

"PRODUCTION, CIRCULATION AND VALUE" - A Critical

In an important article published under the above heading this Review, Ira Gerstein suggests to cut the Gordian knot the two "invariances" in the "transformation problem" by ately disregarding that of the total surplus-value as non essential, to the benefit of that of the total value as the essential for the Marxian theory. (\*)

He argues that the "value", being an absolute and independent substance, should "survive the process of transformation commands, does he say, that its total remain unaltered o social scale. On the other hand, it is not necessary for components of this total - total variable capital and to plus-value - to be also invariant.

In order to sustain the above view, Gerstein is led to an ad-hoc positions regarding Marx's critique of the Classic Political Economy, mainly on the question of the double concrete-abstract, of the labour and on the comparative ance of the production and circulation spheres, which, to the author of this paper, are as questionable as his position of the transformation problem itself.

THE "TRANSFORMATION" PROBLEM

Gerstein's method

Gerstein makes a remarkable effort to keep away from the "theological" Marxism while criticizing the empiricist neo-Ricardianism. Yet, as he fights his neo-Ricardianism with arguments theological as anything, that is based on the need for

(\*) Economy and Society, Vol. 5, number 3, Aug. 1976.

cohesion of the Marxist theory and consequently shaped for the only use of believers, he proves, finally less consistent than the pure theological Marxists he refers to.

For, when the doctrinal genuineness becomes the touchstone for the truth, the ultras of the orthodoxy have the best of the argument.

Thus, Yaffe, reasoning ex principio interno had arrived at the conclusion that the two equalities, that of the sum of values with the sum of prices on the one hand, and that of the sum of surplus-values with the sum of profits on the other, are both essential. Dismissing either of them "would make nonsense of Marx's theory of value", <sup>had</sup> ~~did~~ he <sup>said</sup> ~~say~~. All that such an assertion can bring, retorts Gerstein, is that people will conclude that Marx's theory of value is indeed nonsense. (p.272)

Very well! A few pages further on, however, using exactly the same type of argumentation, he asserts that of the two equalities the first one must be kept and the second dismissed, and the only grounds he puts forward for this choice is that the first one preserves "a crucial element of Marx's value theory", (p.281) while the second is not essential to that theory. He further explains that the choice should be made with a view to get to "absolute modified values", this being the only way to satisfy the fundamental postulates of Volume I of Capital. Obviously, this is not the sort of argument that could bear on those who would not mind to question any postulate and any Volume of Capital.

In fact, Gerstein addresses believers as exclusively as Yaffe. If Rosa Luxembourgh, Sweezy, Shaikh etc., should be censured on certain points, Emmanuel on all, this is not because their arguments seem to him wrong from a general point of view - he clearly rejects such an "objectivist" criterion - but because these arguments are more or less un-marxist and/or more or less neo-Ricardianist, according to Gerstein's own definitions. The reason is then not clear why Yaffe, in contrast, should care for



the external point of view of "people" at large.

On the other hand, theological as it is, Gerstein's method could at least make sense, as such, that is as a scholastic research, especially when the "scriptures" comprise a certain amount of unfinished texts full of apparently conflicting statements, as is indeed the case with Marx's writings.

In the present issue, however, Gerstein claims no such ambiguity. He honestly admits that Marx's position is here clearly expressed: surplus-value invariance is more important than total value invariance. Nevertheless, does he express as much clearly his disagreement. As, on the other hand, the matter is of the very foundations of the Marxian doctrine, one can hardly see how such a disagreement could have emerged from inside it.

In fact, it hasn't. Whether Gerstein wishes it or not, and here is his second contradiction, his argument on this point pertains "objectively" to an "external" critique of the theory of labour value.

For the question arises: why can one not keep both invariances, as Yaffe suggests? Because, this is incompatible with the "transformation" of the inputs along with the outputs. And why "transform" the inputs at all? Because, says Gerstein, otherwise the solution is incorrect, as demonstrated by Bortkiewicz and admitted by Marx himself. But in what sense are the post-Bortkiewicz<sup>wc</sup> solutions more "correct" than that of Marx? Obviously, in that their quantitative results are more in accordance with real prices. As known, the question is simply that the inputs of an enterprise are the outputs of others, and they must, consequently, have the same price under either form.

Now, Gerstein had warned us that Marx's theory of value was not a price theory, this being understood in "the strong sense", i.e. "that in principle (...it) cannot be used to obtain prices." (p.251). He added, to be sure, that it could be a theory of price changes (pp.252, 253, footnote 21 and p.281), or at the

utmost a theory of exchange values. (p.267) (\*) But those are mere alibi-words. A price theory is only conceivable as a set of functional equations in which the price is one of the variables. On the other hand, the price is nothing but a special case of the exchange value, the one in which the second term of the exchange relation is the particular commodity serving as general equivalent. It follows that if Marx's value theory is not a "quantitative theory of prices" (p.281), it is hard to see how the correctness of the prices of either the inputs or the outputs can be of any interest for the Marxist theorists and why Yaffe is wrong in neglecting it.

Gerstein is constantly jumping from the quantitative to the qualitative approach and vice-versa. Apart from the fact that the whole story of the two equalities is, of course, nothing else in itself than a quantitative analysis, there are numerous direct statements thereupon. Thus, on p.282, he explains clearly that "the transformation problem is not a transformation of value into something else but a modification of the specific weights carried by commodities as parts of the invariant total value." One can scarcely conceive of a more purely quantitative definition. Two pages further on, however, he asserts that "the transformation is between two theoretical levels..." and in several other places he spares no contempt for quantitative economics.

Already, in the beginning of the correlative chapter (p.261),

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(\*) He goes so far as to say that "while Marx's theory of value is a theory of price formation, it is not directly a theory of prices." (his own emphasis, p.250). One sometimes wonders what exactly Gerstein puts in the meaning of "theory of prices" to make it so different from a "theory of price formation". Time and again he argues as if he feared that we mistook Marx's theory for a compendium of trade dodges to be used for drawing up a market price-list. All "theories of prices", whatever their doctrinal background, are, so far, nothing else than attempts to disclose the determinants and conditions of price formation. No theory can ever be used to obtain actual prices. The object of all of them is price norms. It would be amazing that the curious distinction Gerstein makes between "price" and "price formation" simply reflects this commonplace distinction between actual and normal price.



Gerstein gave a particularly clear formulation of the "transformation" purpose, namely, to make the prices at which commodities exchange consistent with the formation of a general profit rate. (One can hardly imagine how this consistency could be assured and even how a general profit rate could at all be established, if not through "quantitative" channels.)

Yet, on page 265, he strongly emphasizes that "the question... is not how to reconcile the two sides of a contradiction but how to <sup>v</sup>mode or "transform" from one level of analysis to another" - a rather qualitative statement.

The method of Ira Gerstein ill-defined by himself and disputable though it is in itself could make sense and the contradiction, dealt with above, between his criticism of Yaffe and his own "idealism" (or, what amounts to the same thing, between his contempt for empiricism and mathematics and his own care to use a "correct" mathematical solution of the transformation problem), could perhaps be solved to his credit in the following way:

To be at all valid, a Marxist argument should be consistent with general logic, therefore not directly contradicted by mathematics. Otherwise, Marx's theory of value becomes nonsense. (cf. supra p.2 and Gerstein's p.272). But within this framework, each time an alternative is offered between equally "correct" methods, it is of paramount importance to choose the most "transparent or illuminating" one (p.282) for the Marxist doctrine.

Thus, we cannot, of course, keep both invariances, and Yaffe is wrong thereon. This would be "quantitatively" impossible as the system of equations would become overdetermined. But since it is immaterial which one we keep and which one we discard, "the problem of correct normalization cannot be solved on qualitative grounds."

The trouble is that, 1) "quantitatively", nothing compels us to keep either invariance at all, 2) on qualitative grounds, the choice of total-value invariance in order to ensure that absolute value be present on both sides of the transformation misses the

formal mathematics "p.280" and can only be solved

point, and 3) on the same grounds, it is simply impossible to discard <sup>one of</sup> the ~~other~~ invariances; once we adopted <sup>the other</sup> ~~one of them~~, for, optional and mutually incompatible though they are "quantitatively", the two invariances are undissociable "qualitatively", each one of them involving the other.

