

Chapter Three

THE SUBJECTIVIST OUTLOOK

THE phenomenon of variations in the price of production has shown us that the phenomena of capitalist society can never be understood if the commodity or capital be considered in isolation. It is the social relationship which these occupy, and changes in that relationship, which control and elucidate the movements of individual capitals, themselves no more than portions of the total social capital. But the representative of the psychological school of political economy fails to see this social nexus, and he therefore necessarily misunderstands a theory which definitely aims at disclosing the social determinism of economic phenomena, a theory whose starting point therefore is society and not the individual. In apprehending and expounding this theory he is ever influenced by his own individualistic mentality, and he thus arrives at contradictions which he ascribes to the theory, while they are in truth ascribable solely to his interpretations of the theory.

This confusion may be traced in all the stages of Böhm-Bawerk's polemic. Even the fundamental concept of the Marxist system, the concept of value-creating labor, is apprehended in a purely subjective manner. To him "labor" is identical with "trouble" or "effort" [*"Mühe"*]. To make this individual feeling of distaste the cause of value naturally leads us to see in value

a purely psychological fact, and to deduce the value of commodities from our *evaluation of the labor* they have cost. As is well known, this is the foundation which Adam Smith adopts for his theory of value, for he is ever inclined to abandon the objective standpoint for a subjective. Smith writes: "Equal quantities of labor must at all times and places be of equal value to the laborer. In his ordinary state of health, strength, and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness."¹ If labor regarded as "trouble" be the basis of our personal estimate of value, then the "value of the labor" is a constituent, or a "determinant" as Böhm-Bawerk puts it, of the value of commodities. But it need not be the only one, for a number of other factors which influence the subjective estimates made by individuals take their places beside labor and have an equal right to be regarded as determinants of value. If, therefore, we identify the value of commodities with the personal estimate of the value of these commodities made by this or that individual, it seems quite arbitrary to select labor as the sole basis for such an estimate.

From the subjectivist standpoint, therefore, the standpoint from which Böhm-Bawerk levels his criticism, the labor theory of value appears untenable from the very outset. And it is because he adopts this standpoint that Böhm-Bawerk is unable to perceive that Marx's concept of labor is totally opposed to his own. Already in *A Contribution to the Critique of Political Economy* Marx had emphasized his opposition to Adam Smith's subjectivist outlook by writing "[Smith] fails to see the objective equalization of different kinds of labor which the social process forcibly carries out, mistaking it for the subjective equality of the labors of individuals."² In truth, Marx is entirely unconcerned with the individual motivation of the estimate of value. In capitalist society it would be absurd to make "trouble"

¹ *Wealth of Nations*, Book I, Chap. 5.

² Kerr ed., p. 68.

the measure of value, for speaking generally the owners of the products have taken no trouble at all, whereas the trouble has been taken by those who have produced but do not own them. With Marx, in fact, every individual relationship is excluded from the conception of value-creating labor; labor is regarded, not as something which arouses feelings of pleasure or its opposite, but as an objective magnitude, inherent in the commodities, and determined by the degree of development of social productivity. Whereas for Böhm-Bawerk, labor seems merely one of the determinants in personal estimates of value, in Marx's view labor is the basis and connective tissue of human society, and in Marx's view the degree of productivity of labor and the method of organization of labor determine the character of social life. Since labor, viewed in its social function as the total labor of society of which each individual labor forms merely an aliquot part, is made the principle of value, economic phenomena are subordinated to objective laws independent of the individual will and controlled by social relationships. Beneath the husk of economic categories we discover social relationships, relationships of production, wherein commodities play the part of intermediaries, the social relationships being reproduced by these intermediate processes, or undergoing a gradual transformation until they demand a new type of intermediation.

Thus the law of value becomes a law of motion for a definite type of social organization based upon the production of commodities, for in the last resort all change in social structure can be referred to changes in the relationships of production, that is to say to changes in the evolution of productive power and in the organization of [productive] labor. We are thereby led, in the most striking contrast to the outlook of the psychological school, to regard political economy as a part of sociology, and sociology itself as a historical science. Böhm-Bawerk has never become aware of this contrast of outlooks. The question whether the "subjectivist method" or the "objec-

tivist method" is the sound method in economics he decides in a controversy with Sombart by saying that each method must supplement the other—whereas in truth we are not concerned at all with two different methods, but with contrasted and mutually exclusive outlooks upon the whole of social life. Thus it happens that Böhm-Bawerk, unfailingly carrying on the controversy from his subjectivist and psychological standpoint, discovers contradictions in the Marxist theory which seem to him to be contradictions solely because of his own subjectivist interpretation of the theory.

