically enters it. To discover this necessary element here is the object of political economy, a science which is a credit to thought because it finds laws for a mass of accidents. It is an interesting spectacle here to see all chains of activity leading back to the same point; particular spheres of action fall into groups, influence others, and are helped or hindered by others. The most remarkable thing here is this mutual interlocking of particulars, which is what one would least expect because at first sight everything seems to be given over to the

⁷ See Hyppolite, *op cit.*, p 80.

⁸ *Id.*

⁹ ‘If I have seen a little further it is by standing on the shoulders of giants,’ wrote Isaac Newton in 1676. If we are to do that, we shall have to make the effort to climb up.

¹⁰ This emerges from the rather different translations given by T. M. Knox and S. W. Dyde of the obscurely worded §63 in Hegel’s *The Philosophy of Right* (1821). As to the latter, see Hegel, G.W.F. *Philosophy of Right*. Translated by S. W. Dyde. Batoche Books, 2001.

¹¹ *Philosophy of Right*, §189. See the translation by S. W. Dyde.

¹² §189. (T. M. Knox’s translation.)

arbitrariness of the individual, and it has a parallel in the solar system which displays to the eye only irregular movements, though its laws may none the less be ascertained.¹³

...

The means of acquiring and preparing the particularised means appropriate to our similarly particularised needs is work. Through work the raw material directly supplied by nature is specifically adapted to these numerous ends by all sorts of different processes. Now this formative change confers value on means and gives them their utility, and hence man in what he consumes is mainly concerned with the products of men. It is the products of human effort which man consumes.¹⁴

There is hardly any raw material which does not need to be worked on before use. Even air has to be worked for because we have to warm it. Water is perhaps the only exception, because we can drink it as we find it. It is by the sweat of his brow and the toil of his hands that man obtains the means to satisfy his needs.¹⁵

Following Adam Smith (whose argument in this respect was criticised in the previous class), Hegel maintained that *the products of nature and labour combined* are to be treated essentially as *labour-products* when entering into exchange.

[T]he business of exchange, whereby separate utilities are exchanged the one for the other, principally through the use of the principal medium of exchange, money, ... actualises the value of all commodities.¹⁶

Thus Hegel advanced his version of the ‘labour’ conception of exchange value — seeing labour in general as the ethereal social ‘substance’ or ‘essence’ of all articles which, despite their particular differences, came to be equated with one another in exchange. Their value did not depend on the proportions in which they were exchanged — rather the opposite. The proportions in which they were exchanged depended on their pre-existing value. Exchange made their intrinsic labour-value ‘actual’.

We are now in a position better to understand the argument of Marx.

As the first chapter of *Capital* shows, Marx proceeded on the basis that when different articles, having different utilities, exchange for one other they must have something in common which is capable of rendering them equal in exchange.¹⁷

Exchange-value shows itself primarily as the quantitative ratio, the proportion, in which use-values of one kind are exchanged for use-values of another kind, a ratio continually varying with changes in time and place.

¹³ Addition to §189. (T. M. Knox’s translation.)

¹⁴ §196. (T. M. Knox’s translation.)

¹⁵ Addition to §196. (T. M. Knox’s translation.)

¹⁶ §204. (T. M. Knox’s translation.)

¹⁷ The passages which follow are quoted from the Everyman edition of *Capital*, vol 1, translated by Eden and Cedar Paul.

Exchange-value thus seems to be something fortuitous and purely relative, and an exchange-value immanent in commodities (intrinsic value) would consequently appear to be a contradiction in terms. Let us look into the matter more closely.

A certain commodity, such as a quarter of wheat,¹⁸ can be exchanged for x blacking, y silk, z gold, etc. In a word, it can be exchanged for other commodities in varying proportions. The wheat, therefore, has numerous exchange-values instead of only one. Since, however, x blacking, y silk, z gold, etc., each represents the exchange-value of one quarter of wheat, it follows that x blacking, y silk, z gold, etc., must be mutually interchangeable, must have equal exchange-values. From this we infer: first, that the valid exchange-values of a commodity are equal one to another; and, secondly, that exchange-value must be the mode of expression, the 'phenomenal form', of something contained in the commodity but distinguishable from it.

You may wonder why it is necessary to infer (as Hegel also inferred) that the common element which allows commodities to be compared with and exchanged for each other must be something '*contained*' in them — something *intrinsic* to them — rather than something that *attaches or applies to them* equally when they are exchanged. But let Marx argue his own case further.

