

Chapter One

VALUE AS AN ECONOMIC CATEGORY

THE analysis of the commodity constitutes the starting point of the Marxist system. Böhm-Bawerk's criticism is primarily leveled against this analysis.

Böhm-Bawerk contends that Marx fails to adduce either an empirical or a psychological proof of his thesis that the principle of value is to be sought in labor. He "prefers another, and for such a subject somewhat singular line of evidence—the method of a purely logical proof, a dialectic deduction from the very nature of exchange."¹

Marx had found in Aristotle the idea that exchange cannot exist without equality, and equality cannot exist without commensurability. Starting with this idea, he conceives the exchange of two commodities under the form of an equation, and from this infers that a common factor of the same amount must exist in the things exchanged and thereby equated, and then proceeds to search for this common factor to which the two equated things must, as exchange values, be reducible. Now according to Böhm-Bawerk the most vulnerable point in the Marxist theory is to be found in the logical and systematic processes of distillation by means of which Marx obtains the sought-for

¹ *Geschichte und Kritik der Kapitalzins-Theorien*, 2nd ed., pp. 511 ff. Above, pp. 68 ff.

“common factor” in labor. They exhibit, he declares, almost as many cardinal errors as there are points in the argument. From the beginning Marx only puts into the sieve those exchangeable [should read, “interchangeable,” R. H.] things which he desires finally to winnow out as “the common factor,” and he leaves all the others outside. That is to say, he limits from the outset the field of his search to “commodities,” considering these solely as the products of labor contrasted with the gifts of nature. Now it stands to reason, continues Böhm-Bawerk, that if exchange really means an equalization, which assumes the existence of “a common factor of the same amount,” this common factor must be sought and found in every species of goods which is brought into exchange, not only in products of labor, but also in gifts of nature, such as the soil, wood in trees, water power, etc. To exclude these exchangeable goods is a gross error of method, and the exclusion of the gifts of nature is the less to be justified because many natural gifts, such as the soil, are among the most important objects of property and commerce, and also because it is impossible to affirm that in nature’s gifts exchange values [this of course should be “prices”! R. H.] are always established arbitrarily and by accident. Marx is likewise careful to avoid mentioning that he excludes from investigation a part of exchangeable goods. In this case, as in so many others, he manages to glide with eel-like dialectic skill over the difficult points of his argument. He omits to call his readers’ attention to the fact that his idea of “commodities” is narrower than that of exchangeable goods as a whole. Nay, more, he continually endeavors to obliterate the distinction. He is compelled to take this course, for unless Marx had confined his research, at the decisive point, to products of labor, if he had sought for the common factor in the “exchangeable” gifts of nature as well, it would have become obvious that labor cannot be the common factor. Had he carried out this limitation quite clearly and openly, the gross fallacy of method would inevitably have struck both himself and his readers. The trick could only

have been performed, as Marx performed it, with the aid of the marvelous dialectic skill wherewith he glides swiftly and lightly over the knotty point.

But by means of the artifice just described, proceeds our critic, Marx has merely succeeded in convincing us that labor can in fact enter into the competition. The exclusion of other competitors is effected by two arguments, each of a few words only, but each containing a very serious logical fallacy. In the first of these Marx excludes all "geometrical, physical, chemical, or other natural qualities of the commodities," for "their physical qualities claim our attention only in so far as they affect the utility of the commodities—make them use values. On the other hand, the exchange relation of commodities is evidently characterized by the abstraction of their use values," because "within this relation (the exchange relation) one use value is as good as another provided only it be present in the proper proportion."¹

Here, says Böhm-Bawerk, Marx falls into a grave error. He confuses the disregarding of a genus with the disregarding of the specific forms in which this genus manifests itself. The special forms under which use value may appear may be disregarded, but the use value of the commodity in general must never be disregarded. Marx might have seen that we do not absolutely disregard use value, from the fact that there can be no exchange value where there is not a use value—a fact which Marx himself is repeatedly forced to admit.

Let us for a moment interrupt our recapitulation of Böhm-Bawerk's criticism by a brief interpolation calculated to throw light upon the psychology no less than upon the logic of the leader of the psychological school.

When I disregard the "specific forms in which use value may manifest itself," disregarding, therefore, use value in its concreteness, I have, as far as I am concerned, disregarded use

¹ *Capital*, Vol. I, p. 44. [The passages are not textually quoted from the English translation.—E. & C. P.]

value in general, since, as far as I am concerned, use value exists in its concreteness solely as a thus or thus constituted use value. Having ceased for me to be a use value, it matters nothing to me that it has a use value for others, possesses utility for this or that other person. I do not exchange it until the moment arrives when it has ceased to possess a use value for me. This applies literally to the production of commodities in its developed form. Here the individual produces commodities of but one kind, commodities of which one specimen at most can possess a use value for him, whereas in the mass the commodities have for him no such use value. It is a precondition to the exchangeability of the commodities that they should possess utility for others, but since for me they are devoid of utility, the use value of my commodities is in no sense a *measure* even for my individual estimate of value, and still less is it a measure of an objective estimate of value. It avails nothing to say that the use value consists of the capacity of these commodities to be exchanged for other commodities, for this would imply that the extent of the "use value" is now determined by the extent of the exchange value, not the extent of the exchange value by the extent of the use value.

