1. Capitalism and Marxism

1.1 What Is Capitalism?

Contemporary societies are traversed by a variety of relations of domination and oppression that are expressed in various forms. We find asymmetrical gender relations, racist discrimination, enormous differences of property ownership with corresponding differences in social influence, anti-Semitic stereotypes, and discrimination against certain types of sexual orientation. There has been much debate concerning the connection between these relations of domination, and particularly concerning the question as to whether one of them is more fundamental than the others. If relations of domination and exploitation rooted in the economy are placed in the foreground in the following account, then it is not because they are the only relevant relations of domination. However, one cannot simultaneously address all such relations of domination. Marx's critique of political economy is primarily concerned with the economic structures of capitalist society, and for that reason they are placed at the center of the present work. But one should not succumb to the illusion that with an analysis of the fundamentals of the *capitalist mode of production* that everything decisive has already been said about *capitalist societies.*

The question of whether we live in a "class society" seems to be a matter of controversy, especially in Germany. The mere use of the term "class" is frowned upon. Whereas England's arch-reactionary former prime minister Margaret Thatcher had no problem referring to the "working class," even Social Democrats in Germany have problems uttering the word. Over here, there are only "*Arbeitnehmer*," or employees, "*Unternehmer*," or entrepreneurs, "*Beamte*," or civil servants, and above all else the "*Mittelschicht*"—literally: "middle level," avoiding any use of the term class—or "middle class." At the same time, talk of classes is in no way in and of itself particularly critical. That's not only the case for conceptions of "social justice" that aspire to an equilibrium between classes, but also for some allegedly "leftist" conceptions of bourgeois politics as a sort of conspiracy of the "ruling class" against the rest of society.

The existence of a ruling class, opposed to a "ruled" and "exploited" class, might be a surprise for a conservative social studies teacher who only knows "citizens," but this fact alone doesn't say very much. All societies that are known to us are "class societies." "Exploitation" only means in the first instance that the dominated class not only produces its own subsistence, but also that of the ruling class. These classes have manifested themselves in different ways throughout history: slaves existed opposite slave owners in ancient Greece, serfs existed opposite landlords in the Middle Ages, and in capitalism the bourgeoisie, the propertied class, exists opposite the proletariat, wage-dependent laborers. What is decisive is *how* class domination and exploitation function in a particular society. And in this, capitalism distinguishes itself fundamentally from precapitalist societies in two respects:

1. In precapitalist societies, exploitation rested upon a *relationship of personal domination and dependency*: the slave was the property of his owner; the serf was bound to his respective lord. The lord had direct authority over his servant. On the basis of this authority, the "lord" appropriated a portion of the product that the "servant" produced. Under capitalist relations, wage laborers enter into a contract with a capitalist. Wage laborers are *formally free* (there is no external force that compels them to sign a contract, and contracts, once signed,

can be annulled later) and are *formally equal* to capitalists (there are actual advantages to the ownership of a large estate, but there are no "inherited" legal privileges such as exist in a society characterized by the existence of a nobility). A *personal* relationship of force does not exist—at least not as a rule in the developed capitalist societies. Therefore, for many theorists of society, *bourgeois society*, with its free and equal citizens, appears to be the opposite of the feudal society of the Middle Ages with its caste privileges and personal relations of dependency. And many economists contest the notion that something like exploitation even exists in capitalism and, at least in Germany, prefer to speak of a "market economy." Thus it is alleged that various "factors of production" (labor, capital, and land) act together and receive a corresponding share of income (wage, profit, and ground rent). The question of how domination and exploitation in capitalism are realized precisely *by means of* the formal freedom and equality between "partners in exchange" will be discussed later on.

2. In precapitalist societies, the exploitation of the dominated class served primarily the consumption of the ruling class: its members led a luxurious life, used appropriated wealth for their own edification or for that of the public (theater performances in ancient Greece, games in ancient Rome) or to wage war. Production *directly* served the *fulfillment of wants:* the fulfillment of the (forcibly) restricted needs of the dominated class and the extensive luxury and war needs of the ruling class. Only in exceptional cases was the wealth expropriated by the ruling class used to enlarge the basis of exploitation, such as when consumption was set aside to purchase more slaves, to produce a greater amount of wealth. But under capitalist relations, production for the sake of increasing the capacity to produce is typically the case. The gains of a capitalist enterprise do not serve in the first instance to make a comfortable life for the capitalist possible, but are rather invested anew, in order to generate more gains in the future. Not the satisfaction of wants, but the *valorization of capital* is the *immediate* goal of production; the fulfillment of wants and therefore a comfortable life for the capitalist is merely a by product of this process, but not its goal. If

the gains are large enough, then a small portion is sufficient to finance the luxurious existence of the capitalist, and the greater portion can be used for the accumulation (enlargement) of capital.

The fact that earnings do not primarily serve the consumption of the capitalist, but rather the continuous valorization of capital, that is, the restless movement of more-and-more accumulation, might sound absurd. But the issue at hand is not an individual act of insanity. Individual capitalists are *forced* into this movement of restless profiteering (constant accumulation, expansion of production, the introduction of new technology, etc.) by competition with other capitalists: if accumulation is not carried on, if the apparatus of production is not constantly modernized, then one's own enterprise is faced with the threat of being steamrolled by competitors who produce more cheaply or who manufacture better products. A capitalist who attempts to withdraw from this process of constant accumulation and innovation is threatened with bankruptcy. He is therefore forced to participate, whether or not he wants to. In capitalism, "excessive profit-seeking" is not a moral failure on the part of individuals, but rather a necessity for surviving as a capitalist. As will be shown more clearly in the following chapters, capitalism rests upon a *systemic* relationship of domination that produces constraints to which both workers and capitalists are subordinated. For that reason, a critique that takes aim at the "excessive profit-seeking" of individual capitalists but not at the capitalist system as a whole is too narrow.

By *capital* we understand (provisionally; we'll get more precise later) a particular sum of value, the goal of which is to be "valorized," which is to say, generate a surplus. This surplus can be obtained in various ways. In the case of interest-bearing capital, money is lent at interest. The interest thus constitutes the surplus. In the case of *merchant capital*, products are purchased cheaply in one place and sold dearly in another place (or at another point in time). The difference between the purchase price and the sale price (minus the relevant transaction costs) constitutes the surplus. In the case of *industrial capital*, the production process itself is organized along capitalist lines: capital is advanced for the purchase of means of production (machines, raw materials) and for the employment of forces of labor, so that a process of production comes about under the direction of a capitalist (or his agents). The products produced are then sold. If the revenue is higher than the costs used for means of production and wages, then the originally advanced capital has not only reproduced itself, but has also yielded a surplus.

Capital in the sense outlined above—primarily as interest-bearing and merchant capital, not so much as industrial capital—has existed in practically all societies in which exchange and money existed, but it played mainly a subordinate role, whereas production for need was dominant. One can first speak of *capitalism* when trade and, above all, production is conducted in a predominantly capitalist manner—that is, profit-oriented rather than needs-oriented. Capitalism in this sense is primarily a modern European phenomenon.

The roots of modern capitalist development in Europe extend back to the high Middle Ages. Initially, foreign trade was organized on a capitalist basis, with the medieval crusades—wars of plunder—playing an important role in the expansion of trade. Gradually, merchants who had initially bought preexisting products to sell in a different locale started to take control of production: they contracted out the production of certain products, advanced the costs for the raw materials, and dictated the price at which they purchased the final product.

The development of European culture and European capital experienced a decisive upturn in the sixteenth and seventeenth centuries. What is often described in schoolbooks as an "Age of Discovery" was summarized by Marx in the following manner:

> The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the indigenous population of that continent, the beginnings of the conquest and plunder of India, and the conversion of Africa into a preserve for the commercial hunting of blackskins, are all things which characterize the dawn of the era of capitalist production. The treasures captured outside Europe by undisguised looting, enslavement and murder, flowed back to the mother country and were turned into capital there. (*Capital*, 1:915, 918)

Within Europe, capitalist production took hold of further areas, manufactories and factories emerged, and industrial capitalists employing constantly growing labor forces inside of increasingly large production facilities established themselves alongside the merchant capitalists. This industrial capitalism developed initially in England in the late-eighteenth and early-nineteenth centuries, with France, Germany, and the United States following in the nineteenth century. In the twentieth century, there occurred a thorough capitalization of almost the entire world, but there were also attempts by a few countries, such as Russia and China, to extract themselves from this development by building a "socialist system" (see chapter 12 below). With the collapse of the Soviet Union's and China's orientation toward a capitalist market-economy, capitalism at the beginning of the twenty-first century knows no boundaries, at least not of the geographical sort. Although no part of the world is without capitalist influence, not all parts of the world are thoroughly capitalized (as a glance at large parts of Africa will show), but this isn't because capital would encounter resistance, but because the conditions of valorization are of varying favorability, and capital always seeks out the best possibilities for profit and leaves the less profitable ones alone for the time being.

1.2 The Emergence of the Workers' Movement

Not only was the development of appropriately large fortunes a precondition for the development of industrial capitalism, it also involved the "freeing" of forces of labor: people who were no longer subject to feudal relations of dependency, who were formally free, and therefore had the possibility for the first time to sell their labor-power, yet also were "free" from every source of income, who possessed no land they could cultivate in order to survive, and thus were forced to sell their labor-power to survive.