1. The false dilemma of the "invariance" choice.

As far as formal mathematics (general logic) is concerned, the very need of normalization simply does not exist, since Seton's equations,

$$x_i w_i = (1+r) \sum_j k_{ij} x_j \quad (20) \quad (*)$$

accepted by Gerstein, constitute a perfectly determined relative-price system. For, relative prices being by definition mere ratios, we have in it, not  $n$ , but  $n-1$  unknowns for prices. When adding one unknown,  $r$ , for the profit rate, we get the same number of unknowns as that of equations. Adding, if we so wish, some normalization condition, does not alter this unique solution of it in terms of relative prices,  $w_i x_i / w_j x_j$ .

Gerstein adds 
$$\sum_i w_i x_i = \sum_i w_i \quad (32)$$

that is, total modified values equal total values, rejecting

$$R(C+V) = S \quad (4) \quad (*)$$

that is, total profit equal total surplus-value. However, not only is normalization itself quite optional, but the alternative between (32) and (4) is by no means exclusive. Instead of a cer-

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- (\*)  $w_i$  : labour-value of output in line  $i$   
 $x_i$  : the "transformation" factor of commodity  $i$   
 $k_{ij}$  : the labour-value of commodity  $j$  needed (either as a material input or a worker's subsistence good or both) to produce commodity  $i$   
 $r$  or  $R$  : the general rate of profit  
 $C, V, S$  : resp. totals of constant capital, variable capital and surplus-value

Equations are given the same numbering as in Gerstein's text.



→ What the insertion of (32) means is that we can solve (20) for prices<sup>7.</sup> in labour terms. Certainly, we can. But we can solve it for prices in any terms.

tain amount of social labour as above, one can put on the right-hand side of (32) any aggregate one likes, p.i.

$$\sum_i w_i x_i = 150,000 \text{ dollars} \quad (32a)$$

$$\text{or} \quad \sum_i w_i x_i = 3 \text{ billion kilowatt-hours} \quad (32b),$$

or choose a thoroughly different normalization condition, p.i.

$w_k x_k = 1$  (numéraire-commodity), or  $x_k = 1$  (Bortkiewicz section-III invariance) etc. Not a jot in relative prices will be changed. When eqs. (20) are arrived at, the whole story of the "tr<sup>ans</sup>formation" as such is over.

As such what? Transformation from value to price? No! Gerstein is here right to point at Marx's ambiguity (p.266). But it is the very term of "transformation" that is misleading. The only real problem (dealt with in eqs.20) is whether or not a unique set of exchange ratios plus a general rate of profit can be found with no other data than the material conditions of production, that is, independently of the demand. Assuming constant returns to scale, the answer is yes. And that's all.

Beyond that point, there is only room for an adventitious desire to express prices in absolute-looking figures. For this purpose, one needs a common denominator - no matter whether real or imaginary - and the normalization is just that. A superimposed form of expression. As there exists an infinite number of "normalization conditions" and as, on the other hand, in eqs. (20), there is only one degree of freedom, these conditions are mutually incompatible on the mathematical plane. But this does not mean that between two out of the lot, the two "invariances", there is a particular intrinsic dilemma linked with the fundamental postulates of the Marxian doctrine that those invariances are supposed to involve.

In other words, Gerstein's position would perhaps make sense, (a) if the normalization were an integral part of the "transformation" problem", (b) if the only normalization conditions available were the two "invariances".

Neither of these constraints exists. Normalization is not a complement of the "transformation" but a supplement. Not only the

way-out but the alternative itself is introduced into the debate for the sake of the argument. It follows that this is not a case of inner consistency of the doctrine but of simple begging the question.

## 2. Absolute vs. Relative Value

If such a thing as an "absolute value", that is a substance whose quantum could be given to us for each individual commodity independently of the others, did exist, this could not survive the Gerstein operation any more than any "neo-Ricardian" manipulation, or any direct, Sraffa-type price calculation. This is because at the moment eqs. (20) are arrived at there is no absolute magnitude left to keep for "survival" and the equation (32), added post-festum, can by no means resuscitate one.

Let us elucidate it with a simplified example. Suppose that our system produces only two commodities, A and B, that it has, on the other hand, at its disposal 600 hours of social labour allocated by half to each line, but that the  $k_{ij}$  are such that when multiplied by a unique  $(1+r)$  the exchange ratio is "transformed" from  $A/B = 1$  into  $A/B = 2$ .

This exhausts all information we can draw from our equations. To be sure, if we correlate it to  $A+B=600$ , we get  $A=400$  and  $B=200$ . Just as well as we would have got  $A=2$  and  $B=1$ , had we correlated it to  $A+B = 3$  b.kilowatt-hours, (assuming that this is the total electric energy expended for both productions). But not any more in the latter case than in the former would these figures (400,200,2,1) have something to do with the actual quantum of social labour or of electric energy incorporated in A and B. They are just a way of saying that A is to B what 400 is to 200 (or 2 is to 1), in the abstract.

Gerstein could perhaps reply that he takes due account of that, since he speaks of "absolute modified values". But, first, this is a contradiction in terms. Values that are susceptible to being modified by the action of a distribution factor (equalization of the profit rate) can by definition not be absolute. Second, to



make sense, absolute values, whether modified or not, must be given prior to and determine the relative ones, not the other way round. Here, however, at the moment  $A/B = 2$  is given by eqs. (20), the initial absolute values (300,300) are no longer there, and the new "modified ones (400,200), not yet. The latter only come into existence when eq. (32) is deliberately added. (\*)

Is there any sense in saying that A's value is equal to 400 units of social labour? In itself, that is, in absolute terms, there is none. To produce A it takes, not 400, but 300 units of social labour (past and present altogether) and this fact can by no means be "modified" by the transformation.  $A=400$  would only make sense if correlated with  $B=200$  (or with  $A+B=600$ ), to mean that, following the equalization of the rate of profit, A and B exchange (on <sup>an</sup> average and in the long run) as if the first needed 400h. and the second, 200h. It is clear that, stated that way, the contents of these equalities is nothing but relative.

It follows that the above two equalities,  $A=400$  and  $B=200$ , are either absolute but meaningless or meaningful but relative. They cannot be absolute and meaningful at the same time.

One could object that what is absolute for Gerstein is not  $A=400^h$  and  $B=200h$ , but  $A+B=600h$ , that is, "the total social value".

As a matter of fact, "600 hours of total social labour" represents indeed a magnitude both meaningful and absolute. The snag is that it doesn't represent a "value". It is a mere demographic datum.

If we say that the annual product of India is equal to 480 billion hours of abstract labour, while that of the U.S.A. is only 176, we may have the illusion of saying a very profound thing, but in fact, those two figures only represent the products of multiplication of the two populations by 0.4 (the presumable working/total population ratio), times 2,000 (the presumable number of working hours in a year). This has nothing to do with a

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(\*) Gerstein in some places explicitly claims this "other way round". Thus, on page 281: "Normalization converts the transformation from one yielding only relative modified values to one yielding absolute modified values".

"value" problem, whether absolute or relative, and whatever the philosophical framework, Marxist, neo-Ricardian or neo-classical. (\*)

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What about the traditional Marxist position on the matter? Engels, in his Preface to Volume III of Capital, strongly upholds the postulate of absolute value in his argument with Loria. Well now! he exclaims, you say that there is no other value than the relative. Let us then assume that in the whole world there are only two lots of commodities, A and B, each one of them being worth 1,000 billion. In total, 2,000 billion. Suppose now that the two owners sell their goods to the same buyer so that the two lots are now owned by a single third person. According to your thesis the new and only proprietor owns nothing, that is to say,  $1,000 + 1,000 = 0$  !