As long as goods are not produced for the purpose of exchange, are not produced as commodities, as long, that is to say, as exchange is no more than an occasional incident wherein superfluities only are exchanged, goods confront one another solely as use values.

"The proportions in which they are exchangeable are at first quite a matter of chance. What makes them exchangeable is the mutual desire of their owners to alienate them. Meantime the need for foreign objects of utility gradually establishes itself.¹ The constant repetition of exchange makes it a normal social act. In the course of time, therefore, some portion at

¹ A preferable translation of this sentence would be: "Meantime the need for objects of utility owned by other persons gradually establishes itself."—E. & C. P.

least of the products of labor must be produced with a special view to exchange. From that moment the distinction becomes firmly established between the utility of an object for the purposes of consumption, and its utility for the purposes of exchange. Its use value becomes distinguished from its exchange value. On the other hand, the quantitative proportion in which the articles are exchangeable becomes dependent on their production itself. Custom stamps them as values with definite magnitudes.”¹

We have in fact nothing more than a disregard by Marx of the specific forms in which the use value manifests itself. For the use value remains the “bearer of value.” This is indeed self-evident, for “value” is nothing more than an economic modification of use value. It is solely the anarchy of the contemporary method of production, owing to which under certain conditions (a glut) a use value becomes a non-use-value and consequently valueless, which makes the recognition of this self-evident truth a matter of considerable importance.

Let us return to Böhm-Bawerk. The second step in the argument, he tells us, is still worse. Marx contends that if the use value of commodities be disregarded, there remains in them but one other quality, that of being products of labor. But do there not remain a number of other qualities? Such is Böhm-Bawerk’s indignant inquiry. Have they not the common quality of being scarce in proportion to demand? Is it not common to them to be the objects of demand and supply, or that they are appropriated, or that they are natural products? Is it not common to them that they cause expense to their producers—a quality to which Marx draws attention in the third volume of *Capital*? Why should not the principle of value reside in any one of these qualities as well as in the quality of being products of labor? For in support of this latter proposition Marx has not adduced a shred of positive evidence. His sole argument is the

² Vol. I, p. 100.

negative one, that the use value, thus happily disregarded and out of the way, is not the principle of exchange value. But does not this negative argument apply with equal force to all the other common qualities overlooked [!] by Marx? This is not all. Marx writes as follows: "Along with the useful qualities of the products [of labor] we put out of sight both the useful character of the various kinds of labor embodied in them, and the concrete forms of that labor; there is nothing left but what is common to them all; they are reduced to one and the same sort of labor, human labor in the abstract."¹ But in saying this he admits that for an exchange relationship, not only one use value but also any one kind of labor "is just as good as another, provided only it be present in the proper proportion." It follows that the identical evidence on which Marx formulated his verdict of exclusion in the case of use value will hold good as regards labor. Labor and use value, says Böhm-Bawerk, have a qualitative side and a quantitative side. Just as the use value differs according as it is manifested in a table or in yarn, so also does labor differ as carpentry or spinning. And just as we may compare different kinds of labor according to their quantity, so we may compare use values of different kinds according to the varying amount of use value. It is quite impossible to understand why the very same evidence should result in the exclusion of one competitor and in the assigning of the prize to the other. Marx might just as well have reversed his reasoning process and have disregarded labor.

Such is Marx's logic, such his method of procedure, as reflected in the mind of Böhm-Bawerk. His procedure, according to the latter, was perfectly arbitrary. Although in an utterly unjustified but extremely artful manner he has managed to secure that nothing but the products of labor shall be left to be exchanged, it was impossible for him to adduce even the slightest ground for the contention that the common quality which

¹ Vol. I, p. 45.

must presumably be present in the commodities to be exchanged is to be sought and found in labor. Only by willfully ignoring a number of other qualities, only by his utterly unwarranted disregard of use value, did Marx attain the desired result. Just as little as the classical economists was Marx in a position to furnish an atom of proof on behalf of the proposition that labor is the principle of value.

Böhm-Bawerk's critical question to which Marx is alleged to have given so fallacious an answer is the question: what right had Marx to proclaim labor to be the sole creator of value? Our counter-criticism must in the first instance consist of a demonstration that the analysis of the commodity furnishes the desired answer.

To Böhm-Bawerk, the Marxist analysis establishes a contrast between utility and the product of labor. Now we fully agree with Böhm-Bawerk that no such contrast exists. Labor must be done on most things in order to render them useful. On the other hand, when we estimate the utility of a thing, it is a matter of indifference to us how much labor has been expended on it. A good does not become a commodity merely in virtue of being the product of labor. But only in so far as it is a *commodity* does a good exhibit the contrasted qualities of use value and value. Now a good becomes a commodity solely through entering into a relationship with other goods, a relationship which becomes manifest in the act of exchange, and which, quantitatively regarded, appears as the exchange value of the good. The quality of functioning as an exchange value thus determines the commodity character of the good. But a commodity cannot of its own initiative enter into relationships with other commodities; the material relationship between commodities is of necessity the expression of a personal relationship between their respective owners. As owners of commodities, these reciprocally occupy definite relationships of production. They are independent and equal producers of private "labors." But these private "labors" are of a peculiar kind, inasmuch as

they are effected, not for personal use but for exchange, inasmuch as they are intended for the satisfaction, not of individual need, but of social need. Thus whereas private ownership and the division of labor reduces society into its atoms, the exchange of products restores to society its social interconnections.