Small peasant farmers who had been impoverished or expelled from their land (landlords had often transformed cropland into pasture land, since this was more profitable), as well as ruined artisans and day laborers constituted the core of this "proletariat," which was often forced into permanent wage labor by the deployment of the most brutal state violence—persecution of "vagabonds" and "beggars," the erection of so called workhouses. The emergence of modern capitalism was not a peaceful, but rather a deeply violent process, concerning which Marx wrote in *Capital*:

> If money, according to Augier, "comes into the world with a congenital blood-stain on one cheek," capital comes dripping from head to toe, from every pore, with blood and dirt. (*Capital*, 1:925–26)

At the cost of enormous human sacrifice, industrial capitalism developed in Europe (initially in England) at the beginning of the nineteenth century. Workdays of up to fifteen or sixteen hours and labor forced upon children of six or seven years of age were just as widespread as extremely unhealthy and hazardous conditions of work. And for all that wages were hardly sufficient for survival.

Resistance arose against these conditions from various quarters. Workers sought higher wages and better working conditions. The means used to achieve these goals varied, and ranged from petitions to strikes to militant battles. Strikes were frequently put down violently through the deployment of police and the military, and the first trade unions were often persecuted as "insurrectionary" associations, their leaders often convicted as criminals. Throughout the entire nineteenth century, battles were carried out for the recognition of trade unions and strikes as a legitimate means of struggle.

With time, enlightened citizens and even individual capitalists criticized the miserable conditions under which a large part of the constantly growing proletariat vegetated during the course of industrialization.

Ultimately, the state was forced to notice that the young men who were subject at an early age to the overly long work hours of the factories were no longer suitable for military service. Partially under pressure from the increasingly strong working class, partially due to the insight that capital and the state needed halfway healthy people as forces of labor and as soldiers, the "factory laws" were introduced in the nineteenth century, again with England leading the way. Minimal health protections for employees were mandated, while the minimum age for child labor was raised and the maximum daily working hours for child laborers lowered. Ultimately, the working time for adults was limited. In most sectors, a normal workday of twelve and later ten hours was introduced.

During the nineteenth century, the workers' movement grew increasingly strong, and there emerged trade unions, workers' associations, and ultimately also workers' political parties. With the extension of suffrage, which was initially limited to property owners (or more precisely: property-owning males), the parliamentary fractions of these parties continued to grow. A constant source of debate was the question concerning the goal of the struggle of the workers' movement: was the issue merely that of a reformed capitalism or of the abolition of capitalism? Also debated was the question of whether states and governments were opponents that should be fought just as much as capital or whether they were possible coalition partners who merely needed to be convinced of the proper perspective.

Since the first decades of the nineteenth century, there emerged an abundance of analyses of capitalism, utopian conceptions of socialism, reform proposals, and strategic blueprints as to how particular goals were to be best achieved. From the middle of the nineteenth century onwards, Marx and Engels won increasing influence within these debates. Toward the end of the nineteenth century, both had already died, but "Marxism" was dominant within the international workers' movement. However, even back then it was questionable as to how much this "Marxism" had anything to do with Marx's theory.

1.3 Marx and "Marxism"

Karl Marx (1818–1883) was born in Trier. He came from an educated petit-bourgeois family; his father was a lawyer. Marx formally studied law in Bonn and Berlin, but occupied himself above all else with the then-dominant philosophy of Hegel (1770–1831) and the Young Hegelians, a radical group of followers of Hegel.

In 1842–43 Marx was the editor of the *Rheinische Zeitung*, which functioned as an organ of the liberal Rhineland bourgeoisie in opposition to the authoritarian Prussian monarchy. In his articles, Marx criticized Prussian policies, whereby the Hegelian conception of the "essence" of the state, namely the realization of a "reasonable freedom" standing above all class interests, served as the benchmark of criticism. During the course of his journalistic activity, Marx came into more and more contact with economic questions, which made the Hegelian philosophy of the state appear increasingly dubious.

Under the influence of Ludwig Feuerbach (1804–1872), a radical critic of Hegel, Marx attempted to take "real human beings" as his point of departure rather than Hegelian abstractions. In doing so, he wrote his *Economic and Philosophical Manuscripts* of 1844, which were never published during his lifetime. In these texts, he developed his "theory of alienation," which would go on to enjoy an extraordinary reception in the twentieth century. Marx attempted to show that under capitalist relations the species being (*Gattungswesen*), the human essence of real humans—that is to say what separates them from animals, namely that they developed their potential and ability through labor—is "alienated": as wage laborers they do not possess the products of their labor, nor do they control the labor process, both being subject to the rule of the capitalist. *Communism*, the abolition of capitalism, is therefore conceived of by Marx as the transcendence of alienation, as the reappropriation of human species (*Gattungswesen*), the human essence being by real humans.

During his time with the *Rheinische Zeitung*, Marx got to know Friedrich Engels (1820–1895), the son of a factory owner from Barmen (today a part of Wuppertal). In 1842, for the purposes of completing his training as a merchant, Engels was sent by his parents to England and witnessed the misery of the English industrial proletariat. By the end of 1844 there existed between Marx and Engels a close personal friendship that would endure until the end of their lives.

In 1845 they jointly wrote the *German Ideology*, a work (unpublished during their lifetimes) that was intended as a settling of accounts not only with the "radical" Young Hegelian philosophers, but also, as Marx later wrote, "with our former philosophical conscience" (MECW, 29:264). In this work, as in the *Theses on Feuerbach* that Marx wrote shortly before the *German Ideology*, Marx and Engels criticized in particular the philosophical conception of a "human essence" and of "alienation." The really existing social relations under which people live and work became the object of investigation. Subsequently, the concept of a human species-being or essence no longer surfaces in Marx's work, and he only rarely and vaguely speaks of alienation. In discussions concerning Marx, it is a point of contention as to whether he actually discarded the theory of alienation or whether he simply no longer placed it at the foreground of his work. The debate as to whether there is a conceptual break between the writings of the "young" and those of the "old" Marx is primarily concerned with this question.

Marx and Engels would become widely known through the *Communist Manifesto*, published in 1848 shortly before the outbreak of the revolutions of the same year, a programmatic text that was composed under the auspices of the League of Communists, a small revolutionary group that existed only for a short time. In the *Communist Manifesto*, Marx and Engels concisely and succinctly outlined the rise of capitalism, the increasingly fierce emerging antagonism between bourgeoisie and proletariat, and the inevitability of a proletarian revolution. This revolution would lead to a communist society, based upon the abolition of private property over the means of production.

After the suppression of the revolution of 1848, Marx had to flee Germany. He settled in London, which was then the capitalist center *par excellence* and also the best place to study the development of capitalism. Furthermore, Marx could draw upon the resources of the enormous library of the British Museum.

The *Communist Manifesto* originated more from an ingenious intuition rather than from any far-reaching scientific knowledge (some assertions, such as the allegation of an absolute immiseration of the workers, were later revised by Marx). Marx had already started to deal with economic literature in the 1840s, but he only began a comprehensive and deep scientific engagement with political economy in London. This led him at the end of the 1850s to the project of a planned multi-volume "Critique of Political Economy," for which a series of extensive manuscripts were developed starting in the year 1857, none of which, however, were completed or published by Marx (among these were the *Introduction* of 1857, the *Grundrisse* of 1857–58, and the *Theories of Surplus Value* of 1861–1863).

Marx worked on this project until the end of his life, but would publish very little. As a prelude, the *Contribution to the Critique of Political Economy*, a small text concerning the commodity and money, was published in 1859, but was not continued. Instead, the first volume of *Capital* came out in 1867, and in 1872 the revised second edition of the first volume was released. Volumes 2 and 3 were brought out after Marx's death by Friedrich Engels, in 1885 and 1894, respectively.

Marx did not limit himself to scientific work. In 1864, he was a decisive participant in the founding in London of the International Workingmen's Association, and formulated its "Inaugural Address," which contained its programmatic ideas as well as a draft of its statutes. In the following years, as a member of the general council of the International, he exercised considerable influence over its policies. Not least through its various national sections the International supported the founding of Social Democratic labor parties. In the 1870s the International was dissolved, partly due to internal conflicts, partly because a centralized organization alongside the individual parties had become superfluous.

For the Social Democratic parties, Marx and Engels constituted a sort of think tank: they engaged in an exchange of letters with various party leaders and wrote articles for the Social Democratic press. They were asked to state their positions concerning the most varied political and scientific questions. Their influence was the greatest within the German Social Democratic Party (SPD), founded in 1869, which developed at a particularly rapid pace and soon served as a model for the other parties.

Engels composed a series of popular works for the Social Democracy (the SPD), in particular the so-called *Anti-Dühring*. The *Anti-Dühring* and above all the short version, *Socialism: Utopian and Scientific*, which was translated into many languages, was among the most widely read texts of the workers' movement in the period before the First World War. *Capital*, on the other hand, was usually taken note of by only a small minority. In the *Anti-Dühring* Engels critically engaged with the ideas of Eugen Dühring, a university lecturer in Berlin. Dühring claimed to have developed a new, comprehensive system of philosophy, political economy, and socialism, and was able to win an increasing number of adherents in the German Social Democracy.

Dühring's success rested upon a strong desire within the workers' movement for a *Weltanschauung*, or "worldview," a comprehensive explanation of the world offering an orientation and answers to all questions. After the worst outgrowths of early capitalism had been eliminated and the everyday existence of the wage-dependent class within capitalism was somewhat secure, a specific Social Democratic workers' culture developed: in workers' neighborhoods there emerged workers' sports clubs, workers' choral societies, and workers' education societies. Excluded from the exalted bourgeois society and bourgeois culture, there developed within the working class a parallel everyday life and educational culture that consciously attempted to distance itself from its bourgeois counterpart, but often ended up unconsciously mimicking it. And so it was that at the end of the nineteenth century August Bebel, the chairman of the SPD over the course of many years, was graciously honored in a manner similar to the way that Kaiser Wilhelm II was honored by the petit-bourgeoisie. Within this climate, there emerged the need for a comprehensive intellectual orientation that could be opposed to the dominant bourgeois values and worldview, in which the working class played no role or merely a subordinate role.