Now let us take two commodities, such as wheat and iron. Whatever the ratio of exchange may be, it can always be represented by an equation in which a given quantity of wheat is equated with some quantity or other of iron. For instance, our equation may read: one quarter of wheat = x cwt.¹⁹ of iron. What does this equation mean? It tells us that in two different things, namely in one quarter of wheat and in x cwt. of iron, there exists in equal quantities something common to both. They are, therefore, equal to a third something, which differs in essence from them both. Each of them, in so far as it is exchange-value, must be reducible to the third.

A simple geometrical illustration will make this clear. When we wish to ascertain the areas of rectilinear figures, and to compare these one with another, we subdivide them into triangles. The area of a triangle is itself determined by reduction to something very different from the visible shape of the triangle, namely to a rectangle whose area is the altitude of the triangle multiplied by half the base. In like manner, the exchange-values of commodities must be reduced to expressions of something quantitative which is common to them all. This common 'something' cannot be a geometrical, physical, chemical, or other natural property of commodities. The material properties of these only concern us, here, in so far as they confer utility, so as to render the commodities use-values. On the other hand, the obvious characteristic of the exchange ratio between commodities is precisely this, that it is an abstraction from their use-values. From that outlook, one use-value is just as good as another, if there be enough of it. ... Regarded as use-values, commodities are, above all, of different quality; regarded as exchange-values, they can merely differ in quantity, for from this point of view they have no use-value at all.

Marx is explaining that the common 'something' which makes its appearance as exchange-value is not a *physical* but a *social* 'something'. You may wonder whether it is sound to use

¹⁸ A quarter = 8 bushels, or 64 gallons (a bushel being equal to 8 gallons).

¹⁹ A hundredweight is approximately 50.8 kg.

the fixed ratios of mathematical constructions — and the necessities which flow logically from that — as a foundation for any comparable ‘necessity’ in the living, human social sphere.

Where, now, does Marx’s view of logical necessity in the realm of exchange-value take him?

When the use-values of commodities are left out of the reckoning, there remains but one property common to them all, that of being products of labour.

Is this truly the *only* property (i.e. the only characteristic) common to all commodities? Is it proved, or is it just a matter of Marx *selecting* this particular property and *asserting* it as the only one?

But even the produce of labour [Marx continues] has already undergone a change in our hands. If, by our process of abstraction, we ignore its use-value, we ignore also the material constituents and forms which, render it a use-value. It is no longer, to us, a table, or a house, or yarn, or any other useful thing. All the qualities whereby it affects our senses are annulled. It has ceased to be the product of the work of a joiner, a builder, a spinner; the outcome of some specific kind of productive labour. When the useful character of the labour products vanishes, the useful character of the [kinds of] labour embodied in them vanishes as well. The result is that the various concrete forms of that labour disappear too; they can no longer be distinguished one from another; they are one and all reduced to an identical kind of human labour, abstract human labour.

Let us now consider the residuum of the labour products. Nothing is left of them but the before-mentioned unsubstantial entity, a mere jelly of undifferentiated human labour, this meaning the expenditure of human labour power irrespective of the method of expenditure. All that now matters in the labour products is that human labour power has been expended in producing them, that human labour is stored up in them.²⁰ As crystals of this social substance common to them all, they are values — commodity values.

... Ignoring the use-value of the labour products, we arrive at their value in the sense above defined. The common element disclosed in the exchange ratio or exchange-value of the commodities is, in fact, their value. The course of our investigation will show that exchange-value is the necessary phenomenal form of value, the only form in which value can be expressed.

The constraints of time prevent us, in this course, from delving into the question whether or not it is sound for Marx to reduce the different kinds of human labour, the various kinds of skills, to a notion of undifferentiated ‘abstract human labour’ forming a uniform ‘social substance’ intrinsic to commodities.

We shall, however, be asking in due course — when we pursue the implications of Marx’s analytical construction *on its own terms* — whether or not his ‘necessary phenomenal form’ of labour-value *ever necessarily appears*.

²⁰ The translators mistakenly wrote: ‘human labour power is stored up in them’. Cf the Penguin edition of volume 1 of *Capital*, p 128.