The term commodity, therefore, is an *economic* term; it is the expression of social relationships between mutually independent producers in so far as these relationships are effected through the instrumentality of goods. The contrasted qualities of the commodity as use value and as value, the contrast between its manifestation as a natural form or as a value form, now appears to us to be a contrast between the commodity manifesting itself on the one hand as a *natural* thing and on the other hand as a *social* thing. We have, in fact, to do with a dichotomy, wherein the giving of the place of honor to one branch excludes the other, and conversely. But the difference is merely one of point of view. The commodity is a unity of use value and of value, but we can regard that unity from two different aspects. As a natural thing, it is the object of a natural science; as a social thing, it is the object of a social science, the object of political economy. The object of political economy is the social aspect of the commodity, of the good, in so far as it is a symbol of social interconnection. On the other hand, the natural aspect of the commodity, its use value, lies outside the domain of political economy.¹

A commodity, however, can be the expression of social relationships only in so far as it is itself contemplated as a product of society, as a thing on which society has stamped its imprint. But for society, which exchanges nothing, the commodity is nothing more than a product of labor. Moreover, the members of society can only enter into economic relationships

¹ "That is the reason why German compilers are so fond of dwelling on use value, calling it a 'good.' . . . For intelligent information on 'goods' one must turn to treatises on commodities." Marx, *A Contribution to the Critique of Political Economy*, Kerr ed., p. 211n.

one with another according as they work one for another. This material relationship appears in its historic form as the exchange of commodities. The total product of labor presents itself as a total value, which in individual commodities manifests itself quantitatively as exchange value.

The commodity being, as far as society is concerned, the product of labor, this labor thereby secures its specific character as socially necessary labor; the commodity no longer exhibits itself to us as the product of the labor of different subjects, for these must now rather be looked upon as simple "instruments of labor." Economically regarded, therefore, the private "labors" manifest themselves as their opposites, as social "labors." The condition which gives its value-creating quality to labor is, therefore, the social determination of the labor—it is a quality of social labor.

Thus the process of abstraction whereby Marx passes from the concept of concrete private labor to the concept of abstractly human social labor, far from being, as Böhm-Bawerk imagines, identical with the process of abstraction whereby Marx excludes use value from consideration, is in fact the very opposite of that process.

A use value is an individual relationship between a thing and a human being. If I disregard its concreteness (and I am compelled to do so as soon as I alienate the thing so that it ceases to be a use value for me) I thereby destroy this individual relationship. But solely in its individuality can a use value be the measure of my personal estimate of value. If, on the other hand, I disregard the concrete manner in which I have expended my labor, it nevertheless remains a fact that labor in general has been expended in its universal human form, and this is an objective magnitude the measure of which is furnished by the duration of the effort.

It is precisely this objective magnitude with which Marx is concerned. He is endeavoring to discover the social nexus between the apparently isolated agents of production. Social

production, and therewith the actual material basis of society, is, according to its nature, qualitatively determined by the nature of the organization of social labor. This organization, causally determined by economic need, soon acquires a legal, a juristic fixation. An "external regulation" of this character constitutes a logical premise of the economic system, and furnishes the framework within which the separate elements of the society, the elements which labor and the elements which control labor, mutually influence one another. In a society characterized by the division of property and by the division of labor, this relationship appears in the form of exchange, expresses itself as exchange value. The social nexus manifests itself as the outcome of private relationships, the relationships not of private individuals but of private things. It is precisely this which involves the whole problem in mystery. Inasmuch, however, as the things enter into mutual relations, the private labor which has produced them acquires validity solely in so far as it is an expenditure of its own antithesis, socially necessary labor.

The outcome of the social process of production thus qualitatively determined is quantitatively determined by the sum total of the expended social labor. As an aliquot part of the social product of labor (and as such only does the commodity function in exchange), the individual commodity is quantitatively determined by the quota of social labor time embodied in it.

As a value, therefore, the commodity is socially determined, is a social thing. As such alone can it be subjected to economic consideration. But when our task is to effect the economic analysis of any social institution that we may discover the intimate law of motion of the society, and when we call upon the law of value to render us this service, the principle of value cannot be any other than that to whose variations the changes in the social institution must in the last instance be referred.

Every theory of value which starts from use value, that is to say from the natural qualities of the thing, whether from its finished form as a useful thing or from its function, the

satisfaction of a want, starts from the individual relationship between a thing and a human being instead of starting from the social relationships of human beings one with another. This involves the error of attempting from the subjective individual relationship, wherefrom subjective estimates of value are properly deducible, to deduce an objective social measure. Inasmuch as this individual relationship is equally present in all social conditions, inasmuch as it does not contain within itself any principle of change (for the development of the wants and the possibility of their satisfaction are themselves likewise determined), we must, if we adopt such a procedure, renounce the hope of discovering the laws of motion and the evolutionary tendencies of society. Such an outlook is unhistorical and un-social. Its categories are natural and eternal categories.