Insofar as Engels not only criticized Dühring but also sought to counterpose the "correct" positions of a "scientific socialism," he laid the foundations for the worldview of Marxism, which was appreciatively taken up in Social Democratic propaganda and further simplified. This Marxism found its most important representative in Karl Kautsky (1854–1938), who until the First World War was regarded as the leading Marxist theoretician after the death of Engels. What dominated the Social Democracy at the end of the nineteenth century under the name of Marxism consisted of a miscellany of rather schematic conceptions: a crudely knitted materialism, a bourgeois belief in progress, and a few strongly simplified elements of Hegelian philosophy and modular pieces of Marxian terminology combined into simple formulas and explanations of the world. Particularly outstanding characteristics of this popular Marxism were an often rather crude *economism* (ideology and politics reduced to a direct and conscious transmission of economic interests), as well as a pronounced historical *determinism* that viewed the end of capitalism and the proletarian revolution as inevitable occurrences. Widespread in the workers' movement was not Marx's critique of political economy, but rather this "worldview Marxism," which played above all an identity-constituting role: it revealed one's place as a worker and socialist, and explained all problems in the simplest way imaginable.

A continuation and further simplification of this worldview Marxism took place within the framework of "Marxism-Leninism." Lenin (1870–1924), who became after 1914 so influential, was intellectually rooted in worldview Marxism. He openly expressed the exaggerated self-confidence of this "Marxism":

> The teaching of Marx is all-powerful because it is true. It is complete and harmonious, providing men with a consistent view of the universe, which cannot be reconciled with any superstition, any reaction, any defense of bourgeois oppression. (Lenin, *The Three Sources and Three Component Parts of Marxism*)

Before 1914, Lenin supported the Social Democratic center around Karl Kautsky against the left wing represented by Rosa Luxemburg (1871–1919). His break with the center came at the beginning of the First World War, when the SPD voted for war credits requested by the German government. From then on, the split within the workers' movement took its course: A Social Democratic wing that in the next few decades would move further away—both theoretically and practically—from Marxist theory and the goal of transcending capitalism stood opposite a Communist wing that nurtured a Marxist phraseology and revolutionary rhetoric, but existed above all to justify the zigzags in the domestic and foreign policy of the Soviet Union (such as during the Hitler-Stalin pact).

After his death, the Communist wing of the workers' movement turned Lenin into a Marxist "Pillar-Saint." His polemical writings, most of which were written within the context of contemporary debates within the workers' movement, were honored as the highest expression of "Marxist science" and were combined with already existing "Marxism" into a dogmatic system of philosophy (Dialectical Materialism), history (Historical Materialism), and political economy: Marxism-Leninism.

This variant of worldview Marxism served above all else an identity-constituting role, and in the Soviet Union in particular legitimized the political domination of the party and suffocated open discussion.

Ideas in general circulation today concerning Marx and Marxian theory—whether these are appraised positively or negatively—are essentially based upon this worldview Marxism. Readers of the present work might also have certain, seemingly self-evident, ideas concerning Marxian theory that are derived from this worldview Marxism. But the sentiment Marx expressed to his son-in-law, Paul Lafargue, after the latter gave an account of French "Marxism" also applies to a large amount of that which assumed the label of "Marxism" or "Marxism-Leninism" over the course of the twentieth century: "If anything is certain, it is that I myself am not a Marxist" (MECW, 46:356).

However, this worldview Marxism did not remain the only kind of Marxism. Against the background of the split in the workers' movement into Social Democratic and Communist wings, as well as the disappointment of the revolutionary hopes that existed after the First World War, there developed in the 1920s and 1930s differing (and widely diverging) variants of a "Marxist" critique of worldview Marxism. These new currents, which are associated with, among others, Karl Korsch, Georg Lukacs, Antonio Gramsci (whose *Prison Notebooks* were published after the Second World War), Anton Pannekoek, and the Frankfurt School founded by Max Horkheimer, Theodor W. Adorno, and Herbert Marcuse, are often retrospectively aggregated under the label "Western Marxism."

For a long time, Western Marxism only criticized the philosophical and theoretical-historical foundations of traditional Marxism: Dialectical and Historical Materialism. The fact that the critique of political economy was often reduced to a "Marxist political economy" by traditional Marxism and that the comprehensive meaning of the word *critique* had been lost only reemerged into view in the 1960s and 1970s. As a consequence of the students' movement and the protests against the U.S. war in Vietnam, there was an upsurge of leftist movements beyond and outside of the traditional Social Democratic and Communist parties of the workers' movement, and a renewed discussion concerning Marx's theory. Now a far-reaching discussion of Marx's critique of political economy emerged. The writings of Louis Althusser and his associates were very influential in this regard (Althusser 1965, Althusser/Balibar 1965). Furthermore, the discussion was no longer limited to *Capital*; other critical economic writings by Marx, such as the *Grundrisse*, were incorporated, the latter gaining popularity above all due to Roman Rosdolsky's book (1968). For the (West) German discussion, the writings of Hans-Georg Backhaus (collected in Backhaus 1997) and Helmut Reichelt's book (1970) played a central role; they provided a new impetus for the new reading of Marx's critical economic writings mentioned in the Preface to the present text. The present work also stands within the substantive context of this "new reading of Marx."[2] The differences between this new reading and traditional Marxist political economy, merely alluded to in this chapter, will become clearer throughout the course of this work.

2. The Object of Critique in the Critique of Political Economy

In *Capital*, Marx examines the capitalist mode of production. The question, however, is in *what manner* capitalism is the object of study: in the text there are abstract-theoretical inquiries into money and capital as well as historical passages, such as those dealing with the development of capitalist relations in England. Is *Capital* first and foremost concerned with the main features of the *history of capitalist development*, or with a particular *phase* of capitalism, or is the point rather an *abstract-theoretical depiction of the mode of operation* of capitalism? Or, to raise the question more generally, how do history and theoretical depiction relate to each other within the critique of political economy?

A further question concerns the relationship between Marx's depiction of the capitalist mode of production and bourgeois economic theory: Is Marx presenting merely just another theory of the mode of operation of capitalism? Does the "critique" in the critique of political economy consist solely of previously existing theories being proven wrong in certain places so that Marx may present a better theory? Or does "critique" make a more comprehensive claim? To formulate things more generally: What does "critique" mean within the framework of the critique of political economy?

2.1 Theory and History

Engels had already suggested a "historical" manner of reading Marx's account. In a review of the early writing, *A Contribution to the Critique of Political Economy* of 1859, he wrote that the "logical" depiction of categories presented by Marx (*logical* here meaning conceptual, theoretical) is "indeed nothing but the historical method, only stripped of the historical form and of interfering contingencies" (MECW, 16:475). And Karl Kautsky, who published a popular outline of the first volume of *Capital* in 1887, wrote that *Capital* is "an essentially historical work."

Then, at the beginning of the twentieth century, it became common knowledge among the leading figures of the workers' movement that capitalism had entered a new phase of development, that of "imperialism." Marx's *Capital* was understood as an analysis of "competitive capitalism," a phase of capitalist development preceding imperialism. Marx's research, therefore, now had to be continued by analyzing the next historical phase of capitalism—imperialism. Hilferding (1910), Luxemburg (1913), and Lenin (1917) took up this task in various ways.

One also frequently hears from contemporary economists, insofar as they don't reject Marx's analysis entirely, that it is at best valid for the nineteenth century. But in the twentieth century, economic conditions have supposedly undergone such extensive change that Marx's theory is of no use (which is why one hears so little of it in most economics departments). Such "historicizing" ways of reading Marx, which are also typical of many introductions to Marx's *Capital*, are at the very least opposed to Marx's own understanding of his work. In the foreword to the first volume Marx writes the following concerning the object of his research:

> What I have to examine in this work is the capitalist mode of production, and the relations of production and forms of intercourse [*Verkehrsverhältnisse*] that correspond to it. Until now, their *locus classicus* has been England. That is the reason why England is used as the main illustration of the theoretical developments I make. [. . .] Intrinsically, it is not a question of the higher or lower degree of development of the social antagonisms that spring from the natural laws of capitalist pro-

> duction. It is a question of these laws themselves, of these tendencies winning their way through and working themselves with iron necessity. (*Capital*, 1:90–91)

Here Marx explicitly states that he is concerned neither with the history of capitalism nor with a specific historical phase of capitalism, but rather with a "theoretical" analysis of capitalism: examined are the essential determinants of capitalism, those elements which must remain the same regardless of all historical variations so that we may speak of "capitalism" as such. What is portrayed is therefore not a (historically or geographically) specific capitalism, but rather, as Marx says at the end of the third volume of *Capital*, "We are only out to present the internal organization of the capitalist mode of production, its ideal average, as it were" (*Capital*, 3:970).

With this statement Marx merely formulates the claim he makes for his account. Whether this claim is actually redeemed, whether Marx actually manages to portray the capitalist mode of production "in its ideal average," is something to be addressed when we deal with the details of his account.

The statements cited above clarify the level of abstraction of Marx's account: if the analysis is carried out at the level of the "ideal average" of the capitalist mode of production, then it actually provides the categories that must underlie any research into the history of capitalism or a particular phase.