Engels thinks he is smashing Loria with this demonstration ad absurdum. Yet, there is nothing absurd in that and Engels' example could as well have been set forth by Loria himself. Yes, quite so! Under the conditions laid down by Engels, as soon as the totality of the commodities existing in a closed system are united in the hands of a single "proprietor", the latter will indeed possess a definite collection of use-values but neither "value" nor "exchange value" or "merchandise":  $1,000 + 1,000 = 0$ . Ownership itself, though a condition for the existence of value, is but relative. As soon as it is universalized, it disappears; it is transformed into sovereignty. And the first care of such an imaginary owner-sovereign will be to appoint a team of planners to put good order in his domain with neither market nor "value".

It is true that Marx himself seems indeed, in certain passages, to refer - at least implicitly - to the notion of absolute value. I believe that this segment of Marx is contradicted by all the rest of his work and, this time, not only implicitly. There are

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(\*) In the same "absolute" terms, the Chinese GNP would be four times that of the U.S.A. and the world GP in 1977 would be strictly equal to that of 1800 increased by the demographic growth between these two dates.



passages that reject explicitly the idea of an absolute value. Here is <sup>n</sup>one of the most important:

"To estimate the value of A in B, A must have a value independent of the estimation of that value in B and both be equal to a third thing expressed in both of them. It is quite wrong to say that the value of a commodity is thereby transformed from something r e l a t i v e into something a b s o l u t e. On the contrary, as a use-value the commodity appears as something independent. On the other hand, as value, it appears as something merely c o n t i n g e n t... It is to such an extent relative that when the labour time required for its reproduction changes, its value changes, although the labour time really contained in the commodity has remained unaltered." (Theories of Surplus-Value, III, London 1972, p.128. The words "relative", "absolute" and "contingent" are emphasized by Marx; the rest, by myself.)

Marx's position is here bluntly and openly pointed out. Although, there are several other passages that seem to contradict that, it is only indirectly and deductively that the opposite view could profit by them. To the best of my knowledge, there is nowhere, in the whole Marxian work, a single sentence expressing the absolutist thesis in a wording as clearcut and downright as that used above for the relativist one. On the contrary, the latter could be further propped up by all these passages where Marx insists upon it that the value is not a property of things but a relation among men, a social relation. It is, of course, hard to see how a social relation, or just a relation, could ever be absolute.

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It follows from the above that Marx's position is not as unambiguously absolutist as Gerstein thinks it is. But if, in spite of all that, one believed in absolute value, as Gerstein does, he should try to infer the relative value from the absolute (exchange ratio from value) and not the other way round.

Now, to take A=400h and B=200h and infer therefrom A=2B, as Marx himself sometimes indeed does, is not at all the same thing as to take A=2B and A+B=600 and infer therefrom A=400 and B=200, as Gerstein does. In the first case one gets from the values to the exchange values; in the second, one retransforms

into values a set of prices directly calculated. Thus, not only is Gerstein's faith in absolute values less genuinely Marxist than he believes, but his "absolute modified values" are less genuinely absolute than what is necessary to deserve that description; they are, in fact, pseudo-absolute.

### 3. The inner solidarity of the two "invariances"

The equality between total profit and total surplus-value.

"Total value invariance", argues Gerstein, "is fundamental. It ensures that value, as a social category, is present on both sides of the transformation. However, while surplus-value is present in the level of production in itself, profit is not." (p.282)

For one thing, the weakness of the syllogism on the mere plane of formal logic is rather surprising. That profit is not present "in the level of production in itself" is absolutely irrelevant. What is at stake is not the invariance of profit but that of surplus-value. Price is not present on the level of production in itself either. This didn't prevent Gerstein from considering it as essential that value "as a social category" be present on both sides of the transformation.

On the other hand, this is why Gerstein replaced the "transformation from value to price" by the one from value to "modified value". For exactly the same reasons he should have been induced to replace the transformation from surplus-value into profit by the one from surplus-value into "modified surplus-value", social totals remaining unaltered, and so ensure that surplus-value - as much social category as the value itself - be present on both sides.

To have a quantitative invariance of the total of primary "absolute values", Gerstein was obliged to transform them into "modified" absolute values, both being measured with the same unit, that of abstract labour. From this point of view, his method did make sense. But from the same point of view profits make no difference. To be able to establish a quantitative relationship at all (equality or inequality) between the mass of profits and the mass of surplus-value, the former must be reducible to the same substance as the latter, that is, abstract labour. Once the whole product is made



homogeneous, and equal to the whole of abstract labour expended in the society, by means of eq. (32),  $\sum_i \bar{w}_i = \sum_i w_i$ , any part of the former is homogeneous with any part of the latter.

To be sure, the existence of a quantitative relationship (homogeneity) between the mass of surplus-value and the mass of profit does not, in itself, imply an equality and this is eventually Gerstein's point: "Total value is invariant. However its parts need not be...invariant as well." (p.283)

From a mathematical point of view, certainly not! But Gerstein explicitly rejected this point of view and chose the qualitative one. Now, it so happens that precisely from the qualitative (Marxist) point of view, a quantity of labour representing the sum of profits and being superior or inferior to the sum of unpaid labour, (surplus-value), is a pure absurdity. These two sums have to be equal by definition.

So, either the mass of profits and the mass of surplus-value are heterogeneous and incommensurable with each other, or homogeneous and equal. Eq. (32) makes precisely every magnitude in the "transformed" system reducible into value terms, therefore homogeneous. It follows that these masses have to be equal. In other words, eq.(32) entails eq.(4) and vice-versa. Either invariance implies the other.

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What is the matter exactly? Let us revert to the above example and suppose that A is the exclusive wage good, corn, and B, the exclusive luxury or "profit good", cars. If we look at the one side of the "transformation", out of the total social abstract labour, workers spend 300 hours for themselves and 300 hours for the capitalists. If we look at the other side, then of the whole social product, capitalists appropriate the cars, worth 200 and proletarians, the corn, worth 400. In terms of values, the rate of exploitation is 100%; in terms of prices, 50%.

I don't think that the world would tumble down, even not that Marxism would lose the least part of its revolutionary potential, if the second approach is adopted. Gerstein, however, does. He

even makes out of this choice "the critical boundary" separating pure Marxism from crypto-neoricardianism. Baran and Sweezy with their "surplus", Morishima and others with their  $a_{ij}$ , (eqs.21), instead of  $k_{ij}$  (eqs.20), are all guilty of this precise sin: viewing "workers and capitalists as sharing the net physical product." (p.276). He follows this line so much in earnest that when it comes to the mobility of the workers ensuring the equalization of the rate of exploitation,  $\frac{s}{v}$ , Gerstein speaks exclusively of workers searching "for the shortest working day with lowest intensity", (p.263), as if the wage were the constant and the length of the working day the variable, ignoring thus deliberately - for the sake of doctrinal purity - an age-long opposite capitalist reality.

Now, if it is so essential to have the two classes share directly the working day and to bar any idea of letting them share the physical product of it, a "transformation" procedure in which respective shares are fluctuating in relation to each other according to the mere asymmetry of the  $x_i$ 's (transformation factors) in the two categories of the physical product, consumer goods and capital goods, is absolutely unacceptable. Otherwise, we would be led to say that the rate of exploitation can, as in the above example, vary with no variation of either  $v$  or  $v+s$  (relative or absolute surplus-value), but only because it so happens that organic composition of capital in corn is higher than the one in cars.

The essential difference between having capitalists appropriate a certain part of the output or having them appropriate a certain part of the working day is precisely that in the former presentation no rate of exploitation can be worked out prior to circulation, while in the latter both shares and therefore their ratio are given prior to it.

Which of the two approaches, the one in terms of paid/unpaid labour or the other in terms of earned/unearned income, is, under developed capitalist conditions, the most adequate for disclosing the inner mechanisms of exploitation, is open to discussion. But if



one chooses the former, one should be well aware that the aggregates thereof cannot be manipulated at will throughout the "transformation" operations. To the very extent that they are "absolute", they are imperishable. Capitalists may redistribute the amount of surplus-value as they like among them through the "equalization" - this amount is given once for all by definition and nothing can ever alter it. The cards are there. One can mix them as one might - they are unchangeable. After the new distribution, there will be in the whole as many spades and as many clubs as before. If, as Gerstein himself says on page 267, "each capitalist receives a share of the total social surplus-value", it is hard to see how the totality of the shares could be unequal to the whole.