Marx, conversely, starts from labor in its significance as the constitutive element in human society, as the element whose development determines in the final analysis the development of society. In his principle of value he thus grasps the factor by whose quality and quantity, by whose organization and productive energy, social life is causally controlled. The fundamental economic idea is consequently identical with the fundamental idea of the materialist conception of history. Necessarily so, seeing that economic life is but a part of historic life, so that conformity to law in economics must be the same as conformity to law in history. To the extent that labor in its social form becomes the measure of value, economics is established as a social and historical science. Therewith the purview of economic science is restricted to the definite epoch of social evolution wherein the good becomes a commodity. In other words, it is restricted to the epoch wherein labor and the power which controls labor have not been consciously elevated to the rank of a regulative principle of social metabolism and social predominance, but wherein this principle unconsciously and automatically establishes itself as a material quality of things—inasmuch as, as the outcome of the peculiar form which

social metabolism has assumed in exchange, it results that private labors acquire validity only in so far as they are social labors. *Society has, as it were, assigned to each of its members the quota of labor necessary to society; has specified to each individual how much labor he must expend.* And these individuals have forgotten what their quota was, and rediscover it only in the process of social life.

It is therefore because labor is the social bond uniting an atomized society, and not because labor is the matter most technically relevant, that labor is the principle of value and that the law of value is endowed with reality. It is precisely because Marx takes socially necessary labor as his starting point that he is so well able to discover the inner working of a society based on private property and the division of labor. For him the individual relation between human being and good is a premise. What he sees in exchange is not a difference of individual estimates, but the equation of a historically determined relationship of production. Only in this relationship of production, as the symbol, as the material expression, of personal relationships, as the bearer of social labor, does the good become a commodity; and only *as the expression of derivative relationships of production* can things which are not the products of labor assume the character of commodities.

We thus reach Böhm-Bawerk's objection as expressed in his inquiry, How can the products of nature have "exchange value"? The natural conditions under which labor is performed are unalterably given to society, and from these conditions therefore changes in social relationships cannot be derived. The only thing that changes is the manner in which labor is applied to these natural conditions. The degree to which such application is successful determines the productivity of labor. The change in productivity is effected solely by the concrete labor which creates use value; but according as the mass of products wherein the value-creating labor is embodied increases or diminishes, it results that more or less labor than before is em-

bodied in the individual specimen. To the extent that natural energy is at an individual's disposal, so that he is thereby enabled to labor with a productivity exceeding the social average, that individual is in a position to realize an extra surplus value. This extra surplus value, capitalized, then manifests itself as the price of this natural energy (it may be of the soil) whose appurtenance it is. The soil is not a commodity, but in a lengthy historical process it acquires the characteristics of a commodity as a condition requisite to the production of commodities. The expressions "value of land" or "price of land" are therefore nothing more than irrational formulas beneath which is concealed a real relationship of production, that is to say a relationship of value. The ownership of land does not create the portion of value which is transformed into surplus profit; it merely enables the landowner to transfer this surplus profit from the manufacturer's pocket to his own. But Böhm-Bawerk, who ascribes to the gifts of nature a value peculiar to themselves, is a prey to the physiocrats' illusion that rent is derived from nature and not from society.

Thus Böhm-Bawerk continually confuses the natural and the social. This is plainly shown in his enunciation of the additional qualities common to commodities. It is a strange medley: the fact of appropriation is the legal expression of the historical relationships which must be presupposed in order that goods may be exchanged at all (it is "pre-economic" fact)—though how this should be a quantitative measure remains inexplicable. It is a natural quality of commodities to be natural products, but in no way does this render them quantitatively comparable. Inasmuch, further, as they are the objects of demand and have a relationship to demand, they acquire a use value; for relative scarcity renders them subjectively the objects of esteem, whereas objectively (from the standpoint of society) their scarcity is a function of the cost of labor, securing therein its objective measure in the magnitude of its cost.

Just as in the foregoing Böhm-Bawerk fails to distinguish the natural qualities of commodities from their social qualities, so in the further course of his criticism he confuses the outlook on labor in so far as it creates use value with the outlook on labor in so far as it creates value; and he proceeds to discover a new contradiction in the law of value—though Marx “with a masterly dialectic . . . seeks to suggest” that the facts “do not contain a contradiction of his fundamental principle, but are only a slightly different reading of it.”

Marx declares that skilled labor is equivalent to a definite quantity of unskilled labor. He has however taught us, says Böhm-Bawerk, that things equated with one another by exchange “contain equal amounts of some common factor, and this common factor must be labor and working time.” But the facts before us, he says, do not comply at all with this demand. For in skilled labor, for example in the product of a sculptor, there is no unskilled labor at all, and still less can we say that the unskilled labor equal to the five days' labor of the stone-breaker is embodied in the sculptor's product. “The plain truth is [very plain indeed!—R. H.] that the two products embody different *kinds* of labor in different amounts, and every unprejudiced person will admit that this means a state of things exactly contrary to the conditions which Marx demands and must affirm, namely, that they embody labor of the *same kind* and of the *same amount*.”