For the moment, however, we must let Marx himself add one vital element to his 'labour-value' construction.²¹

A use-value or a good [a useful article] has value solely because abstract human labour has been embodied or materialised in it. How are we to measure this value? In terms of the quantity of 'value-creating' substance it contains — the quantity of labour. This is itself measured by its duration; and labour time, in turn, is measured by hours, days, etc. Now, if the value of a commodity be determined by the amount of labour expended during its production, it might seem at the first glance as if the value would be greater in proportion as the worker who made it was lazier or more unskilled, seeing that idleness or lack of skill would increase the time needed for production. But the labour which creates the substance of value is homogeneous human labour, the expenditure of a uniform labour power. The total labour power of society, as embodied in the gross value of all commodities, though comprising numberless individual units of labour power, counts as an undifferentiated mass of human labour power. Each of these individual units of labour power is the same human labour power as all the other units — in so far as it has the characteristics of social average labour power, and functions as such; in so far, that is to say, as in the production of a commodity it uses only the average labour time or the socially necessary labour time. Socially necessary labour time is the labour time requisite for producing a use-value under the extant social and average conditions of production, and with the average degree of skill and intensity of labour. After steam-power looms had got to work in England, only half (or thereabouts) of the previous amount of labour was needed to transform a given quantity of yarn into cloth. The individual hand-loom weaver took just as long to effect this transformation as before the introduction of steam-power into the textile industry, but the product of his one hour's labour under the old conditions represented product of only half an hour's average social labour under the new, and was therefore worth only half as much as before.

What determines the magnitude of value of a use-value is, therefore, the amount of socially necessary labour it contains, or the social labour time requisite for its production.

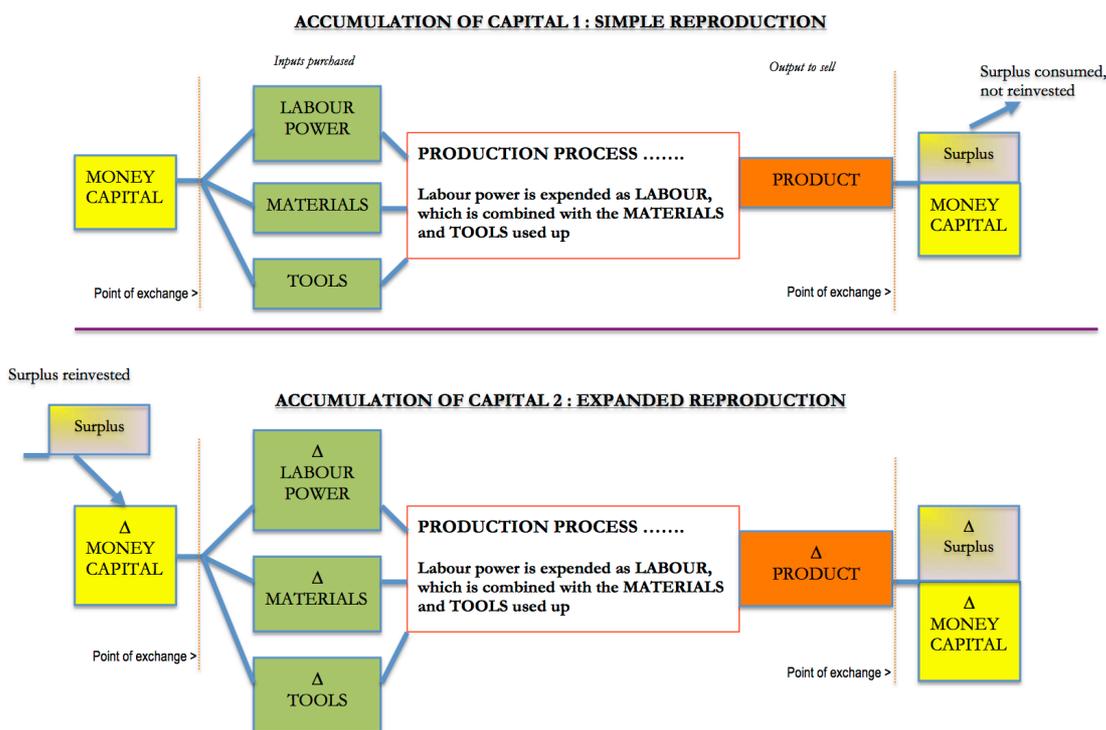
... Speaking generally, the greater the productivity of labour — the shorter is the period of labour time needed for the production of an article, the smaller the amount of crystallised labour it contains and the less its value. Conversely, the smaller the productivity of labour — the longer is the period of labour time needed for the production of an article, and the greater its value.

Having these basic conceptions of Marx in mind — and whether we agree with him or not — we are now in a position to grasp his explanation of **how workers are exploited** (i.e. how labour-power is exploited) **in the production process of capitalism.**

First recall again **the diagram of simple and expanded reproduction:**

(See next page)

²¹ Note that labour does not *have* value; labour *is* value in Marx's conception. To ask 'what is the value of labour?' would be the same as asking 'what is the value of value?' However, just how much socially necessary labour time is present in an hour of actual labour time of a particular kind would be a valid, if unanswerable, question.