Marx had formulated the quantitative relation between surplus-value and profit rate through the equation (4):

$$R = \frac{S}{C + V}$$

That is the very Marxian definition of the rate of profit. It is, simultaneously, the presentation of the fundamental Marxian thesis on the origin of the profit. Gerstein challenges it explicitly: It is "an incorrect expression of the rate of profit", does he write on page 283. Nowhere, however, in his article, does he tell us which is the correct one.

Now, the "invariance" of the total surplus-value

$$R(C+V) = S$$

is but another form of this definition. Gerstein repudiates both of them. Total profit, does he say, can exceed total surplus value, and this is no longer an impenetrable "qualitative" formula. Gerstein means it in the most "positivist", tangible manner. This excess of profit over surplus-value would exhibit, does he explain, "an entirely new mechanism countering the fall in the rate of profit." (p.283)

That is the highest pitch! In his endeavour to keep clear of neo-Ricardianism, Gerstein lands up simply in the pre-Smithian Political Economy. This overprofit - above the surplus-value extorted during production - can, of course, only be created in the circul-

ation. By dint of fighting out their individual shares, the capitalists succeed in increasing - in absolute terms, don't forget it! - the total amount of profit available for sharing! The peculiar expression used on page 283 concerning profit: "a category that develops out of capitalist competition", is now fully illuminated: a profit, or part of profit, can exist which does not originate in surplus-value. The Marxist theory of exploitation falls into pieces.

Thus, after his meritorious efforts to show that production (in its narrow sense) is the dominant instance of the capitalist social formation - a catchphrase which we shall deal with in the next paragraph - Gerstein evacuates the only interpretation capable of providing this formulation with a certain residual meaning, namely, that profit is not an excess of the selling price over some intrinsic value of the goods, but the result of an appropriation of part of the value created during production.

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Gerstein provides against that result by saying that the theory of surplus-value "is not primarily a proof of exploitation. (p.283) On the other hand, referring to the Critique of the Gotha Program, where Marx declares that labour is not the unique source of use values, he writes that, consequently, this labour pretension "cannot be the basis for an attack on surplus-value." (p.258)

Gerstein's point, here, is neither new nor strong. The fact that labour is not the source of all wealth does not in the least thwart the claim that all wealth does belong to labourers. No more than does the fact that nature and even tools and equipment are also source of wealth entitle, in itself, a special category of citizens (landowners and capitalists) to appropriate a part of this wealth.

If means of production are also productive of use-values, ownership of these means is productive of nothing. Whether there is one only productive factor (of use-values) or one thousand, labour is the only thing that man can supply to society. It follows that



if, besides the immediate product of labour, something else, whatever its origin, accrues to society, non-workers have not a better claim on it than workers.

DISTRIBUTION RELATIONS AND PRODUCTION RELATIONS

For Ira Gerstein, this last consideration pertains to reform-



ism and neo-Ricardianism. It concerns "distributive justice, leaving production relationship unchanged". (p.256) What is upsetting in this approach is that it identifies "distributive justice" with "distribution relations". The distributive justice (reformism) leaves untouched not only the production relations but also and especially the relations of distribution, circulation and exchange. It leaves untouched what Marx calls the "double winch" which on one side rejects continually the worker on the labour market while on the other side it gives to the capitalist the means to buy the worker with part of worker's own product. This result, the reproduction of capitalist relations, is obtained through a certain mode of distribution. It is, says Marx, the "ultimate secret" of the capitalist mode of production. "It is, writes R.Dangeville in his introduction of the 'Unpublished Chapter of Capital', the social relation, formed in the circulation sphere and supported by all the crushing social, political, juridical, administrative and commercial order of the society...which obliges the worker to produce surplus-value for the capital..." (\*)

Obviously, this is a distribution relation and distribution is only quantitative. With the only difference that we find here the application of an old law of dialectics, somewhat outmoded to-day, that of the transformation of quantity into quality.

There is a critical threshold in the distribution beyond which the winch stops. The reproduction both of the proletarian and of the capitalist ceases, the former being no longer poor enough to sell himself and the latter no longer rich enough to buy the former. It is at this threshold that the reformist and the revolutionary part company with one another. (This does not mean, of course, that the revolution cannot occur before we reach that threshold.) Both

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(\*) An Unpublished Chapter of Capital, Paris 1971, p. 46.



of them do accept to fight in order to improve the distribution terms within the system. But what differentiates them from each other is that the former believes in unlimited expansion possibilities for the system and consequently subordinates his demands to its survival. He places himself at the point of view of enterprise profitability and attempts to demonstrate that this is sufficient to satisfy his demands.

In contrast, the revolutionary views the modification of the distribution terms, not as an end in itself, but as a springboard to get as quickly as possible to the critical point. Instead of looking, as the reformist, for a way of scraping from the system all that it possibly contains, he tries to elevate the mass consciousness of the very limits of the "possible", so that they could soon pass beyond and put forward their demands for the "impossible".

A good illustration of the above was given to us by the "Grenelle" negotiation, during "May 1968", in Paris. For several days, unions and employers were discussing about the "possible". The unions were "demonstrating" that the wage increases they were asking for were perfectly consistent with the capitalist profitability, while the employers, on their part, were "explaining" that such increases would bring the factories to a close-down. One day, this reformist dialogue was suddenly interrupted and, for a while, the union delegates adopted another language: - The profitability of your industries is of no interest for us, they said. We are not your technical advisers. If you are actually unable to grant these wage increases, so much the worse for you. Just stand aside; we are ready to take over your factories and run them ourselves.

It didn't last very long; it was, no doubt, the awakening

of an old revolutionary reflex. The following day, the reformist argument was resumed. However, this shows clearly where ~~is~~ the demarcation line<sup>(2)</sup>; it shows also that, whether reformist or revolutionary, the class conflict arises and grows ripe in the field of the concrete distribution of the social product. The rest is mere words.

The main feature, the specifying element of the capitalist production is the separation of the means of production from the direct producers. This separation is produced by the primitive accumulation and is reproduced by the buying-selling of the objective and subjective conditions of production at their value, (or, at least, at less than the value created during production.) None of these two actions has anything to do with the production "in a narrow sense". The first one is violence and robbery; the second is an exchange act on the market.

As a matter of fact, I do not really know what Ira Gerstein means by "production relation in a narrow sense", or "process of capitalist production abstracted from circulation". In the extreme case, if one totally abstracts from circulation (including some of its phases which are physically located within the walls of the factory and seem thereby to belong to production), what remains is but the technical intercourse between the foreman and the worker. I do not see how this intercourse could "dominate" the capitalist "structure". "The capital-relation during the process of production" says Marx, "arises only because it is inherent in the act of circulation, in the different fundamental economic conditions in which buyer and seller confront each other, in their class relations." (Capital, Vol. II, Moscow ed. p. 32)

In contrast with that, I see very clearly how and by what



mechanism the shop, the bank, the Stock Exchange, all places where nothing is produced, can dominate the production - how the New York air terminal dominates the Concorde. I can also see very clearly how the family agricultural production (wage-earners represent only 33% of the active agricultural population in the U.S.A., 12% in West Germany and less than 8% in Belgium, that is one wage-earner respect. for 2, 7 and 11 employers!), as well as the handicraft production, become capitalist when integrated in a capitalist circulation, which, according to Marx's own words, transforms the simple commodity relationship into a developed capitalist mode by taking little by little hold of the production. "It is the tendency of the capitalist mode of production to transform all production as much as possible into commodity production. The mainspring by which this is accomplished is precisely the involvement of all production into the capitalist circulation process." (My emphasis. Capital, Vol. II, Moscow ed., p. 113)

Lastly, it is not difficult to realize how in all other modes of production one consumes what has previously been produced, while in the capitalist mode one can only produce what has a previous good sale and only when and where it has it. Not where and when the production conditions are the most favourable and the factor prices the most advantageous (underdeveloped countries, economic depressions), but where and when the circulation conditions (previous outlets) are favourable (developed countries, high level of the business cycle).