Let me parenthetically remark that there is no question here of the “same amount,” no question of *quantitative equality*. We are solely concerned with the comparability of different *kinds* of labor, that is to say with the possibility of expressing them in terms of some common measure, with the possibility of their *qualitative* equalization.

It is true, continues Böhm-Bawerk, that Marx says: “Experience shows that this reduction [from skilled to unskilled labor] is constantly being made. A commodity may be the product of the most skilled labor, but its value, by equating it to

the product of simple unskilled labor, represents a definite quantity of the latter labor alone. The different proportions in which different sorts of labor are reduced to unskilled labor as their standard are established by a social process that goes on behind the backs of the producers, and, consequently, appear to be fixed by custom.”¹

Böhm-Bawerk, however, inquires, what is the meaning of the appeal to “value” and the “social process” as the determining factors of the standard of reduction? “Apart from everything else, it simply means that Marx is arguing in a circle. The real subject of inquiry is the exchange relations of commodities,” why, for instance, the sculptor’s work is worth five times as much as the unskilled labor of the stone-breaker. “Marx . . . says that the exchange relation is this, and no other—because one day of sculptor’s work is reducible exactly to five days’ unskilled work. And why is it reducible to exactly five days? Because experience shows that it is so reduced by a social process.” But it is this very process which requires explanation. Were the exchange relationship 1:3 instead of 1:5, “Marx would equally bid us accept the rate of reduction of 1:3 as the one derived from experience; . . . in short, it is clear that we shall never learn in this way the actual reasons why products of different kinds of work should be exchanged in this or that proportion.” In this decisive point, says the critic, the law of value breaks down.

We have here a statement of the familiar difficulty, the difficulty to which others besides Böhm-Bawerk have drawn attention. In the preface to the first volume of *Capital*, Marx, with his well-known “social optimism,” presupposes “a reader who is willing to learn something new, and therefore to think for himself”—this being I believe the only unwarranted presupposition Marx ever made. But every thoughtful reader will at the outset feel that there is a gap in the argument, and the void has been indicated by “more or less Marxist” writers, as by Bernstein, C. Schmidt, and Kautsky.

¹ Vol. I, pp. 51-52.

Let us regard the matter more closely. First of all, Böhm-Bawerk himself tells us that the difference consists only in this, that in the one case we have to do with skilled and in the other with unskilled labor. It is obvious, therefore, that the difference in value of the respective products must depend upon a difference in the labor. The same natural product is in one case the object upon which skilled labor has been expended, and in the other case the object upon which unskilled labor has been expended, and it acquires a different value in the respective cases. Thus there is no *logical* objection to the law of value. The only question that arises is whether it is necessary to determine the ratio of value between the two kinds of labor, and whether the difficulty of effecting this determination may not prove insuperable. For, if we assume a knowledge of the ratio to be indispensable, in the absence of such knowledge the concept of value will be incapable of furnishing the explanation of economic processes.

Let us reconsider Marx's argument. In the passage previously quoted we read: "Its value [that is to say the value of the product of skilled labor], by equating it to the product of simple unskilled labor, represents a definite quantity of the latter labor alone." For this process to be comprehensible, however, value theory must regard the labor available for society at any given moment as composed of homogeneous parts—individual labor, in so far as it creates value, being merely an aliquot part of this quantitative whole. But only if I am able to express this whole in terms of some common unit of measurement can I regard it as qualitatively homogeneous. The required unit of measurement is furnished by "simple average labor," and this "is the expenditure of simple labor power, that is, of the labor power which on the average, apart from any special development, exists in the organism of every ordinary individual."¹ Skilled labor counts as a multiple of this unit of simple average labor. But what multiple? This, says Marx, is established by a social process that

¹ Vol. I, p. 51.

goes on behind the backs of the producers. Now Böhm-Bawerk will not admit that this appeal to experience is valid, and declares that here the theory of value breaks down utterly. For "in what proportions skilled is to be translated into terms of unskilled labor in the valuation of their respective products is not determined, nor can it be determined, a priori, by any property inherent in the skilled labor itself, but it is the actual result alone which decides the actual exchange relations."¹ Thus Böhm-Bawerk demands that the ratio should enable him to determine in advance the absolute height of prices, for in his view, as he elsewhere tells us, the essential task of economics is to explain the phenomenon of price.

Is it really true, however, that in default of a knowledge of the ratio, the law of value becomes unworkable? In striking contrast with Böhm-Bawerk, Marx looks upon the theory of value, not as the means for ascertaining prices, but as the means for discovering the laws of motion of capitalist society. Experience teaches us that the *absolute* height of prices is the starting point of this movement, but, for the rest, the absolute height of prices remains a matter of secondary importance, and we are concerned merely with studying the law of their variation. It is a matter of indifference whether any specific kind of skilled labor is to be reckoned the fourfold multiple or the sixfold multiple of unskilled labor. The important point is that a doubling or trebling of productive power in the sphere of skilled labor would lower the product of skilled labor twofold or threefold vis-à-vis the product of unskilled labor (by hypothesis unchanged).