But if labor be the only measure for the estimate of value and therewith the only measure of value, it is as regards this subjectivist outlook only logical that in that case commodities should exchange solely by the measure of equal quantities of labor embodied in them, for otherwise it would be impossible to see what should induce the individuals to deviate from their personal estimates of value. If, however, the facts do not conform to these premises, then the law of value loses all significance, even if labor be no more than one determinant among several. This is why Böhm-Bawerk lays so much stress upon the contention that commodities are *not* exchanged one for another by the measure of equal quantities of labor. This necessarily appears to be a contradiction when value is conceived, not as an objective quantity, but as the outcome of individual motivation. For if labor be the measure for my personal estimate of value, then I shall not be inclined to exchange my good for another unless in that other I obtain something which, if I had to produce it for myself, would cost me at least as much labor as my own good has cost me. A permanent deviation of the exchange relationship is in fact, if the subjectivist conception of the law of value be once assumed, a contradiction per se, a suspension of the meaning (that is to say, of the subjectivist meaning) of the law of value, which here supplies the individual's motive for economic action.

Very different is Marx's outlook. In his view, that goods

contain labor is one of their intrinsic qualities; that they are exchangeable is a distinct quality, one solely dependent on the will of the possessor, and one which presupposes that they are owned and alienable. The relationship of the quantity of labor to the process of exchange does not come into consideration until they are regularly *produced* as commodities, produced that is to say as goods specifically destined for exchange; thus this relationship makes its appearance only in a definite phase of historic evolution. The quantitative ratio wherein they are now exchanged becomes thereby dependent upon the time of production, which is in its turn determined by the degree of social productivity. The exchange relationship thus loses its chance character, thus ceases to be dependent upon the caprice of the owner. The social conditions imposed upon labor become objective limitations for the individual, and the social complex controls the individual's activities.

Now the mode of the social process of production determines the social process of distribution, for this latter is no longer consciously regulated, as if in a communist community. Under capitalism the process of distribution manifests itself as the outcome of the exchanges effected by independent individual producers, exchanges controlled by the laws of competition.

The Marxist law of value starts from this, that commodities exchange at their values, this meaning that commodities exchange one for another when they embody equal quantities of labor. The equality of the quantities of labor is solely a condition for the exchange of commodities at their values. Böhm-Bawerk, entangled in his subjectivist interpretation, mistakes this condition for a condition of exchange in general. But it is obvious that the exchange of commodities at their values, while on the one hand it merely constitutes the theoretical starting point for a subsequent analysis, on the other hand directly controls a historic phase of the production of commodities, a phase to which a specific kind of competition corresponds.

But the exchange relationship of commodities is no more than

the material expression of the social relationships of persons, and what in fact secures realization in the exchange relationship is the *equality of the agents of production*. Because, in the simple production of commodities, equal and independent laborers severally possessed of their means of production confront one another, exchange takes place at prices which tend to correspond to the values. Thus only can the mechanism of the simple production of commodities be maintained; thus only can the conditions requisite for the reproduction of the relationships of production be fulfilled.

In such a society the product of labor belongs to the laborer. If by permanent deviation from this rule (chance deviations are mutually compensatory) a portion of the product of labor be taken away from the laborer and assigned to another person, the foundations of the society will be modified; the former will become a wage laborer (engaged in home industry), and the latter will become a capitalist. This is actually one of the ways in which the simple production of commodities comes to an end. But it cannot come to an end unless there has occurred a modification in social relationships, carrying with it a modification in exchange, the expression of social relationships.

In the capitalist process of exchange, whose purpose is the realization of surplus value, the equality of the economic units is once more reflected. These, however, are no longer independently working producers, but owners of capital. Their equality secures expression in that the exchange is only normal when the profits are equal, when both are average profit. The exchange which gives expression to the equality of the owners of capital is of course differently determined from the exchange that is based upon an equality in the expenditure of the labor. But just as both societies have the same foundations, the division of property and the division of labor; just as capitalist society can be conceived as merely a higher modification of the earlier type of society; so also is the law of value unchanged in its foundation, for it has merely undergone certain modifica-

tions in its realization. These are caused by the specific mode of capitalist competition, which effectuates the proportional equality of capital. The share in the total product, whose value remains directly determined by the law of value, was formerly proportional to the individual's expenditure of labor, but now becomes proportional to the expenditure of capital requisite to set labor in motion. Thus the subordination of labor to capital finds expression. It appears as social subordination, the whole society being subdivided into capitalists and laborers, the former being owners of the product of the latter, the total product, determined by the law of value, being divided among the capitalists. The capitalists are free and equal; their equality is displayed in the price of production = $k + p$, where p is proportional to k . The dependent position of the laborer is shown by his appearance as one of the constituents of k , side by side with machinery, lubricating oil, and dumb beasts; this is all he is worth to the capitalist as soon as he has left the market and has taken his place in the factory to create surplus value. For a moment only did he play his part in the market, as a free man selling his labor power. The brief glory in the market and the prolonged debasement in the factory—here we see the difference between legal equality and economic equality, between the equality demanded by the bourgeoisie and the equality demanded by the proletariat.