It may well be that all that is irrelevant and when I. Gerstein

refers to the predominance of the production "instance", she actually talks of something else. If this is so, she has simply forgotten to explain what she is talking about.

Marx generally distinguished in his writings the concept of "mode of production" as a total process of production of the human material life, from the production strictly speaking. He often specifies: "process of capitalist production as such", "process of production taken as a whole", "actual process of production as a unity of the direct production process and the circulation process", for the first category, "immediate productive process", "immediate process of production", "labour process", "sphere of production" etc., for the second. (cf. for example, Capital, Vol.III, Moscow ed. pp.25 and 828).

Symmetrically, he used to distinguish the total process of circulation of capital (which is but a synonym of the first of the above concepts) from the circulation properly so called which is ~~but~~<sup>only</sup> one of the components of the former just as much as the labour process.

But in other occasions he uses the words production and circulation without any further qualification and we then have to refer to the context. Thence, a certain confusion among Marxists. (\*)

However, Marx has never said that the production process, taken in the sense of one of the instances of the "structure" (according to <sup>the</sup> Gerstein presentation), dominates either the other instance or the entire structure.

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(\*) Another ambiguity is also sometimes created, especially in the uncompleted Marx's texts, when the term "production conditions" or some similar term are used with the meaning of "degree of development of productive forces". There is then a reference to the couple productive forces - productive relations (where the determinant in the last instance is the first member) and not to the production-circulation couple. This is the case e.g. in Grundrisse, Penguin, 1973, pp. 95-97.



In the Grundrisse, the two "instances" are, so to speak, on the same level:

"Production process and circulation process (are) moments of circulation." (GRUNDRISSE, Dietz, Berlin; p. 415) (\*)

"If we now consider circulation, or the circulation of capital as a whole, then the great distinction within it appears to be that between the production process and circulation itself, both as moments of its circulation." (idem p. 517)

But each time ~~that~~ the interactions have to be studied and ~~that~~ priorities have to be established, the circulation pre-eminence appears unequivocally. First implicitly and indirectly:

a) Marx insists many times on the fact that the labour process is on the one hand a process of production of use-values, and on the other hand the moment when the direct producer is reunited with his means of production. ~~(...)~~ I will come back later on these two points, but as far as the hierarchy of "instances" in the "structure" is concerned, we can already observe that those two specificities do not seem to be of such a nature as to endow that instance with a vocation of pre-eminence in a mode of production essentially characterized by the exchange value and by the separation of the direct producer from his means of production.

(\*) Some of the English speaking readers will probably be as surprised by the wording of this quotation as myself have been by that of Penguin's (1973) translation in which ~~moments of production~~ "moments of production" has been substituted for "moments of circulation", that is, exactly the opposite. Actually, the German original runs as follows: "Produktionsprozess und Zirkulationsprozess Momente der Zirkulation."

I wonder whether modern neo-marxist propensity to proping up some fuzzy preeminence of the sphere of production over that of circulation is not the ultimate subconscious cause ~~of~~ <sup>for</sup> this error of the ~~German~~ English translator.

~~(...)~~ "Within the production process the separation of labour from its objective moments of existence - instruments and material - is suspended." (Grundrisse, London 1973, p.364)

Though differing from one mode of production to the other, the labour process is, on an essential point, the same for all. That point is the junction of the labour power with its instruments, whatever the juridical status<sup>s</sup> of the one and the others. It is the way in which this junction is implemented that characterizes the particular mode of production, and constitutes the specifying element, therefore the dominating instance of the system. In the capitalist mode of production, this junction is implemented by the previous appropriation of its two elements by the same capitalist on the market.

b) In the capital cycle, Marx places money on the poles, while the immediate production appears as an intermediate moment, which interrupts the cycle and, somehow, stops the process.

"...the process of circulation is interrupted at the end of its first phase  $M-C \begin{matrix} L \\ \swarrow \\ MP \end{matrix}$ , by P... The interrupted process of circulation M-C must be completed by C-M..." (Capital, Vol.II, Moscow ed. pp. 48-49);

"...the process of production therefore appears to be only an interruption of the process of circulation...(idem p.43).

(On page 35 of the same volume, Marx had already specified that the dots accompanying P precisely meant that the circulation of capital was interrupted).

From the reading of Marx's developments on this subject - unfortunately scattered in different drafts - it follows that the circulation of capital, by surrounding on both sides the production process stricto sensu, is conditioning and dominating it. It also follows (and perhaps even more clearly), that, when the working process starts, the exploitation fact has already been essentially achieved, the capitalist being already the owner of a well determined<sup>ate</sup> (agreed upon) quantity of labour power. There remains nothing else <sup>than</sup> taking delivery of his commodity, what he can only do by having it consum<sup>ed</sup> ~~ing~~ ~~it~~ productively. However harsh the disputes arising out of this "delivery", within the factory, and however drastic the efforts of the



capitalist to get the best of the deal, these are <sup>nothing</sup> but a contingent element in the capital-labour relation. The constituent one is the deal itself, namely the "free" purchase of the labour power in the circulation sphere. (\*)

In all class systems there is some sort of personal subordination of the direct producer to the class which controls the material conditions of production. But what, in all other systems, was precisely a sine qua non condition for the appropriation of the surplus product, becomes with capitalism an auxiliary implement for the maximization of it.

There are numerous cases in which this "formal subsumption" is missing without any damage for the fundamental capital-labour relation, e.g. the case of home wage-earning work, whether real or disguised (the latter comprising the bulk of the handicraft and of the small peasant agricultural production, which, contrary to Marx's prediction, is, as shown above, rather growing firmer than withering away in modern capitalism). We can easily imagine, on the other hand, whole factories being run, as far as the organization and the <sup>regulation</sup> ~~control~~ ~~of~~ the immediate labour process are concerned, by the wage-earners themselves, on some piece-rate basis, on behalf of the owner, the latter withholding the decision-making power in all other fields, investment, finance, buying-selling operations etc., that is, all fields pertaining to circulation; such a reform would certainly not prevent the system from remaining essentially capitalist. Conversely, it is sure that if the capitalist happened to lose these "circulation" prerogatives, he would cease to be a capitalist, whatever his personal authority in the process of the immediate production and whatever his juridical titles to property.

Lastly, the degree of the "formal subordination" itself

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(\*) The circulation sphere expresses, says Roger Dangeville, "the historical limitations of the capitalist production process". It is in that sphere that capital appears as useless and parasitical. (Un Chapitre Inédit du Capital, Paris 1970. Presentation by R.D., p. 43).

during the immediate process of production depends on the previous "real subordination" in the exchange sphere, since it is the wage obtained by the worker yesterday that determines his ~~ability~~ <sup>capability of</sup> taking chances in resisting the capitalist compulsion to-day. There is scarcely a worker in actual developed countries who could not hold out for several weeks and even for several months as striker or jobless, living merely on his savings or on the borrowing capacity his usual past standing has provided him. <sup>(wik)</sup> This was not the case in the nineteenth century when strikes were quite often breaking down completely, out of mere economic exhaustion of the workers.

To the extent that the emphasizing of the direct compulsion exerted by the capitalist simply refers to the private ownership of the means of production, I would say that the latter is not, any more than the former, <sup>a necessary</sup> ~~an indispensable~~ condition of the CMP. As Pierre Ph. Rey put it:

"...it suffices that a single class have the right of exchanging the common product against money, then this money against other products or against the labour power of the other class. It suffices, therefore, that the one controls the circulation of the products as commodities and the other class gets of these products only what it needs to be itself saleable." (My emphasis. "On the Articulation of the Modes of Production", PROBLEMES DE PLANIFICATION, Paris, Sorbonne, N°13, p.95).