The notion that one must know history in order to understand the present has a certain justification when applied to the history of events, but not for the structural history of a society. Rather, the opposite is the case: to examine the *constitution* of a particular social and economic structure, one has to be already familiar with the *completed* structure. Only then will one know what to look for in history. Marx formulated this idea with the help of a metaphor:

> The anatomy of man is a key to the anatomy of the ape. On the other hand, indications of higher forms in the lower species of animals can only be understood when the higher forms themselves are already known. (MECW, 28:42)

For this reason, the "historical" passages in *Capital* come *after* the (theoretical) depictions of the corresponding categories and not before: thus the well-known chapter about the "So-called Primitive Accumulation," which concerns the emergence of the "free" wage laborer as a precondition of the capital relationship, is placed not at the beginning but at the end of the first volume of *Capital.* The historical passages *complement* the theoretical account, but they don't *constitute* the theoretical account.

Although *Capital* is first and foremost a theoretical work (which analyzes a *fully developed* capitalism) and not a historical work (concerned with the *development* of capitalism), the depiction is not ahistorical in the sense that contemporary economics to a large extent is. Economics assumes there is a general problem of economic activity that exists in every society—production must occur; scarce means have to be distributed, and so forth. This problem, which is assumed to remain constant throughout all historical phases, is then examined using essentially the same categories (thus some economists view the hand axe of the Neanderthal as a sort of capital). Marx, on the other hand, realizes that capitalism is a particular historical mode of production, which is fundamentally different from other modes of production such as ancient slaveholding societies or the feudalism of the Middle Ages. In this respect, every one of these specific modes of production contains specific relationships that have to be described with categories that only retain their validity with regard to these modes of production. In this sense, the categories that describe the capitalist mode of production are "historical" and in no way transhistorical categories; they are valid only for the historical phase in which capitalism is the dominant mode of production.

2.3 Theory and Critique

Within worldview Marxism, Marx was regarded as the great economist of the workers' movement who had developed a "Marxist political economy" that one could oppose to "bourgeois economy," that is, the schools of economics that regarded capitalism positively: Marx had supposedly taken over the labor theory of value of Adam Smith (1723–1790) and David Ricardo (1772–1823), the most important representatives of so-called classical political economy. According to the labor theory of value, the value of commodities was determined by the labor-time necessary for their production. As distinct from the classical political economists, Marx had allegedly developed a theory of the exploitation of labor-power and the crisis-prone nature of capitalism. According to this view, there are no fundamental categorical differences between Marxist political economy and classical political economy, only differences concerning the *conclusions* of both theories.

This is basically also the view of contemporary economics: in terms of the substance of his theory Marx is viewed as a representative of the classical school who draws different conclusions than Smith and Ricardo. And since classical political economy is viewed as outmoded by contemporary economics (modern theory has bid farewell to the determination of value by labor), a contemporary economist doesn't think he has to seriously concern himself with Marx.

However, as the subtitle of *Capital* makes clear, Marx's intent was not to provide an alternative "political economy" but a "*critique* of political economy." Today, a new scientific approach also contains a critique of previous theories, if for no other reason than to justify its own existence. But Marx was concerned with far more than such a critique. He wanted not only to critique particular theories—he does that in *Capital*; his critique was aimed rather at the *entirety* of political economy—he wanted to criticize the *categorical presuppositions* of an entire branch of knowledge. Marx made clear the comprehensive character of this critique in a letter he wrote to Ferdinand Lassalle at the end of the 1850s:

> The work I am presently concerned with is a *Critique of Economic Categories* or, if you like, a critical exposé of the system of the bourgeois economy. It is at once an exposé and, by the same token, a critique of the system. (MECW, 40:270; emphasis in original)

This critique of categories begins with the most abstract category of political economy, that of value. Marx concedes that political economy has grasped the "content" concealed in value and its magnitude, the connection between labor and value. But political economy has "never once asked the question why this content has assumed that particular form, that is, why labour is expressed in value and why the measurement of labour by its duration is expressed in the magnitude of the value of the product" (*Capital*, 1:173–74). Marx is not predominantly criticizing the conclusions of political economy, but rather the manner in which it *poses questions*, meaning the distinction between that which political economy aims to explain and that which is accepted as so self-evident that it doesn't need to be explained at all (such as the commodity form of the product of labor). Thus did Adam Smith, the progenitor of classical economy, proceed on the assumption that humans, as distinct from animals, had a "propensity to truck, barter, and exchange" (1776; Smith, 25). Thus it would be a general human trait to relate to all things as commodities.

Within political economy, social relationships such as exchange and commodity production are "naturalized" and "reified," that is, social relationships are conceived of as quasi-natural conditions, ultimately as the characteristics of things (according to this conception, things do not first obtain an exchange value on the basis of a particular societal structure, but rather in and of themselves). Through such a naturalization of social relationships, it appears as if *things* have the properties and autonomy of *subjects*.

Marx characterizes such conditions as an "absurdity" (*Capital*, 1:169),[3] and speaks of a "spectral objectivity" (*gespenstige Gegenständlichkeit*), (128, translation corrected by author and translator—"spectral" instead of "phantom-like") or "occult quality" (*okkulte Qualität*) (255, corrected translation: "quality" instead of "ability"). What he means in each case will become clearer in the following chapters. In worldview Marxism, as well as in bourgeois critiques of Marx, such conceptions were usually glossed over, or were viewed merely as stylistic peculiarities. However, with these descriptions Marx took aim at a central issue of the critique of political economy, namely, that the *naturalization and reification* of social relationships is in no way the result of a mistake by individual economists, but rather the result of an image of reality that develops independently as a result of the everyday practice of the members of bourgeois society. At the end of the third volume of *Capital*, Marx can therefore establish that people in bourgeois society inhabit "the bewitched, distorted and upside-down world" and that this "religion of everyday life" (*Capital*, 3:969) is not only the basis of everyday consciousness, but also constitutes the background for the categories of political economy.

The question was posed above as to what "critique" means within the context of the critique of political economy. We are now able to provide a tentative answer: critique aims to break down the *theoretical field* (meaning the self-evident views and spontaneously arising notions) to which the categories of political economy owe their apparent plausibility; the "absurdity" (*Verrücktheit*) of political economy should be made clear. Here, the critique of perception, the question as to how perception is possible, meets the analysis of the capitalist relations of production: neither is possible without the other.[4]

However, Marx's intent with *Capital* was not simply to write a critique of bourgeois science and bourgeois consciousness, but also to formulate a critique of bourgeois social relations. In a letter, he described his work—not very modestly—as "without question the most terrible missile that has yet been hurled at the heads of the bourgeoisie (landowners included)" (MECW, 42:358).

For this purpose, Marx's intent was to point out the human and social costs connected with capitalist development. He attempts to prove that "within the capitalist system all methods for raising the social productivity of labour are put into effect at the cost of the individual worker; that all means for the development of production undergo an inversion so that they become means of domination and exploitation of the producers" (*Capital*, 1:799, corrected translation).[5] Or as he put it in another passage:

> Capitalist production, therefore, only develops techniques and the degree of combination of the social process of production by simultaneously undermining the original sources of all wealth—the soil and the worker. (*Capital*, 1:638)

Marx does not intend to make a *moral* critique with such comments. Marx does not accuse capitalism (or even individual capitalists) of violating some eternal norms of justice. He is aiming rather to state a matter of fact: that there is an *immanent destructive potential* of capitalism that is activated time and time again (see chapters 5 and 9). On the basis of its manner of functioning, capitalism must always contravene the elementary interests of laborers. Within capitalism, these elementary interests can only be protected in a temporary and limited way, but the situation can only be fundamentally altered when capitalism is abolished.

Marx does not advance a moral "right" to an unscathed existence or something similar against the impositions of capitalism. Instead, he hopes that with the growing insight into the destructive nature of the capitalist system (which can be established without recourse to morality), the working class will take up the struggle against this system—not on the basis of *morality*, but rather on the basis of its own *interest*. Not, however, on the basis of an interest of a better situation within capitalism, but rather on the basis of an interest in a good and secure life, which can only be realized by transcending capitalism.

2.3 Dialectics—A Marxist "Rosetta Stone"?

Whenever Marx's theory is spoken of, eventually the catchword *dialectics* (or: dialectical development, dialectical method, dialectical portrayal) pops up, and in most cases, there is no explanation of what exactly is meant by this word. Most notably in Marxist political parties, opponents in an argument frequently accuse each other of having an "undialectical conception" of whatever matter is being debated. Also today, in Marxist circles people speak of something standing in a "dialectical relationship" to another thing, which is supposed to clarify everything. And sometimes, whenever one makes a critical inquiry, one is answered with the know-it-all admonishment that one has to "see things dialectically." In this situation, one shouldn't allow oneself to be intimidated, but should rather constantly annoy the know-it-all by asking what exactly is understood by the term "dialectics" and what the "dialectical view" looks like. More often than not, the grandiose rhetoric about dialectics is reducible to the simple fact that everything is dependent upon everything else and is in a state of interaction and that it's all rather complicated—which is true in most cases, but doesn't really say anything.

If dialectics is spoken of in a less superficial sense, then one can make a rough distinction between two ways of using this term. In one sense, dialectics is considered to be, according to Engel's text *Anti-Dühring*, "the science of the general laws of motion and development of nature, human society and thought" (MECW, 25:131). According to this conception, dialectical development does not proceed uniformly and in a linear manner, but is rather a "movement in contradictions." Of particular importance for this movement are the "change of quantity into quality" and the "negation of the negation."[6] Whereas Engels was clear that with such general statements nothing is understood about individual processes,[7] this was anything but clear within the framework of worldview Marxism; "dialectics," understood as the general science of development, was often viewed as a sort of Rosetta Stone with which everything could be explained.