The capitalist mode of production (this is its historic significance, and this is why we can regard it as a preliminary stage on the way to socialist society) socializes mankind to a greater extent than did any previous mode of production, that is to say, capitalism makes the existence of the individual man dependent upon the social relationships amid which he is placed. It does so in an antagonistic form, by the establishment of the two great classes, making the performance of social labor the function of one of these classes, and enjoyment of the products of labor the function of the other.

The individual is not yet an "immediate" of society, that is,

he does not yet possess a direct relationship to society, for his economic position is determined by his position as member of a class. The individual can only exist as a capitalist because his class appropriates the product of the other class, and his own share is solely determined by the total surplus value, not by the surplus value individually appropriated by him.

This significance of class gives expression to the law of value as a *social* law. To confute the theory of value it must be shown to lack confirmation *in the social domain*.

In capitalist society the individual appears as ruler or slave according as he is enrolled in one or other of the two great classes. Socialist society makes him free, inasmuch as it abolishes the antagonistic form of society, inasmuch as it consciously and directly installs socialization. No longer, then, are the interrelationships of society concealed behind enigmatic economic categories which seem to be the natural qualities of things; these interrelationships now manifest themselves as the freely willed outcome of human co-operation. Political economy then ceases to exist in the form we have hitherto known, and is replaced by a science of the "wealth of nations."

Competition is the power that effects the transformation of values into prices of production. But the competition with which we have to do here is capitalist competition. Competition is further necessary to secure a sale at prices which shall fluctuate round the value. In the simple production of commodities, on the other hand, we are concerned with the reciprocal competition of the finished commodities; it is this which equates the individual values to constitute a market value, thus objectively correcting the subjective errors of individuals. But here (in capitalist society) we have to do with the competition of capitals for different spheres of investment, a competition which establishes equal rates of profit, a competition which cannot become effective until after the abolition of the legal and material shackles which had previously been imposed upon the freedom of movement of capital and labor. Whereas the con-

tinually increasing diversity in the organic composition of capital, and the consequent greater and greater variations in the masses of surplus value directly created in the individual spheres of production, are in the first instance the outcome of capitalist evolution—this evolution in turn creates the possibility and the need for extinguishing these differences as far as capital is concerned, and for thus realizing the equality of human beings *qua* owners of capital.

We have previously seen what are the laws in accordance with which this equalization is effected. We have also seen that only upon the basis of the law of value was it possible to determine the magnitude of the total profit undergoing distribution as being equal to the total surplus value, and thus to determine the extent of the deviation of the price of production from its value. We have further seen how changes in the prices of production must always be referred to changes in value, and can only be explained with reference to such changes. All that we are interested in here is to note how, in this respect also, the subjectivist outlook hinders insight into Marx's train of thought.

For Böhm-Bawerk, competition is merely a collective name for all the psychical impulses and motives by which the parties in the market are influenced, and which thus affect the formation of prices. In relation to this view he has therefore no occasion to speak in a bad sense of the equilibrium between supply and demand, seeing that a number of wants always remain unsatisfied; for what this theory is concerned about is not the effective demand, but demand in general, so that certainly it remains enigmatical how the opinions and wishes of those who cannot buy are to influence the purchasing prices. Does not Marx destroy the validity of his objective law of value when he appeals to competition, appeals, that is to say, to these psychical impulses?

The relationship between supply and demand determines the price, but the height of the price determines the relationship between supply and demand. If the demand increases, the price

rises, but if the price rises, the demand lessens, while if the price falls the demand increases. Further, if the demand increases and consequently the price rises, supply increases because production has become more lucrative. Thus price determines supply and demand, and supply and demand determine price; moreover, supply determines demand, and demand supply. In addition, all these fluctuations have a tendency to neutralize one another. If demand increases, so that price rises above its normal level, supply increases; this increase readily becomes greater than normal, and price then falls below the normal. Can we find no fixed point in all this confusion?