I would further say that the very contents of the ownership-of-the-means-of-production itself is essentially nothing else than a certain supremacy in the field of circulation. I think, this is not at great variance with what Charles Bettelheim means when, after quoting the above passage of Rey and approving it unreservedly, he concludes:

"Indeed, what makes of the ownership a "bourgeois" ownership (ownership of the bourgeoisie as a class) is that it secures to one class the control of the circulation of commodities, including the circulation of the labour power functioning as a commodity". (My emphasis. idem, N° 14, pp. 178-179).

It is on that issue that Marx criticized the Classical Politic-



al Economy which, considering the capitalist production as the natural mode of production, placed P at the cycle poles (P - C - M - C - P'), in such a way that it was the circulation phase, C-M-C, which became a fugitive moment interrupting the production process.

c) Marx subscribed to Smith's definition of the productive labour, treating it as "one of Smith's greatest scientific merits." He adds that Adam Smith "here got to the very heart of the matter, hit the nail on the head". (Theories of Surplus Value, London 1969, Part I, p. 157).

One can see in these passages that the production process is to such an extent dominated by the exchange that only the labour which is exchanged directly for capital is productive, while labour exchanged for revenue is non-productive.

But in addition to these implicit and indirect indications there is, in Marx's work, a host of passages pointing out explicitly and directly the circulation predominance. They can be found mainly in the Grundrisse and in Chapters XX and LI of Book II of Capital. Good references to these can be found in the articles of P.Ph. Rey and Ch. Bettelheim previously cited. Commenting Rey's paper, Bettelheim writes: "I do think you are right in laying stress on the fact that the ultimate secret of capitalist production consists in it being incorporated as a simple moment of a sub-set of the circulation process." (p. 178). On the other hand, Ch. Bettelheim also approves without restriction the interpretation that Rey makes of another passage of Capital, Book III, (Moscow ed. III, p. 328) stating that, when the mode of capitalist production is dominant, "circulation has taken hold of production". (p. 182)

I would, however, add to the lot the following Marxian sentence which seems to me one of the most characteristic:

"The specific features - and therefore also the specific limitation - which set bounds to bourgeois distribution, enter into bourgeois production itself, as a determining factor, which overlaps and dominates production."  
(Theories of Surplus-Value, London 1972, Part III, p. 84)

Concrete work and abstract labour --

The Critic<sup>ism</sup> of Classical Political Economy.

The deadlocks resulting from Ira Gerstein's analysis are apparently the effect of ~~his~~<sup>his</sup> initial position concerning Marx's theory of value in relation to classical labour-value theory. ~~She~~<sup>H</sup> notices that classics were not always clearly perceiving the double labour aspect, concrete-abstract, which is true. But contrary to ~~her~~<sup>his</sup> belief, what Marx charged them with whisking away was not at all the abstract but the concrete labour.

This is the most unexpected mistake a Marxist could ever make. For, not only ~~Marx~~<sup>does</sup> repeats the reproach addressed to the classics countless times and in the most categorical terms, but it suffices to recall the fundamental difference between historical materialism and classical political economy to see clearly that the only kind of labour the latter could ever ignore was the concrete labour.

Indeed, the commodity and therefore abstract labour being for the classics the natural and a-historical form of ~~the~~<sup>the</sup> existence of the product, they didn't need the notion of use-value and therefore concrete labour, except as a material support for the exchange value and abstract labour.

The problem of the passage from the one to the other, from the product to the commodity, ~~and~~<sup>and</sup> consequently that of the transitory character of commodity relations, which constitute the core of scientific socialism, ~~does~~<sup>does</sup> ~~simply~~<sup>simply</sup> not exist for them. Unable to see in abstract labour the result of the alienation of concrete work, they consider it as a mere mathematical reduction, the quality of work being reducible to quantity, intrinsically and independently of human insti-



tutions. (\*)

It is not that they were not aware of the institutional origin of capitalist relations. But they saw those relations as the outcome of a normal linear development of simple commodity relations, these being eternal. If their Robinsons were neither capitalists nor wage-earners, they were, nonetheless, small independent commodity producers. There had indeed existed a pre-capitalist mode of production; there had never existed a pre-commodity one. Although in their "paradise lost" there was no surplus-value, value was already there and the relations between men were perversely subsumed by the relations between things. As far back as one could go in their pre-history, labour for them was always abstract.

In other words, where Marxism passes from non-value to value, classics pass from value to price of production. This is what Ira Gerstein caught when she spoke of "Smith's mythical pre-capitalist period." (p. 248)

As a matter of fact:

- a) There is no disagreement whatsoever on the above point between A. Smith and the bulk of the other classics. The plunge taken by Smith between page 46 and <sup>page</sup> 48 of his "Inquiry...", is taken by Ricardo, mostly in the same form, between section III and section IV of his "Principles..."
- b) Marx himself <sup>did</sup> believe in the historical existence of that "mythical pre-capitalist period" (cf. infra p. 35). The only difference is that for Marx that period was, in turn, preceded, in human history, by something else - a situation in which there were no commodity relations at all, whether capitalist or pre-capitalist - while for the classics that period represented man's original mode of existence.

That is what Marx is reproaching them with. In a way, not with being too little "abstract" but too much.

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(\*) With the probable exception of James Steuart for whom Marx said that "...he thoroughly demonstrated that it is only in the period of bourgeois production that the commodity becomes the elementary fundamental form of richness and the alienation the dominant form of appropriation, therefore, that the value-of exchange creating labour was specifically bourgeois." (Trans <sup>lated</sup>)

"It is one of the chief failings of classical economy that it has never succeeded, by means of its analysis of commodities, and, in particular, of their value, in discovering that form under which value becomes exchange-value. Even Adam Smith and Ricardo, the best representatives of the school, treat the form of value as a thing of no importance, as having no connexion with the inherent nature of commodities. The reason for this is not solely because their attention is entirely absorbed in the analysis of the magnitude of value. It lies deeper. The value-form of the product of labour is not only the most abstract, but is also the most universal form, taken by the product in bourgeois production, and stamps that production as a particular species of social production, and thereby gives it its special historical character. If then we treat this mode of production as one eternally fixed by Nature for every state of society, we necessarily overlook that which is the differentia specifica of the value-form, and consequently of the commodity-form, and of its further developments, money-form, capital-form etc." (Capital, Vol. I, Part 1, p.85, Footnote 1, Lawrence & Wishart, London)

We see in this passage that, far from reproaching the classics with overlooking the abstract labour, as Ira Gerstein thinks they did, Marx reproaches them, on the contrary, with ignoring its ~~historical character~~ "historical character" and overrating it into ~~one eternally fixed by Nature~~ "one eternally fixed by Nature" for every state of society".

"The belated scientific discovery that the products of labour, in so far as they are values, are merely the material expressions of the human labour expended to produce them, marks an epoch in the history of mankind's development, but by no means banishes the semblance of objectivity possessed by the social characteristics of labour. Something which is only valid for this particular



form of production, the production of commodities, namely the fact that the specific social character of private labours carried on independently of each other consists in their equality as human labour, and, in the product, assumes the form of the existence of value, appears to those caught up in the relations of commodity production (and this is true both before and after the above mentioned scientific discovery) to be just as ultimately valid as the fact that the scientific dissection of the air into its component parts left the atmosphere itself unaltered in its physical configuration". (Capital, Vol. I, Penguin 1976, p. 167).

Another example:

"Franklin thought...that the value of the boots, the products of the mine, the yarn, the paintings etc., is determined by abstract labour, which being deprived of any particular quality can be measured only quantitatively."

< My emphasis.

§ Translated from the German: Zur Kritik...WERKE, Dietz, Berlin 1964, Vol. 13, p.42)

What he did not see, Marx goes on, is that this abstract labour was the product of alienation of various concrete labours and this is what prevented him from ~~grasping~~<sup>perceiving</sup> clearly the nature of money. (cf. also, Capital, Vol. I, Penguin 1976, pp.170-177).