The *absolute* height of prices is given us by experience; what interests us is the *law-abiding variation* that these prices undergo. Like all variations, this variation is brought about by a force; and since we have to do with changes in social phenomena, these changes must be effected by variations in the magnitude of a social force, the social power of production.

Since, however, the law of value discloses to us that in the

¹ Above, p. 83.

final analysis this development of productive power controls variations in prices, it becomes possible for us to grasp the laws of these changes; and since all economic phenomena manifest themselves by changes in prices, it is further possible to attain to an understanding of economic phenomena in general. Ricardo, aware of the incompleteness of his analysis of the law of value, therefore declares in so many words that the investigation to which he wishes to direct the reader's attention concerns variations in the relative value of commodities and not variations in their absolute value.

It follows that the lack of a knowledge of the ratio in question by no means restricts the importance of the law of value as a means by which we are enabled to recognize the conformity to law displayed by the economic mechanism. In another respect, however, this lack would be serious. If in practice the absolute height of price had in the first instance to be established by the social process, the concept of value would have to contain all the elements which *theoretically* allow us to apprehend the process whereby society effectuates the reduction of skilled labor to unskilled. Otherwise this process, which exercises a decisive influence upon the magnitude of value, though it would indeed positively exist and would not involve any contradiction to the law of value, would nevertheless afford an explanation of a part only (and that the most important) of economic phenomena, but would leave unexplained another part, namely the starting point of these variations.

When, however, Böhm-Bawerk inquires, what is the quality *inherent* in skilled labor which gives that labor its peculiar power to create value, the question is wrongly stated. The value-creating quality is not per se inherent in any labor. Solely in conjunction with a definite mode of social organization of the process of production does labor create value. Hence, we cannot attain to the concept of value-creating labor merely by contemplating isolated labor in its concreteness. Skilled labor,

therefore, if I am to regard it as value-creating, must not be contemplated in isolation, but as part of social labor.

The question consequently arises, what is skilled labor from the social standpoint? Only when we can answer this can we expect to attain to a position from which we shall be able to recognize the principles according to which the aforesaid social reduction can be effected. Manifestly these principles can be none other than those which are contained in the law of value. But here we encounter a difficulty. The law of value applies to commodities, whereas labor is not a commodity even though it appears as such when we speak of the wage of labor. Only labor *power* is a commodity and possesses value; labor *creates* value, but does not itself possess value. It is not difficult to calculate the value of a labor *power* engaged on skilled work; like every other commodity it is equal to the labor requisite for its production and reproduction, and this is composed of the cost of maintenance and the cost of training. But here we are not concerned with the value of a skilled labor power, but with the question how and in what ratio skilled labor creates more value than unskilled.

We must not deduce the higher value which skilled labor creates from the higher wage of skilled labor power, for this would be to deduce the value of the product from the "value of labor." It is true that Bernstein¹ proposes to do this, and believes that he can justify himself by a quotation from Marx. But if we read the sentence in the context from which Bernstein has torn it, we see that it conveys the precise opposite of that which Bernstein wishes to deduce from it. Marx writes: "It has previously been pointed out that, as far as the process of producing surplus value is concerned, it is a matter of absolutely no moment whether the labor appropriated by the capitalist be average unskilled social labor or comparatively skilled labor, labor of a higher specific gravity. The labor which, when contrasted with average social

¹ Eduard Bernstein, "Zur Theorie des Arbeitswerts," *Die Neue Zeit*, Vol. XVIII (1899-1900), Part 1, p. 359.

labor, counts as higher, comparatively skilled labor, is the manifestation of a labor power to the making of which higher formative costs have gone, whose production has cost more labor time, and which consequently has a higher value than that possessed by unskilled labor power. Now whereas the value of this power is higher, it must also be remembered that it manifests itself in higher work, and consequently materializes, in equal spaces of time, in comparatively higher values. Whatever difference in skill there may be between the labor of a spinner and that of a jeweler, the portion of his labor by which the jeweler merely replaces the value of his own labor power does not in any way differ in quality from the additional portion by which he creates surplus value. In the making of jewelry, just as in spinning, the surplus value results only from a quantitative excess of labor, from a lengthening out of one and the same labor process, in the one case of the process of making jewels, in the other of the process of making yarn.”¹ We see that the question Marx here discusses is how skilled labor can create surplus value despite the high wage, despite, that is to say, the magnitude of the necessary labor. Expressed in fuller detail, the thoughts in the sentence quoted by Bernstein would read somewhat as follows: “Even though the value of this power be higher, it can none the less produce more surplus value, because it manifests itself in higher work”—and so on.