In Böhm-Bawerk's opinion, demand and supply invariably balance one another, whether exchange be effected at a normal price or at an irregular one. But what is this normal price? On the basis of capitalist production the surplus-value-creating process of capital is a precondition of production. In order that the capitalist may continue to produce, he must be able to sell the commodity at a price which is equal to its cost price plus average profit. If he is unable to realize this price (the normal price of the commodity produced under capitalism), the process of reproduction is arrested, and the supply is reduced to a point at which the relationship between supply and demand renders it possible to realize this price. Thus the relationship between supply and demand ceases to be a mere matter of chance; we perceive that it is regulated by the price of production, which constitutes the center around which market prices fluctuate in directions which are perpetually opposed, so that the fluctuations compensate one another in the long run. Thus the price of production is a condition of the supply, of the reproduction, of commodities. And not of this alone. It is necessary to secure such a relationship between supply and demand that the normal price, the price of production, can be realized, for then only can the course of the capitalist mode of production continue undisturbed, then only can occur the perpetual reproduction, through the very course

of the process of circulation, of the social preconditions of a mode of production whose motive force is the need of capital for the creation of surplus value.

In the long run, therefore, the relationship between supply and demand must be of such a kind that that price of production (brought about independently of this relationship) may be attained which shall yield the capitalist the cost price plus the profit for the sake of which he has undertaken the production. Then we speak of the equilibrium of supply and demand.

If, on the other hand, we consider demand, we find that it is "essentially conditioned on the mutual relations of the different economic classes and their relative economic positions, that is to say, first, on the proportion of the total surplus value to the wages, and secondly, on the proportion of the various parts into which surplus value is divided (profit, interest, ground rent, taxes, etc.). And this shows once more that absolutely nothing can be explained by the relation of supply and demand, unless the basis has first been ascertained on which this relation rests" (III, 214). Thus Marx supplies the objective laws which are realized by and control the "psychical impulses" of individuals. The psychological school can attempt to elucidate but one side of the question, demand. The members of that school believe that they have explained the matter when they have classified the individual needs which manifest themselves as demand. They fail to recognize that the fact that a need exists does not convey any implication of the possibility for satisfying this need. The possibility of satisfaction does not depend upon the good will of the person feeling the need; it depends upon his economic power, upon the share of the social product of which he is able to dispose, upon the magnitude of the equivalent he is able to give for products owned by other persons.

Inasmuch as the productive power of human society in the specific form of organization which society confers upon that productive power is for Marx the fundamental idea of political

economy, Marx demonstrates economic phenomena and their modifications as they manifest themselves in conformity to law, and *causally* dominated by the modifications in productive power. In this demonstration, in accordance with the dialectic method, conceptual evolution runs parallel throughout with historical evolution, inasmuch as the development of the social power of production appears in the Marxist system, on the one side as a historical reality, and on the other side as a conceptual reflex. Moreover, this parallelism furnishes the strictest empirical proof of the accuracy of the theory. The commodity form is necessarily the starting point; the commodity form is the simplest form, and becomes the object of economic contemplation, as the object of a specific scientific contemplation. For in the commodity form there already comes into being that delusive appearance which results from the fact that the social relationships of individuals assume the aspect of material qualities of things. It is this delusively material appearance which so greatly confuses the issues of economics. The social functions of individuals masquerade as material qualities of things, just as time and space, the subjective forms of perception, masquerade as objective qualities of things. Inasmuch as Marx dispels this illusion, inasmuch as he discloses personal relationships where before him material relationships had been seen, and discloses social relationships where before him individual relationships had been seen, he succeeds in furnishing a unified and consistent explanation of the phenomena which the classical economists had been unable to elucidate. The failure of the classical economists was inevitable, for they regarded bourgeois relationships of production as natural and unalterable. Marx, having demonstrated the historic conditioning of these relationships of production, was able to take up the analysis at the point where the investigations of the classical economists had been arrested.

But the demonstration of the historic transitoriness of bourgeois relationships of production signifies the close of

political economy as a *bourgeois* science and its foundation as a *proletarian* science.

No more than two ways now remained open to the bourgeois champions, if they desired to be anything more than mere apologists for whom an uncritical eclecticism would provide the crumbling pillars of their systems of harmony. They might, like the historical school in Germany, ignore theory, and endeavor to fill its place with a history of economic science, but would then be restricted, as the German historical school has been restricted even within its own chosen field, by the lack of any unified apprehension of economic happenings. The psychological school of economics has chosen the other path. The members of this school have endeavored to construct a theory of economic happenings by excluding economics itself from their purview. Instead of taking economic or social relationships as the starting point of their system, they have chosen for that starting point the *individual* relationship between men and things. They regard this relationship from the psychological outlook as one which is subject to natural and unalterable laws. They ignore the relationships of production in their social determinateness, and the idea of a law-abiding evolution of economic happenings is alien to their minds. This economic theory signifies the repudiation of economics. The last word in the rejoinder of bourgeois economics to scientific socialism is the *suicide of political economy*.