Marx repeats the same reproach, in analogous terms, for all classics including Ricardo: "Ricardo's investigations are exclusively devoted to the magnitude of value...besides, he considers the bourgeois form of labour as the eternal natural form of social labour". (Marx's emphasis. Translated from the German, Dietz, idem p. 45-46). And in the Theories of Surplus Value he writes: "Right from the start he (Ricardo) is only concerned with the magnitude of value." (Part, II, p.104).

But perhaps the most characteristic passage is that of page 504 of the same volume: "With Ricardo however, this false con-

ception of money is due to the fact that he concentrates exclusively on the quantitative determination of exchange value, namely, that it is equal to a definite quantity of labour-time forgetting on the other hand the qualitative characteristic that individual labour must present itself as abstract general social labour only through its alienation." (And in a footnote, Marx links this reproach to the statement that for Ricardo the "capitalist production...is...not a specific definite mode of production but simply the mode of production.") (cf. also, ~~Marx's~~ Capital, Vol. 1, Penguin 1976, pp. 170-177).

Now, referring to the functioning of the law of value in the capitalist system, Marx expressed himself unambiguously on what he considered his main contribution in relation to the classical theory:

"It is therefore greatly to the credit of the classical economists that they portrayed the entire process of production in terms of a commerce between objectified and living labour and that they accordingly defined capital only as objectified labour in contrast to living labour. That is to say, they depict capital as value which makes use of living labour to valorize itself. Their only failings are firstly that they were unable to show how this exchange of more living labour for less objectified labour could be reconciled with the laws of commodity exchange and the definition of the value of commodities in terms of labour-time. And this led to their second failure of confusing the exchange of a definite quantity of objectified labour for labour-power in the process of circulation, with what takes place in the process of production, namely the drawing off of living labour by labour objectified in the means of production." (Marx's emphasis. Capital, Vol. I, Penguin 1976, p.1009).

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(\*) Ira Gerstein maintains repeatedly that abstract labour does not appear in the neo-Ricardian ~~paradigm~~ paradigm. "The quantities  $l_i$  represent concrete labour", she says. I must confess that Gerstein's point is, there, beyond me. How can "quantities" represent concrete labour, which by definition is a quality? On the other hand, if, as she says, equation (20) is correct because it "involves both technical coefficients the  $a_{ij}$  and the  $l_i$ , and abstract labour  $w_i$  (p.280), I cannot see how eq. (21)  $l_i$  should not be just as correct for exactly the



At the end of the first chapter of his Critique of 1859, Marx incorporated that problem in a sort of 4-heading scheme of his future work on Economy and explained that those headings will be answering the 4 main points made by the adversaries of the Ricardian theory, just as if he took upon himself, as his main task (or, at least, one of his main tasks) that of filling up the gaps in the classical theory and of finishing off its victory against its opponents.

Here are these four points, as Marx himself recorded them:

1) Since labour itself had an exchange value, the labour theory of value ran into circles; 2) Since wage was not equal to the product of the labour, the rule of equivalence was transgressed; 3) Market prices were floating; 4) Things which were not produced by labour had nevertheless an exchange value, e.g. land.

Those problems, said Marx, will be solved, resp., 1) by the theory of the wage-earning labour, 2) by the study of capital, 3) by the theory of competition, 4) by the analysis of the land rent.

Incidentally the above objections - at least partially - referred to alleged disparities between the classical theory and observable prices. Marx, according to Ira Gerstein, intended to substitute for the classics' labour-theory of prices a labour-theory of value (p.250), which far from being a theory of price formation would be ("in the strong sense") one which "in principle...could not be used to obtain prices". (p.251). Now, it so happened that time and <sup>time</sup> again the classics were precisely challenged by their opponents on alleged contradictions between their theory and the everyday prices of various commodities, labour, land, (and even rare postage stamp, pearls, master paintings etc.) If Gerstein thesis were correct, Marx would be expected to mind his own business letting classics and anti-classics fight out their price argument. Instead of that, he proved so unconscious of the real

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*up classis' quarrel*

bearing of his own theory as to take ~~charge of the controversy~~ and contemplate devoting a part of his future work to explaining how the labour-theory fits in perfectly with the real movement of prices.

What Marx intended to do, says Gerstein, was to discover the laws of motion of the capitalist society, since, for him, what really mattered was the form and not simply the fact of exploitation. I greatly appreciate this formulation. But if this is so, I cannot see how one can disregard prices. As a matter of fact, there hardly exists a single law of motion in the capitalist system which could be tackled without coming to grips with some price. Neither the initial act of expropriation of the surplus value by the direct employer of the worker nor the subsequent appropriations of parts of it by other capitalists (active and inactive), landowners, merchants, bankers etc., both ~~within and without the nation,~~ *within and without the nation,* can ever be understood outside the prices - respectively the prices of labour power and of subsistence goods for the first act above, all prices in general for the second. "The entire process of capitalist production" says Marx, "is...regulated by the prices of the products..." (Capital, Vol. III, Moscow ed. p.882).

As a matter of fact, prices constitute the fundamental law of motion of the system because precisely they constitute "the form" or, <sup>still</sup> more precisely ~~yet~~, the exploitation mechanism, specific to that system, mechanism which, as Gerstein <sup>him</sup> ~~has~~ self notes, lies deep <sup>in</sup> ~~at~~ the heart of Marx's project, deeper than the fact of exploitation, which is common to all class systems.

As summarized in Marx's passage quoted by Gerstein (pp. 259-260), what characterizes a social structure is the specific way in which labourers and means of production are united for production. Now, in the capitalist mode of production, this specific way, is their confrontation on the market; the cement of their union: the prices. "Value...the most central expression of the relations of production specifically char-



acteristic of the capitalist mode of production" (p.260) means <sup>only</sup> ~~that~~ that this mode is the very system where nothing moves if not directed by a price.

The simple commodity relations.

It follows from the above analysis that values have to be "transformed" into prices, not in order to go from production to "production+circulation", as Ira Gerstein suggests, but in order to go from a certain "production+circulation", that of the simple commodity relations or that of the undeveloped capitalist relations, to another "production+circulation", that of the developed capitalist relations. That is what Marx established <sup>unambiguously</sup> ~~in his~~ in his, as basic as black-outed, passage in Book III:

"The exchange of commodities at their values, or approximately at their values, thus requires a much lower stage than their exchange at their prices of production, which requires a definite level of capitalist development...it is (therefore) quite appropriate to regard the values of commodities as not only theoretically but also historically prior to the prices of production. This applies to conditions in which the labourer owns his means of production, and this is the condition of the land-owning farmer living off his own labour and the craftsman, in the ancient as well as in the modern world...It holds not only for this primitive condition, but also for subsequent conditions...so long as the means of production involved in each branch of production can be transferred from one sphere to another only with difficulty...(Marx's emphasis, Capital, Vol.III, Moscow ed. p. 177).

Gerstein proclaims that he has undertaken the task of "re-constructing Marxist theory after 100 years of its subordination to bourgeois ideology." (p.261) As the idea expressed in the above paragraph seems to be among the first to be demolished to leave room for such a reconstruction, logically, we must conclude that this passage constitutes an outstanding example of subordination (of Marx!) to bourgeois ideology.

We know that Engels pinned this passage in his Introduct-

ion to the Book 'III of Capital and went very far, perhaps too far, towards describing the "historical" framework of the reign of simple labour-value as an actual standard of commodity exchange ratios. It is considered nowadays, perhaps with good reason, that simple commodity relations were never dominant and generalized enough to constitute a particular mode of production. (\*) (This could explain the adjective "mythical" used by Ira Gerstein, but it could not explain why she uses it with reference to A. Smith's text and not to the above Marx's text too).