MARX'S KEY CONCEPTS (quoted from *Capital*) are:

Labour power: 'I use the term labour power or capacity for labour, to denote the aggregate of those bodily and mental capabilities existing in a human being, which he exercises whenever he produces a use-value of any kind.'²²

Labour: 'The use of labour power, is labour. ... The elementary factors of the labour process are: first, purposive activity, or **the labour itself**; secondly, its subject matter [**materials**]; and thirdly, its instruments [**tools**].'²³

Value: 'What determines the magnitude of value of a use-value is ... the amount of socially necessary labour it contains, or the social labour time requisite for its production. ... "As values, commodities are nothing but particular masses of congealed labour time."²⁴

According to Marx, exploitation is simply **the exploitation of workers**.

Capitalist exploitation is simply the capitalist's appropriation of **the surplus portion of the labour-value contained in the product**.

²² *Capital* vol 1, p 154 (Everyman edition).

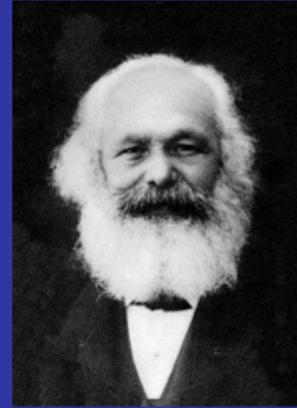
²³ *Id.*, pp 169-170. Emphasis in bold type added.

²⁴ *Id.*, p 8; Marx quotes here his own earlier work, *Zur Kritik der politischen Oekonomie*, 1859.

According to Marx, the value of a commodity is the amount of labour time socially necessary for its production.

Note that Marx treats "value" as a category of production.

The value of a commodity is seen as an absolute quantum, which pre-exists exchange and merely finds expression (its "phenomenal form") in exchange.



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This can be broken down into three parts:

$$C + v + S$$

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"c" is "constant capital" – the socially necessary labour content of the **materials and machinery** purchased by the capitalist. This portion of capital-value passes over into the product without expanding. That is why it is called "constant".

"v" is "variable capital" – the socially necessary labour content of the **labour power** purchased by the capitalist, i.e. the wages paid to the workers. This portion of capital-value is generated by labour in production. Because (considered as an outlay of capital), it is capable of expansion during the process of production, it is called "variable".

"s" is the "surplus value" – the labour time consisting of the **additional labour** performed by the workers over and above what is needed to pay for "v". **PROFIT COMES ENTIRELY FROM "s", i.e. from "unpaid labour".**

- ❖ A competitive economy with **exchanges of equivalent value** is assumed throughout.
- ❖ **Value** is simply and solely *labour-value*. *Capital-value* is thus *labour-value* in the form of capital.
- ❖ When the capitalist buys **materials and tools**, the (labour-)value of the materials and tools is paid to their suppliers. This portion of capital-value is called 'constant' capital, or **c**, because its quantum *does not expand* in the process of production.
- ❖ When the capitalist buys **labour power**, the worker is paid the (labour-)value of labour power as wages. This portion of capital-value is called 'variable' capital, or **v**, because its quantum *expands* or is added to in the process of production.
- ❖ When production takes place, the value portion **c** is simply transferred to the product unchanged. This is because it consists of the 'dead' labour-value of the past, carried forward from past production.
- ❖ When production takes place, the value portion **v** is newly produced by living labour, along with surplus value **s**.²⁵

²⁵ You may wonder why, if **c** is automatically transferred to the product, the same does not happen to **v**. Instead **v** has to be newly produced. Marx does not provide an explanation for this inconsistency. He needs it, however, in order to maintain his necessary distinction between *dead labour* and *living labour* in the constitution of the value product.

❖ When the product is sold, its total (labour-)value = $c + v + s$. This total is the income or revenue of the capitalist.

❖ In this way $c + v$ are returned to their starting point in the hands of the capitalist enterprise, to purchase the inputs of materials, tools and labour power once again. The capitalist's gross profit or surplus value is s . The surplus value s is simply 'unpaid labour'.

❖ For reasons we have discussed before, surplus value is then shared between *ground rent*, *interest* and the residual *profit of enterprise*.

Let's look now at the two-column diagram that was handed out at the end of the last class. This depicts Marx's conception of how **the value of the physical product (which includes surplus value)** is made up.

(See next page)

Marx's conception