The second way in which dialectics is spoken of relates to the form of depiction in the critique of political economy. Marx speaks on various occasions of his "dialectical method," and in doing so also praises Hegel's achievements. Dialectics played a central role in Hegel's philosophy. However, Marx alleges that Hegel "mystified" dialectics, and that his dialectic is therefore not the same as Hegel's. This method gains importance with the "dialectical presentation" of categories. This means that in the course of the presentation the individual categories are *unfolded* from one another: they are not simply presented in succession or alongside each other. Rather, their interrelationship (how one category necessitates the existence of another) is made clear. The *structure* of the depiction is therefore not a didactic question for Marx, but has a decisive *substantive* meaning.

However, this dialectical portrayal is in no way the result of the "application" of a ready-made "dialectical method" to the content of political economy. Ferdinand Lassalle intended such an "application," which caused Marx to express the following in a letter to Engels: "He will discover to his cost that it is one thing for a critique to take a science to the point at which it admits of a dialectical presentation, and quite another to apply an abstract, ready-made system of logic to vague presentiments of just such a system" (MECW, 40:261).

The precondition of a dialectical portrayal is not the *application* of a method (a widespread conception in worldview Marxism), but rather the *categorical critique,* discussed in the previous section. And such a categorical critique presumes an exact and detailed familiarity and engagement with the substance of a field of knowledge to which the categories refer.

An exact discussion of Marx's "dialectical presentation" is therefore only possible if one already knows something about the categories being portrayed: one cannot talk about the "dialectical" character of Marx's account or even the relationship between Marx's dialectic and Hegel's before one has engaged with Marx's account itself. The frequent characterization of Marx's account as "advancing from the abstract to the concrete" (MECW,28:38) also says very little to those who are first beginning to read Marx's *Capital.* Above all else, the actual structure of the presentation in *Capital* is considerably more complex than this formula, which stems from the "Introduction" of 1857, would lead one to believe.

Other than in the foreword and afterword, Marx speaks very seldom of dialectics in *Capital.* He practices a dialectical portrayal, but without demanding from his readers that they deal with the subject of dialectics before reading *Capital.* Only in hindsight can one say what is "dialectical" about Marx's account. For that reason, the present work does not begin with a section on dialectics.

3. Value, Labor, Money

3.1 Use Value, Exchange Value, and Value

Marx's intent in *Capital* is to analyze the capitalist mode of production, but his analysis does not begin immediately with capital. In the first three chapters, only the commodity and money are mentioned, and capital is dealt with explicitly only from the fourth chapter onward. Within the framework of the historical manner of reading *Capital* mentioned above, the first three chapters are therefore understood as an abstract description of a precapitalist "simple (or petty) commodity production." But the first two sentences make it clear that the chapter is not about precapitalist conditions:

> The wealth of societies in which the capitalist mode of production prevails appears as "an immense collection of commodities"; the individual commodity appears as its elementary form. Our investigation therefore begins with the analysis of the commodity. (*Capital*, 1:125)

Here, Marx points out a specific aspect of *capitalist* socialization: in capitalist society—and only in capitalist society—the "commodity" is the typical form of wealth. Commodities (which we can define provisionally as goods intended for exchange) also exist in other societies, but only in capitalist society do the overwhelming majority of goods consist of commodities. In the feudal societies of the early Middle Ages, only a small amount of goods were exchanged; the commodity form was more of an exception than the rule. The overwhelming majority of goods consisted of agricultural products and these were either produced for one's own use or turned over to landlords (nobles or the Church), not exchanged. Not until capitalism does exchange become comprehensive, and with it the commodity form of goods. Only with capitalism does wealth take the form of a "collection of commodities" and only with capitalism is the commodity the "elementary form" of wealth. This commodity, the commodity in capitalist societies, is what Marx intends to analyze.

One only describes something as a *commodity* if it is exchanged, something that in addition to its *use value* also has an *exchange value.* The use value of something is nothing other than its usefulness; for example, the use value of a chair consists of the fact that one can sit on it. The use value is independent of whether or not the object is exchanged.

Now if I exchange the chair for two sheets of linen, then the exchange value of the chair is two sheets of linen. If I exchange the chair for 100 eggs, then 100 eggs are the exchange value of the chair. If I don't exchange the chair at all, but only use it, then it has no exchange value, and it is also not a commodity, but merely a use value, a chair on which one can more or less comfortably sit.

To be a commodity, to therefore have an exchange value in addition to a use value, is not a "natural" property of things, but rather a "social" one: only in societies where things are exchanged do they possess an exchange value, only then are they commodities. As Marx notes, use values "constitute the material content of wealth, whatever its social form may be" (*Capital,* 1:126).

And with this we come to an extremely important distinction. The "content" of something (its "natural form") is distinguished from its "social form"—sometimes Marx speaks of an "economic form-determination" (*ökonomische Formbestimmung*). The "natural form" of the chair is simply its material composition (for example, whether it is made of wood or metal). "Social form," on the other hand, means that the chair is a "commodity," something that is exchanged and that therefore possesses an "exchange value." That the chair is a commodity is not a characteristic of the chair itself as a thing, but rather of the society in which this thing exists.

Individual acts of exchange occur in all forms of society that are known to us. But it is a specific aspect of capitalist society that almost everything is exchanged. This has consequences for quantitative relationships of exchange. In the case of exchange as an isolated phenomenon, there can be various quantitative exchange relationships: I can exchange the chair at one point for two sheets of linen, or at another point for three, etc. But if exchange is the normal form in which goods are transferred, then individual relations of exchange have to "match" each other in a certain way: in the example above, a chair was exchanged for two sheets of linen or for 100 eggs. If this is so, then it must also be the case that one can exchange 100 eggs for 2 sheets of linen. Why is that? If this were not the case, if for example 100 eggs could only be exchanged for one sheet of linen, then by a clever series of acts of exchange I could constantly make a profit: I exchange a sheet of linen for 100 eggs, then 100 eggs for 1 chair, then 1 chair for 2 sheets of linen. Through mere exchange, I would have doubled my inventory of linen sheets, and through a number of corresponding acts of exchange I could continuously increase my wealth. However, this would only be possible as long as I could find exchange partners who would be prepared to carry out the reciprocal acts of exchange. After a short period of time, the other participants in the market would want to imitate my profitable chain, and there would be nobody left who would want to engage in exchange from the other side. Relations of exchange can only be stable when they exclude the possibility that profit and loss can result merely through a particular *sequence* of exchange acts.

For *capitalist* societies, in which exchange is the rule, we can therefore conclude: the various exchange values of the same commodity also have to constitute exchange values for each other. If a chair can be exchanged for 2 sheets of linen, and on the other hand for 100 eggs, then one must also be able to exchange 2 linen sheets for 100 eggs.

Now, when such a regularity of exchange exists (and it must exist for exchange to function smoothly), then one cannot help asking what a chair, 2 linen sheets, and 100 eggs have in common. The answer suggested by our everyday experience is: these three things have "the same value." Through experience with exchange we have a rather exact appreciation of the value of many things. If this diverges in actual exchange from our notion of what a thing is worth, then we conclude that a particular thing is just "cheap" or "expensive." But the questions for us are, what is it that constitutes this "value," and how is the respective magnitude of value determined?

Long before Marx, economists had concerned themselves with this question and came to two fundamentally different answers. One answer is: the value of something is determined by its usefulness. For something that is of great use to me, I'm prepared to pay a lot, whereas I'll pay very little, or nothing at all, for something that is of little use to me. This "utility theory of value," however, faces a great problem that Adam Smith had already formulated very clearly: water is of great use, we couldn't live without water, but the value of water is very small. Compared to water, the utility of a diamond is infinitesimally small, but its value is huge. Smith therefore drew the conclusion that it would not be the usefulness of a thing that determines its value. Rather, Smith considered the quantity of labor necessary to produce something as constituting its value. This is the second fundamental answer to the question as to what makes up value.

This "labor theory of value" was the common understanding within political economy during Marx's time.[8] Applied to our example above, the labor theory of value says that a chair, 2 linen sheets, and 100 eggs have the same value, because the same quantity of labor is necessary to produce them.

There are two obvious objections to the labor theory of value. For one, things are also exchanged that are not products of labor (for example, virgin soil). For another, there are certain products of labor (such as works of art) whose exchange value is completely independent of the labor-time expended for their production.

Regarding the first point, it should be noted that the labor theory of value only explains the value of products of labor. Things that are not products of labor do not possess a "value." If they're exchanged, they have an exchange value or price, but no value, and this exchange value has to then be explained separately (Marx did this in vol. 3 of *Capital*).

As to the second point: a work of art is a product of labor, but unlike normal commodities, it is a unique object, something that only exists once. The price that a buyer is prepared to pay for it is a collector's price, which hasn't the slightest to do with the labor expended by the artist. However, most economic products are not unique, but rather mass-produced goods, and it is the value of those goods that should be explained.

Marx also sees the value of commodities as accounted for by commodity-producing labor. As an objectification of "equal human labour," commodities are *values*. The *magnitude of value* is determined by "the quantity of the 'value-forming substance,' the labour, contained in the article" (*Capital*, 1:129).

But, Marx continues, it is not the labor-time *individually* expended by isolated producers that creates value (a chair then produced by a slow carpenter would have more value than an identical chair produced by a speedy carpenter). Rather, it is the "socially necessary labor-time" that creates value.

> Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society. (*Capital*, 1:129)

However, the labor-time socially necessary for the production of a particular use value does not remain constant. If the productivity of labor increases, if more products can be created in the same time span, then the labor-time socially necessary for the production of a single item has diminished and the magnitude of its value declines. If, however, the productivity of labor declines, then the labor-time socially necessary for production increases, and the magnitude of a single product's value increases. This could be the consequence, for example, of natural conditions: if a harvest is spoiled, then the same quantity of labor yields a smaller output, more labor is necessary for the production of a single fruit, and its value increases.