But that is not the point. For the "simple commodity production" needs neither to be generalized or dominant nor to constitute a particular mode of production to be a problem. It suffices that it exists. And it undoubtedly exists <sup>at various degrees</sup> ~~in various degrees~~, within the most various societies, as much in the most developed capitalism, as in the middle of previous social formations, feudal dominated, based on slavery or on "Asiatic" tribute etc. Wherever it exists it produces commodities which "circulate" and are exchanged on a market according to the law of the market. And the law of the market, in its principle, does not make a distinction between commodities produced in a capitalist way and the others. It commands the same transmutation from the heterogeneous into the homogeneous, from the concrete into the abstract, from quality into quantity, from the use-value into the exchange value. No matter that simultaneously with it and beside it the production of the slave, of the tributary community, of the bondman, of the share-cropper etc., continues in some cases to consist essentially of concrete incommensurable use values. Commodity preexists to capitalism and the law of value is but the general law of the mode of existence of

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(\*) However "in the U.S., the simple commodity production seems to have existed on its own towards the end of the XVIIIth c., when the rural population of small landowners constituted 90% of the total." (My emphasis. Unpublished Chapter, Introduced by R. Dangeville, p.57).

Paris 1970,



commodities. This is so true that in Capital there is no special chapter, or heading whatsoever, for the law of value, the general exposition of this being given in the chapter devoted to the commodity.

However, if the law of value is unique with regard to its principle - the reduction of apparently irreducible items to homogeneous exchange values - it is not at all unique with regard to its standard, that is the specific denominator of the reduction, whence the difficulty of moving from the value to the price of production, in so far as this amounts to substituting one standard for another.

Nevertheless, the simple labour-value continues - says Marx - to be the oscillation axis (standard) for actual market prices within the capitalist production itself, as long as this is so little developed that the "means of production locked up in a specific production can only with difficulty be transferred from one branch to the other." Moreover, it continues to play this part even within the developed capitalism, in the sphere of survival of the simple commodity production, as in the handicraft and small peasant production. Lastly, still according to Marx, it continues even in the capitalist agriculture, since it is on the postulate that agricultural products are always exchanged in proportion to their simple values that Marx has grounded his theory of absolute rent.

One can disagree with Marx in one or the other case of "positivist" application he suggests for the simple labour-value. I personally do not agree at all with the theorem of absolute rent. But the very fact that, not only does he set forth several undisputable historical cases of such an application, but he proceeds further with adding to the lot some quite questionable ones should precisely deter us from saying that the "raison d'être" of Marxian theory of value is not to explain real exchanges.

As for the theoretical priority of the value over the price of production, mentioned by Marx in the above passage, it can easily be understood, if we remember that for Marx the

capitalist relations were a special case of commodity relations, as he often had the opportunity to write, (especially when analyzing the "realization problem" with respect to commodities containing surplus-value). It refers consequently to the logical precedence of the genus in relation to the species.

Production p e r s e = production of use-values.

Going resolutely off the Marxian analysis, Gerstein reasons as if a simple-commodity (non-capitalist) "production+circulation" could exist neither in history nor in theory. Therefore, the only achievement he is able to detect in the "transformation" process is the mere moving from "production" to "production + circulation".

What sort of thing is that production dissociated from circulation? Gerstein finds it necessary to qualify it a bit: "production treated explicitly and in abstract isolation" (p.264). Let us translate with Marx: "immediate production process" or "labour process", (that Marx differentiated from the "totality of the capitalist production"). "Production in the narrow sense", writes elsewhere I.Gerstein.

The snag is that in the labour process, that much narrowed, there is neither value (whether "modified" or not) nor, of course, exchange value or price. There is appropriation of the nature. In that sphere, isolated as above, the labour is no longer abstract and the means of production resume the form of use values; they are, says Marx, reunited with the worker, "into a normal active relationship determined by the nature and the purpose of the work itself". (\*) The worker tans the hide, not the skin of the capitalist, does he conclude characteristically. And in Book III of Capital he writes: "No producer, whether industrial or agricultural, when considered by himself alone, produces value or commodities. His product becomes a value and a commodity only in the context of definitive social interrelations." (\*\*)

It is remarkable that in the French edition of the first

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(\*) Cap. Vol. I, Penguin 1976, p.1007

(\*\*) Cap. Vol. III, Moscow ed. pp.638-39. My emphasis.



Book of Capital supervised by Marx himself the title of chapter VII, "Arbeitsprozess und Verwertungsprozess", (labour process and valorization process), is translated into French by "La production de valeurs d'usage et la production de la plus-value" (production of use-values and production of surplus-value) just as if "labour process" were a mere synonym for "production of use-values".

Marx also writes:

"It is only by being exchanged, that the products of labour acquire a socially uniform objectivity as values, which is distinct from their sensuously varied objectivity as articles of utility. This division of the product of labour into a useful thing and a thing possessing value appears in practice only when exchange has already acquired a sufficient extension and importance to allow useful things to be produced for the purpose of being exchanged, so that their character as values has already to be taken into consideration during production...Equality in the full sense between different kinds of labour can be arrived at only if we abstract from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour-power, of human labour in the abstract.

It is the exchange that is solely responsible for this reduction by bringing face to face, on an equal footing, the products of the most various industries."  
(Capital, Vol.I, Penguin 1976, p.166).

The last sentence in the above quotation, underlined by myself, is particularly interesting in that it did not exist in the original German text ~~ca~~ which all English editions have so far been based <sup>on</sup>. Therefore, it doesn't exist in the Penguin edition either. It was added by Marx himself when supervising the Roy French translation and this circumstance makes the statement contained in it all the more valuable. For it shows that Marx was so anxious to emphasize the exclusive part played by the exchange in the reduction from concrete to abstract labour that he felt the need to conclude the passage by a more explicit statement, lest his initial formulation was

not clear enough to convey this particular point.

Taking an exactly opposite view to Marx's thesis in one of the most surprising parts of her paper, Ira Gerstein writes that in a production considered abstractly there can be no differentiation between capitals on the basis of the use-values they produce, "because use value is relevant only in exchange" (!) (p.265). ~~She~~<sup>H</sup> then concludes that if one makes abstraction of circulation the process of capitalist production is a process of value production alone. "Since value is a socially produced substance, the product of any given capital considered at this level can only be thought of as a fraction of the total social capital." (p.265). The author goes here so far as to forget ~~her~~<sup>his</sup> own quotations of Marx and ~~her~~<sup>his</sup> own comments, according to which it is precisely the exchange that socializes the independent producers' production, and, therefore, an "abstractly" conceived production, that is, outside the exchange, is not at all a social process and consequently cannot produce value, which, ~~in accordance~~<sup>ing</sup> ~~with her~~<sup>to his</sup> own ~~words~~<sup>words</sup>, is a "socially produced substance".

It is hard to understand how Gerstein can reconcile ~~her~~<sup>his</sup> statement on page 265, that it is production conceived outside the circulation which produces value, with ~~her~~<sup>his</sup> formulation on page 254 qualifying value a "social category" and with ~~her~~<sup>his</sup> remark on the same page that it is circulation that "establishes the social connections between the agents of production."

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Ira Gerstein has another reason ~~for~~<sup>to</sup> considering that "transformation" is a translation from "production" (all alone) ~~to~~<sup>to</sup> "production integrating circulation". It is the following: The price of production is the result of profit rate equalization. This presupposes capitalist competition, thence circ-



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ulation, thence exchange. <sup>In contrast with that,</sup> ~~Qualitative~~, value - so  
Gerstein believes - is produced independently of any competi-  
tion. There is consequently translation, says Gerstein,  
from one sphere where it is possible to disregard circulation  
to another where circulation is <sup>not</sup> ~~und~~ dissociable from the rest.

The premisses of this syllogism are simply erroneous. The  
simple value is not ~~any more~~ independent of competition <sup>any more</sup> than  
"modified value". If the latter implies the equalization of  
the profit rate, as a result of the competition among capitals  
and of their transfer from one branch to another, the former  
implies, just as much, the equalization of the surplus-value  
rate as an effect of the "competition among labourers... (and)  
their continual migration from one sphere of production to  
another." (\*)

Arghiri EMMANUEL

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(\*) Capital, Vol. III, Moscow ed. p.175.