Marx leaves out the intermediate clause and introduces what follows with the word “*aber*” [“but”], whereas, if Bernstein had been right, he would have had to use the word “*daher*” [“consequently,” or “therefore”]. To deduce the value of the product of labor from the wage of labor conflicts grossly with the Marxist theory. The value of labor power being given, I should only be in a position to deduce the value which this labor power

¹ Vol. I, p. 220.—The passage is not textually identical, except as regards the two concluding sentences, with the English edition, for we have retranslated it from the third German edition—the text used for the translation of the standard English edition and the one used by R. H.—E. & C. P.

newly creates if I knew what had been the rate of exploitation. But even if the rate of exploitation of unskilled labor were known to me, I should have no right to assume that the identical rate of exploitation prevailed for skilled labor. For the latter, the rate of exploitation might be much lower. Thus neither directly nor indirectly does the wage of a skilled labor power give me any information regarding the value which this labor power newly creates. The visage which the Marxist theory would assume if Bernstein's interpretation were to be accepted (and Bernstein himself tells us that in his view the theory would assume an utterly different visage) would possess ironical lineaments which could hardly be concealed. We must, therefore, endeavor to approach the solution of the problem in a different manner.¹

¹ The translators had hoped to avoid burdening Hilferding's text with any extended notes of their own, but they find it necessary to draw attention to a strange discrepancy between the text of the fourth (German) edition of *Capital*, finally revised by Engels in 1890, and the third edition, that of 1883, the one quoted above by Hilferding. In the third edition, the sentence about which the trouble arises runs as follows (p. 178): "*Ist der Wert dieser Kraft höher, so äussert sie sich aber auch in höherer Arbeit und vergegenständlicht sich daher, in denselben Zeiträumen, in verhältnissmässig höheren Wert.*" Our translation of this, which we prefer to that found on page 179 of Moore & Aveling's version, runs as follows: "Now whereas the value of this power is higher, it must also be remembered that it manifests itself in higher work, and consequently materializes, in equal spaces of time, in comparatively higher values." The phrase "it must be remembered that" seems rather a lengthy rendering of the German "*aber,*" but in this particular context that phrase effectively presents the precise shade of meaning.

Next let us turn to Bernstein. This writer quotes from the second (German) edition of *Capital*, in which (p. 186) the passage cited is identical with that quoted from the third edition by Hilferding. But Bernstein interpolates an exclamation mark expressive almost of derision, the passage thus reading: "Now whereas the value of this power is higher, it must also be remembered that it manifests itself in higher work, and consequently [!] materializes in equal spaces of time, in comparatively higher values." Thereafter (writing in *Die Neue Zeit* of December 23, 1899) Bernstein continues: "Here the value of the labor power which materializes in the wage of labor appears to be decisive for the value of the product. Were we to accept this as universally valid, the Marxist theory of value would in my opinion assume a visage utterly different from that which, as presented by all its expositors, it has hitherto

Average unskilled labor is the expenditure of unskilled labor power, but qualified or skilled labor is the expenditure of qualified labor power. For the production of this skilled labor power, however, a number of unskilled labors were requisite. These are stored up in the person of the qualified laborer, and not until he begins to work are these formative labors made fluid *on behalf of society*. The labor of the technical educator thus transmits, not only *value* (which manifests itself in the form of the higher

assumed. It would differ from the theory as expounded by Marx himself, for Marx, in his essay *Value, Price, and Profit* expressly declares: "To determine the values of commodities by the relative quantities of labor fixed in them, is, therefore, a thing quite different from the tautological method of determining the values of commodities by the value of labor, or by wages" [International Publishers' ed., p. 32]. However this may be, here is a point which still remains to be cleared up, unless it be imagined that the elucidation is to be found in the disquisitions of the third volume concerning cost price and price of production which, just like the fact of surplus value, do not require for their establishment the labor theory of value in its original form."

What Hilferding has to say of Bernstein we have seen in the text. The reader will note more particularly Hilferding's contention that were Bernstein right, Marx would have written "*daher*" in place of "*aber*." Now comes the point justifying the introduction of the present note. In the fourth (German) edition of *Capital* (p. 160) the word "*aber*" has been changed to "*daher*," not in consequence of what Bernstein wrote in *Die Neue Zeit* in 1899, for Engels' preface to the fourth edition is dated June 25, 1890. Further, in this preface, Engels gives a detailed specification of the important alterations in the text of the fourth edition, making no direct allusion to the change on page 160, but adding: "Other trifling modifications are of a purely technical nature." We take it this means trifling improvements in literary style. In any case it would seem clear that Engels did not regard this particular alteration as important. The revised sentence may best be rendered as follows: "Now if the value of this power be higher, the result is that it manifests itself in higher work, and consequently it materializes in equal spaces of time, in comparatively higher values."

Marx and Engels are beyond our reach. For the moment we are unable to communicate with Bernstein in Berlin or with Hilferding in Vienna. We must leave the problems raised anent this disputed text to the ingenuity of the English-speaking Marxists. They must sharpen their weapons, and make ready to deal with both the German and the Austrian commentators when the foolish capitalist bickering which at present hampers communications shall at length have drawn to a close. Among other things, they will want to know why Hilferding, writing in 1903, did not consult the definitive fourth edition of *Capital*, published thirteen years earlier!—E. & C. P.

wage), but in addition its own *value-creating power*. The formative labors are therefore *latent as far as society is concerned*, and do not manifest themselves until the skilled labor power begins to work. Its expenditure consequently signifies the expenditure of all the different unskilled labors which are simultaneously condensed therein.