If exchange exists, then a division of labor is implied. I only exchange for things that I do not myself produce. Division of labor is a precondition of exchange, but exchange is not a precondition for the division of labor, as a glance at any factory would confirm: within a factory, there is a high level of division of labor, but the products themselves are not exchanged for one another.

Up until now, one might have had the impression that when the term "commodity" is used, it refers solely to physical objects. But what is relevant here is the act of exchange, not the fact that physical objects are being exchanged. Services can also be exchanged and therefore become commodities. The difference between a material product and an "immaterial" service consists solely of a different temporal relationship between production and consumption: the material product is first produced and subsequently consumed (a bread roll should be consumed on the same day, but an automobile can remain by its manufacturer for a few weeks or even months before I have the chance to use it). In the case of a service (whether we are talking about a taxi ride, a massage, or a theater performance), the act of production is concurrent with the act of consumption (as the taxi driver produces a change of place, I consume it). The difference between services and physical objects consists of a distinction of the *material* content; the question as to whether they are commodities pertains to their *social form*, and that depends upon whether objects and services are exchanged. And with that, we have sorted out the matter of the frequently stated argument that with the "transition from an industrial to a service economy" or in the left-wing variant of Hardt and Negri—the transition from "material" to "immaterial" production—Marx's value theory has become outmoded.

The aspects of value theory that we have considered up to this point were largely dealt with by Marx on the first seven pages (out of a total of fifty) of the first chapter of *Capital*. For many Marxists, and most of Marx's critics, this constitutes the core of Marx's value theory: the commodity is use value and value, value is an objectification of human labor, the magnitude of value depends upon the "socially necessary labor-time" required for the production of a commodity (the last point is frequently referred to as the "law of value"). If that were actually all there is to it, then Marx's value theory would not have gone very far beyond classical political economy. But the central value-theoretical insights of Marx are not limited to these simple propositions. The decisive, most important aspects of Marx's value theory lay beyond what has thus far been outlined, which shall be made clear in the rest of this chapter.

3.2 A Proof of the Labor Theory of Value? (Individual Agency and Social Structure)

Tied up with the question concerning the difference between Marx's value theory and classical value theory is the question of whether Marx had "proven" the labor theory of value, that is, whether he had established beyond the shadow of a doubt that labor and nothing else underlies the value of a commodity. This question has been frequently discussed in the literature about Marx. But as we're about to see, Marx was not at all interested in such a "proof."

Adam Smith had "proven" the determination of a commodity's value through labor with the argument that labor entails effort and that we therefore estimate the value of something according to how much effort is involved in producing it. Here, value is ascribed directly to the *rational considerations* of isolated individuals. Modern neoclassical economic theory argues in a similar manner, taking utility-maximizing individuals as a point of departure and explaining exchange relationships on the basis of utility estimates. Both classical and neoclassical economic theory begin as a matter of course with isolated individuals and their allegedly universal human strategies and attempt to explain the whole of society from this starting point. In order to do this they have to project onto individuals some of the features of the society they purport to explain. Thus does Adam Smith define the "propensity to truck, barter, and exchange" as the characteristic that distinguishes humans from animals, and from there it is of course no problem to derive the structures of an economy based upon commodity exchange from the rationality of this sort of person (the commodity owner) to declare these structures as universally human.

For Marx, on the other hand, it was not the thought processes of individuals that are fundamental, but rather the *social relations* in which the individuals are embedded at any given time. As he pointedly formulated it in the *Grundrisse*:

> Society does not consist of individuals, but expresses the sum of relationships and conditions in which these individuals stand to one another. (MECW, 28:195)

These relations impose a certain form of rationality to which all individuals must adhere if they wish to maintain their existence within these conditions. If their actions correspond to this rationality, then the activity of individuals also reproduces the presupposed social relations.

Let's make this connection clear using an obvious example. In a society based upon commodity exchange, everyone must follow the logic of exchange if he or she wants to survive. It is not merely the result of my "utility maximizing" behavior if I want to sell my own commodities dearly and buy other commodities cheaply. Rather, I have no other choice (unless I am so rich that I can choose to ignore exchange relationships). And since I am not capable of seeing an alternative, maybe I even perceive my own behavior as "natural." When the majority behaves in the manner indicated, they also reproduce the social relations that commodity exchange is based upon, and therefore the compulsion for every individual to continue to behave accordingly.

Marx therefore does not account for his value theory on the basis of the considerations of those engaged in exchange. Contrary to a common misunderstanding, his thesis is not that the values of commodities correspond to the labor-time socially necessary for their production because those engaged in exchange want it to be so. On the contrary, Marx maintains that people engaged in exchange in fact *do not* know what they're actually doing (*Capital*, 1:166–67).

With value theory, Marx seeks to uncover a specific social structure that individuals *must* conform to, *regardless of what they think*. The question posed by Marx is therefore completely different than that posed by classical or neoclassical economics; in principle, Adam Smith observes a *single* act of exchange and asks how the terms of exchange can be determined. Marx sees the individual exchange relation as part of a *par-*

ticular social totality—a totality in which the reproduction of society is mediated by exchange—and asks what this means for the labor expended by the *whole society*. As he made clear in a letter to his friend Ludwig Kugelmann, a "proof" of the labor theory of value is not the point:

> The chatter about the need to prove the concept of value arises only from complete ignorance both of the subject under discussion and of the method of science. Every child knows that any nation that stopped working, not for a year, but let us say, just for a few weeks, would perish. And every child knows, too, that the amounts of products corresponding to the differing amounts of needs demand differing and quantitatively determined amounts of society's aggregate labour. It is self-evident that this necessity of the distribution of social labour in specific proportions is certainly not abolished by the specific form of social production; it can only change its form of manifestation. Natural laws cannot be abolished at all. The only thing that can change, under historically differing conditions, is the form in which those laws assert themselves. And the form in which this proportional distribution of labour asserts itself in a state of society in which the interconnection of social labour expresses itself as the private exchange of the individual products of labour, is precisely the exchange value of these products. (MECW, 43:68)

If, under the conditions of commodity production, the distribution of privately expended labor onto individual branches of production is mediated by the value of commodities (conscious regulation or a distribution predetermined by tradition do not exist), then the interesting question is how this is at all possible, or stated more generally, how privately expended labor becomes a component part of the total labor of society. So value theory doesn't "prove" that an individual act of exchange is determined by the productively necessary quantity of labor.[9] Rather, it should explain the specific social character of commodity-producing labor—and Marx does this mainly beyond the first seven pages of *Capital* discussed above, which traditional Marxism as well as many critics of Marx take to be the most important for Marx's value theory.

3.3 Abstract Labor: Real Abstraction and Relation of Social Validation

To understand what's behind the specific social character of commodity-producing labor, we have to deal with the distinction between "concrete" and "abstract" labor. In most accounts of Marx's value theory, this distinction is briefly mentioned, but its importance is frequently not understood. Marx himself pointed out its fundamental significance:

> I was the first to point out and to examine critically this twofold nature of the labour contained in commodities. As this point is crucial to an understanding of political economy, it requires further elucidation. (*Capital*, 1:132)

What does this mean? If the commodity has a twofold character, as use value and value, then *commodity-producing labor* must also have a twofold character: it is labor that not only produces a use value, but also value. (Here it is important to note that not all labor has a twofold character, but rather only *commodity-producing* labor.)

Qualitatively different "concrete labors" produce qualitatively different use values: carpentry produces a chair; linen weaving produces a linen sheet. When we "learn a trade," we study the particularities of a concrete activity; when we observe a person working, then we observe him or her executing a concrete act of labor.

Value, however, is not constituted by a particular concrete labor or through a particular aspect of concrete labor. *Every act of labor whose product (which can also be a service) is exchanged produces value.* As values, the commodities are *qualitatively* equal; therefore the various acts of labor that produce values must have the status of *qualitatively equal human labor*. Carpentry does not produce value as carpentry (as carpentry, it produces a chair); rather, it produces value as human labor, whose product is exchanged with other products of human labor. So carpentry produces value precisely as labor *abstracted from its concrete manifestation* as carpentry. Marx therefore speaks of value-producing labor as "abstract labor."

Abstract labor is thus not a special type of labor expenditure, such as monotonous assembly-line labor as opposed to artisanal, content-rich carpentry. As labor *constituting use value*, monotonous assembly-line labor is just as much concrete labor as carpentry. Assembly-line labor (just like carpentry) *only constitutes value* as *equal human labor*, abstracted from its concrete character, or, in short: assembly-line labor and carpentry only constitute value as *abstract labor.*

As "crystals" of abstract labor, commodities are "values." Marx therefore describes abstract labor as the "value-forming substance" or as the "substance of value."

The "substance of value" as a figure of speech has frequently been understood in a quasi-physical, "substantialist" manner: the worker has expended a specific quantity of abstract labor and this quantity exists *within the individual commodity* and turns the isolated article into an object of value. That things are not so simple should already be apparent by the fact that Marx describes the value-objectivity as a "spectral objectivity" (*gespenstige Gegenständlichkeit, Capital*, 1:128, corrected translation); in the manuscript in which Marx noted revision of the first edition of *Capital* preparing the second edition, *"Ergänzungen und Veränderungen zum ersten Band des 'Kapital,'"* he even speaks of a "purely fantastic objectivity" (*rein phantastische Gegenständlichkeit*). If the "substantialist" understanding of Marx's value theory were accurate, then it would be difficult to understand what is supposed to be "spectral" or "fantastic" about the objectivity of value.

Let us deal with abstract labor in more detail. Abstract labor is not visible, only a particular concrete labor is visible, just as the concept of "tree" isn't visible: I'm only capable of perceiving a concrete botanical plant. As with the term "tree," abstract labor is an abstraction, but a completely different kind of abstraction. Normally, abstractions are constituted in human thought. We refer to the commonalities among individual examples and then establish an abstract category, such as "tree." But in the case of abstract labor, we are not dealing with such a "mental abstraction" but with a "real abstraction," by which we mean an abstraction that is carried out in the actual behavior of humans, regardless of whether they are aware of it.

During the act of exchange, an abstraction is made from the use value of commodities, and the commodities are equated *as values.* (Of course, the individual buyer only purchases a commodity because he is interested in its use value, and, as the case may be, refrains from exchange if he does not desire this use value; however, if exchange occurs, then the commodities are equated as values.) Only with the equation of commodities as values does an abstraction from the particularity of the labor that produces them actually occur, and it only counts as value-forming "abstract" labor. So the abstraction *really* occurs, independent of what the participating commodity owners think.

This point is not always made clearly by Marx. He speaks of abstract labor as "an expenditure of human labour power, in the physiological sense" (*Capital*, 1:137). The reduction of various types of labor to labor in a physiological sense, however, is a purely mental abstraction, to which any kind of labor can be subjected, regardless of whether it produces a commodity. Furthermore, this formulation suggests that abstract labor has a completely non-social, natural foundation, and has therefore accordingly provoked "naturalistic" interpretations of abstract labor.[10] In other passages, however, Marx expresses himself clearly concerning the non-naturalistic foundation of abstract labor. He writes in the revised manuscript to the first edition (Marx-Engels Gesamtausgabe or MEGA, II.6:41; Marx included this sentence in the French translation):

> The reduction of various concrete private acts of labor to this abstraction of equal human labor is only carried out through exchange, which in fact equates products of different acts of labor with each other.

Accordingly, it is exchange, that consummates the abstraction that underlies abstract labor (independent of whether the people engaged in exchange are aware of this abstraction). But then *abstract* labor cannot be measured in terms of hours of labor: every hour of labor measured by a clock is an hour of a particular *concrete* act of labor, expended by a particular individual, regardless of whether the product is exchanged. Abstract labor, on the other hand, cannot be "expended" at all. Abstract labor is a *relation of social validation* (*Geltungsverhältnis*) that is constituted in exchange. In exchange, the concrete acts of expended labor *count* as a particular quantum of value-constituting abstract labor, or are *valid* as a specific quantum of abstract labor, and therefore as an element of the total labor of society.

This validation (*Geltung*) of privately expended concrete labor as a particular quantum of value-constituting abstract labor implies three different acts of reduction:

1. Individually expended labor-time is reduced to socially necessary labor-time. Only labor that is necessary for the production of a use value under average conditions counts as value-constituting. The level of average productivity, however, is not determined by an individual producer, but rather upon the entirety of producers of a use value. The average changes constantly and only becomes apparent in the act of exchange; only then does the individual producer find out to what extent his individually expended labor-time corresponds to the socially necessary labor-time.

2. In traditional Marxism, a technologically determined "socially necessary labor-time" was usually understood as the sole determinant of value-constituting labor. Whether the use values produced faced a corresponding monetary demand appeared to play no role in the determination of their value. However, Marx noted that in order to produce a commodity one has to produce not only a use value, but rather "use-values for others, social use-values" (*Capital*, 1:131). If a greater quantity of a use value, a linen sheet for example, is produced beyond that of the (monetary) demand existing in society, then this means that "too great a portion of the total social labour-time has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time on his particular product than was socially necessary" (*Capital*, 1:202).

   Only labor-time expended under the average existing conditions of production *as well as* for the satisfaction of monetary social demand constitutes value. To what extent the privately expended labor was actually necessary to satisfy demand depends on the one hand upon the amount of this demand and on the other hand upon the volume of production of other producers—both of which first become apparent in exchange.

3. Individual acts of labor expenditure are not only distinguished from one another in their concrete character (as carpentry, as tailoring, etc.) but in regard to the qualifications of the required labor power. "Simple labour-power" is "the labour-power possessed in his bodily organism by every ordinary man, on the average, without being developed in any special way" (*Capital*, 1:135). Exactly what counts as a qualification belonging to the simple average labor force and whether, for example, reading and writing or computer skills are counted among these qualifications varies from country to country and among different cultural epochs but remains firmly established within a particular country at a particular point in time. The labor of more highly qualified forces of labor counts as "skilled" labor, and is regarded as constituting a greater magnitude of value than simple average labor. To what degree a particular amount of skilled labor constitutes more value than the same amount of simple labor is again only apparent in exchange. Not only do the qualifications of the labor force emphasized by Marx play a role in the quantitative relation; also decisive are processes of social hierarchization that are reflected, for example, in the fact that "female professions" have a lower status than "male professions," which in turn influences how activities are considered "simple" or "skilled."

The extent to which privately expended individual labor *counts* or is *effectively valid* as value-constituting abstract labor is the result of these three reductions that take place *simultaneously* in the act of exchange.

3.4 "Spectral Objectivity": A Production or Circulation Theory of Value?

Value-objectivity (*Wertgegenständlichkeit*) is not possessed by commodities as objectifications of concrete labor, but rather as objectifications of abstract labor. However, if as we just outlined, abstract labor is a relation of social validation existing only in exchange (where privately expended labor counts as value-constituting, abstract labor) then value also first exists in exchange. What's more, value is not at all a property that an individual thing possesses in and of itself. The substance of value, that constitutes the foundation of this objectivity, is not inherent to individual commodities, but is bestowed *mutually* in the act of exchange.

The most emphatic statement on this by Marx can be found in his revised manuscript for the first edition. There he states that when a coat is exchanged for linen, then both are "reduced to an objectification of human labor per se." However, it should not be forgotten that

> *none of both is in and of itself value-objectivity* [Wertgegenständlichkeit], they are this only insofar as that this *objectivity is commonly held* by them. Outside of their relationship with each other—the relationship in which they are equalized—neither coat nor linen possess value-objectivity or objectivity as congelations of human labor per se. (MEGA, 2.6:30)

As a consequence,

> a product of labor, considered in isolation, is not value, nor is it a commodity. It only becomes value in its unity with another product of labor. (MEGA, 2.6:31)

With this we also come closer to the "phantom-like" (better translated: spectral) character of value-objectivity that Marx spoke of at the beginning of *Capital.* The substance of value is not something that two commodities have in common in the way, for example, that both a fire truck and an apple have the color red in common. Both are red even in isolation from each other, and when they are placed alongside each other, we detect that they have something in common. The substance of value, and thus the value-objectivity, is something only obtained by things when they are set into relation with one another in exchange. It's as if the fire truck and apple were only red when they're actually standing alongside one another, and had no color when separated (the fire truck in the fire station, the apple hanging from an apple tree).

Normally, objective properties of things are inherent, regardless of their relationship to other things. We do not regard properties of things that only exist in a specific connection to other things as objective, inherent properties of those things, but rather as relations. If soldier A is commanded by staff sergeant B, then A is a subordinate and B is a superior. The property of being a subordinate or a superior arises from the specific *relationship* between A and B within a military hierarchy, but are not inherent to them as people outside of this hierarchy.

In the case of value, a property that only exists within a relationship *appears* to be an objective property that is also inherent outside of this relationship. If we attempt to locate this objectivity outside of the exchange relationship, it eludes our grasp. The objectivity of value is quite literally a "spectral objectivity."

Traditional Marxism was also taken in by the illusion that value was a property of an individual commodity. The substance of value was understood in a "substantialist" way, as a property of an *individual* commodity. The magnitude of value was also understood as a property of an individual commodity and it was believed to be determined, independent of the exchange process, by the quantity of socially necessary labor-time expended in the *production* of the commodity. Conceptions that emphasized the importance of exchange were accused of advancing a circulation theory of value, and thus of approaching value by placing emphasis on a supposedly negligible aspect.

However, even the question as to whether value and the magnitude of value are determined in the sphere of production or in the sphere of circulation (the sphere of buying and selling) is the result of a fatal reduction. Value isn't just "there" after being "produced" someplace. In the case of a bread roll, one can at least pose the question (even if the answer is somewhat obvious) as to where it comes into existence—in the bakery or in the act of purchase over the sales counter. But value isn't a thing like the bread roll, but rather a social relationship that *appears as a tangible characteristic* of a thing. The social relationship that is expressed in value and the magnitude of value is constituted in production *and* circulation, so that the "either/or" question is senseless.

The *magnitude of value* is not yet determined before exchange, but also does not emerge coincidentally during the exchange act. It is the result of the threefold reduction, outlined in the previous section, of privately expended individual labor to abstract labor. The magnitude of value of a commodity is not simply a relationship between the *individual* labor of the producer and the product (which is what the "substantialist" conception of value amounts to), but rather a relationship between the *individual* labor of producers and the *total labor of society*. Exchange does not produce value, but rather mediates this relation to the total labor of society. However, in a society based upon private production, this act of mediation can only occur in the act of exchange, and nowhere else.[11]

Prior to being exchanged, the magnitude of value can only be more or less estimated. This estimation is also responsible for whether a commodity producer takes up production. But the estimation of a value is in no way the same thing as the existence of this value, a painful fact that some producers experience firsthand.