Unskilled labor, if applied to the production of a qualified or skilled labor power, creates on the one hand the value of this labor power, which reappears in the wage of the qualified labor power; but on the other hand by the concrete method of its application it creates a new use value, which consists in this, that there is now available a labor power which can create value with all those potentialities possessed by the unskilled labors utilized in its formation. Inasmuch as unskilled labor is used in the formation of skilled labor, it thus creates on the one hand new value and transmits on the other to its product its use value—to be the source of new value. Regarded from the standpoint of society, unskilled labor is latent as long as it is utilized for the formation of skilled labor power. Its working for society does not begin until the skilled labor power it has helped to produce becomes active. Thus in this single act of the expenditure of skilled labor a sum of unskilled labors is expended, and in this way there is created a sum of value and surplus value corresponding to the total value which would have been created by the expenditure of all the unskilled labors which were requisite to produce the skilled labor power and its function, the skilled labor. From the standpoint of society, therefore, and economically regarded, skilled labor appears as a multiple of unskilled labor, however diverse skilled and unskilled labor may appear from some other outlook, physiological, technical, or aesthetic.

In what it has to give for the product of skilled labor, society consequently pays an equivalent for the value which the unskilled labors would have created had they been directly consumed by society.

The more unskilled labor that skilled labor embodies, the

more does the latter create higher value, for in effect we have numerous unskilled labors simultaneously employed upon the formation of the same product. In reality, therefore, skilled labor is unskilled labor multiplied. An example may make the matter clearer. A man owns ten storage batteries wherewith he can drive ten different machines. For the manufacture of a new product he requires another machine for which a far greater motive power is requisite. He now employs the ten batteries to charge a single accumulator, which is capable of driving the new machine. The powers of the individual batteries thereupon manifest themselves as a unified force in the new battery, a unified force which is the tenfold multiple of the simple average force.

A skilled labor may contain, not unskilled labors alone, but in addition skilled labors of a different kind, and these in their turn are reducible to unskilled labor. The greater the extent to which other skilled labors are incorporated in a skilled labor, the briefer will be its formative process.

Thus the Marxist theory of value enables us to recognize the principles in accordance with which the social process of reducing skilled labor to unskilled labor is effected. It therefore renders the magnitude of value *theoretically measurable*. But when Böhm-Bawerk insists that Marx ought to have furnished the empirical proof of his theory, and when he contends that the requisite proof would have consisted in demonstrating the relationship between exchange values or prices and quantities of labor, he is confusing theoretical with *practical* measurability. What I am able to determine by experience is the concrete expenditure of labor requisite for the production of a specified good. How far this concrete labor is socially necessary labor, how far, that is to say, it has a bearing on the formation of value, I am only able to determine if I know the actual average degree of productivity and intensity which the productive power has required, and if I also know what quantum of this good is demanded by society. This means that we are asking from the individual that which society performs. For society is the only

accountant competent to calculate the height of prices, and the method which society employs to this end is the method of competition. Inasmuch as, in free competition on the market, society treats as a unity the concrete labor expended by all producers for the production of a good, and inasmuch as society only pays for labor in so far as its expenditure was socially necessary, it is society which first shows to what degree this concrete labor has actually collaborated in the formation of value, and fixes the price accordingly. The utopia of "labor notes" and "constituted value" was based upon this very illusion that the theoretical standard of measurement is at the same time an immediately practical standard of measurement. This is the conception in accordance with which the theory of value is regarded, not as a means "for detecting the law of motion of contemporary society," but as a means of securing a price list that shall be as stable and as just as possible.

The search for such a price list led von Buch¹ to a theory which, in order to determine price, needs nothing more than this—a knowledge of the price. But the psychological theory of "value" is in no better case.

That theory indicates the various degrees of satisfaction of needs with definite but arbitrarily selected figures, and arranges that these figures shall signify the prices which people are willing to pay for the means wherewith needs are satisfied. This more effectually conceals the process whereby a number of arbitrary prices are assumed instead of a single arbitrary price.

The empirical proof of the accuracy of the theory of value lies in a very different direction from that towards which Böhm-Bawerk directs his inquiries. If the theory of value is to be the key for the understanding of the capitalist mode of production, it must be able to explain the phenomena of that mode of production in a manner free from contradictions. The actual processes of the capitalist world must not conflict with the theory

¹ *Die Intensität der Arbeit*, Leipzig, 1896.

but must confirm it. According to Böhm-Bawerk the theory fails in this respect. The third volume of *Capital*, in which Marx has no longer been able to ignore the actual processes, shows that these actual processes could not be harmonized with the presuppositions of the theory of value. The data of the third volume are in crass contradiction with those of the first volume. The theory is shipwrecked on the rocks of reality. For reality, says Böhm-Bawerk, shows that the law of value has no validity for the process of exchange, seeing that commodities are exchanged at prices which permanently diverge from the value of the commodities. In the discussion of the problem of the average rate of profit the contradiction becomes obvious. Marx can solve this problem only by the simple abandonment of his theory of value. This reproach of self-contradiction has become a commonplace of bourgeois economics since it was made by Böhm-Bawerk. When we are criticizing Böhm-Bawerk we are criticizing the representatives of bourgeois criticism of the third volume of *Capital*.