These considerations should make it clear that Marx's use of the term "substance of value" should not be understood in a "substantialist" way, in the sense that a substance is present within individual things. Objectivity as value is not a tangible aspect of an individual commodity. Only with the act of exchange does value obtain an objective value form, thus the importance of the "value form analysis" for Marx's theory of value.[12]

3.5 The Form of Value and Money (Economic Determinate Form)

With the analysis of the form of value, Marx claims to accomplish something that has no counterpart in bourgeois economy. He writes:

> Everyone knows, if nothing else, that commodities have a common value-form, which contrasts in the most striking manner with the motley natural forms of their use-values. I refer to the money form. Now, however, we have to perform a task never even attempted by bourgeois economics. That is, we have to show the origin [*Genesis*] of this money-form, we

> have to trace the development of the expression of value contained in the value-relation of commodities from its simplest, almost imperceptible outline to the dazzling money-form. (*Capital*, 1:139)

This sentence has been frequently understood as if Marx's intent is to trace, at a high level of abstraction, the historical emergence of money, starting from the simple exchange of products. But if that were the case, then his attempt to distinguish himself from bourgeois economics by claiming to accomplish something that the latter never even attempted would be completely exaggerated. Even in Marx's time such abstract-historical sketches belonged to the standard repertoire of economists.[13]

But let us recall that in the first sentence of *Capital* Marx clearly states that his intent is not to analyze a precapitalist commodity, but rather the commodity as it exists in capitalism (see the beginning of section 3.1 above). Hence it is clear that with the phrase "origin" (*Genesis*) he does not mean *the historical emergence of money*, but rather a *conceptual relationship of development.* He is not concerned with the historical development of money (not even in a completely abstract sense) but with a conceptual reconstruction of the connection between the "simple form of value" (a commodity expressing its value through another commodity) and the "money form." This is a relation that exists within contemporary capitalism. More generally, the question is whether money in a commodity-producing society is merely a practical aid (which is otherwise basically dispensable) or whether money is in fact a *necessity*.

In Marx's time, this question was not a merely academic one. Various socialist tendencies, in devising alternatives to capitalism, aspired to a society in which private commodity production would continue to exist, but money would be abolished and replaced by certificates of entitlement to goods or slips denoting hours of performed labor. The proof that money and commodity production are inseparable was also intended as a critique of such tendencies.

In his analysis of money, Marx proceeds in three steps.

1. First, in a form analysis (meaning that form determinations are analyzed while disregarding the commodity owners), the general equiva-

lent form (respectively, the money form) of value is developed as a necessary form of value.

2. Subsequently, the *activity of commodity owners* is dealt with: *actual money*, which must correspond to the determinants of the general equivalent form, first emerges on the basis of such activity.

3. Finally, the various *functions* that money assumes within "simple circulation" (meaning the circulation of commodities and money, abstracting from capital) are developed.

Bourgeois economics usually begins its treatments of money by enumerating the various functions of money. That money exists at all is explained with the argument that without money it would be rather difficult to organize exchange, that is, the justification occurs at the level of the activity of commodity owners. Form-analytical considerations about the connection between *value* and *value-form* cannot be found at all within bourgeois economics, yet this connection is exactly the "*Genesis*" that Marx spoke of in the above quotation.

However, many Marxists have difficulties understanding Marx's analysis. Substantialist interpretations, by bourgeois economists, normally place emphasis upon the *functions of money* and are generally at a loss to deal with the conceptual development of the money form and money. But even non-substantialist interpretations often ignore the differences between the first two steps: the conceptual development of the *money form*, and the conceptual development of *actual money*. We'll deal with the first step in this subsection and handle steps 2 and 3 in the following two subsections.

Marx begins the analysis of the value form with the examination of the "simple, isolated, or accidental form of value." This is the expression of a commodity's value in another:

$$x \text{ commodity A} = y \text{ commodity B}$$

Or Marx's famous example:

20 yards of linen = 1 coat

The value of the linen is expressed, and the coat serves as a means of expressing the value of the linen. Both commodities thus play completely different roles in the form of expression of value, and Marx assigns different terms to these roles. The value of the first commodity (linen) is expressed as "relative value" (meaning in relation to something else); this commodity is in the *relative form of value*. The second commodity (the coat) serves as an "equivalent" for the value of the first commodity; it is in the *equivalent form of value*.

In the simple expression of value, only the value of one commodity can be expressed at any given time; only the value of the linen is expressed—as a specific quantity of coat. The value of the coat, on the other hand, is not expressed. However, the expression of value—"20 yards of linen are worth one coat"—also implies the reverse: "One coat is worth 20 yards of linen." Now the coat is in the relative form of value and the linen is in the equivalent form.

Value cannot be grasped within an individual use value; it only obtains a tangible form in the expression of value: the commodity that appears as the equivalent form (commodity B) now has the status of being the embodiment of the value of the commodity in the relative form of value (commodity A). But considered in isolation, the second commodity is just as much a use value as the first commodity. However, *within the expression of value*, the second commodity in the equivalent form plays a specific role. It has the status not only of being a particular use value, but also counts *simultaneously*, in its manifestation as use value, as a *direct* embodiment of value: "Hence, in the value-relation, in which the coat is the equivalent of the linen, the form of the coat counts as the form of value" (*Capital*, 1:143).

The value of the linen only acquires an *objective* form because the value assumes the form of the coat; the value of the linen becomes tangible, visible, and measurable as a specific quantity of coat. Marx summarizes this as follows:

> The internal opposition between use-value and value, hidden within the commodity, is, therefore, represented on the surface by an external opposition, i.e. by a relation between two commodities such that the one commodity whose own value is supposed to be expressed, counts directly only as a use-value, whereas the other commodity, in which that value is to be expressed, counts directly only as exchange value. (*Capital*, 1:153)

Value is something purely social; it expresses the *equal social validity* of two completely different concrete acts of labor, and it is therefore a specific *social relationship*. This social relationship acquires, in the equivalent form, the shape of a thing; in our example, value appears to be directly identical with a coat. The coat counts as an embodiment of value, but only within the form of expression of value. That the coat has different properties within the form of expression of value than it does outside of it is still clear in the case of the coat. With regard to money, however, this is no longer obviously visible.

The simple form of value expresses the value of commodity A in an object, makes it tangible and measurable, but is nonetheless insufficient, since it only relates commodity A to a *single* commodity, commodity B, and does not yet relate commodity A to all other commodities.

If we now consider the value relationship of commodity A (in this case the linen) to all other commodities, then we obtain the "total or expanded form of value":

20 yards of linen are worth 1 coat,
20 yards of linen are worth 10 lbs. of tea,
20 yards of linen are worth 40 lbs. of coffee, etc.

The value of the linen now stands in relation to the entire world of commodities (and not just to a single commodity), and at the same time it becomes clear that the value of the commodity is indifferent toward the particular form of use value in which it is expressed: a coat, but also tea and coffee and so forth, can serve as the embodiment of the value of the linen. The value of the linen remains the same, whether it is manifested in a coat or in coffee. Thus it also becomes clear that the quantitative exchange relationship is in no way coincidental, a fact that was not yet visible in the case of the simple form of value.

However, the expanded form of value is also inadequate: the expression of the value of commodity A is incomplete and without closure. Furthermore, the expressions of value are heterogeneous; we have multiple specific equivalent forms that mutually exclude each other.

The total form of value is nothing other than a series of simple forms of value. But every single one of these simple forms of value contains within itself its own inversion. If we reverse the series of simple forms of value, we acquire the "general form of value":

$$\left.\begin{array}{l}\text{1 coat is}\\ \text{10 lbs. of tea are}\\ \text{40 lbs. of coffee are}\end{array}\right\}\ \text{worth 20 yards of linen}$$

The value of commodities is now expressed in a *simple* and *unified* form, because a *single* commodity, the "general equivalent," serves as an expression of value for all other commodities. So this form performs a decisive function:

> Through its equation with linen, the value of every commodity is now not only differentiated from its own use-value, but from all use-values generally, and is, by that very fact, expressed as that which is common to all commodities. *By this form, commodities are, for the first time, really brought into relation with each other as values.* (*Capital*, 1:158; emphasis added)

The value-objectivity (*Wertgegenständlichkeit*) is not an inherent property of any *individual* commodity but rather a social characteristic, because it expresses the relationship of individual commodities (or, respectively, the individual acts of labor producing these commodities) to the entire world of commodities (respectively, the total labor of society). Thus, not only does value necessitate an *objective* form of value, it necessitates a form of value that expresses this social character, and this is first accomplished with the *general form of value*.

The specific social character of the general form of value is shown in a further quality that distinguishes the general form of value from both the elementary and the expanded form of value. "In both cases, it is the private task, so to speak, of the individual commodity to give itself a form of value." But now:

> The general form of value, on the other hand, can only arise as the joint contribution of the whole world of commodities. A commodity only acquires a general expression of its value if, at the same time, all other commodities express their values in the same equivalent; and every newly emergent commodity must follow suit. It thus becomes evident that because the objectivity of commodities as values is the purely "social existence" of these things, *it can only be expressed through the whole range of their social relations.* (*Capital*, 1:159; emphasis added)

What becomes evident here is something that is not clear to everyday consciousness, but is first apparent as a result of scientific analysis: the *social character* of value expresses itself in a specifically *social* form of value.

Value and magnitude of value—which are actually not properties of an individual commodity—can now, with the help of the *general equivalent,* be expressed so that it seems as if they were simple properties of individual commodities. Qualitatively, the value of coats (or tea, coffee, etc.) consists in their equality with linen: the value of a coat (or 20 lbs. of tea, 40 lbs. of coffee, etc.) is 20 yards of linen.

The *money form* is ultimately distinguished from the general form of value merely by the fact that the equivalent form has coalesced "by social custom" with the specific natural form of a particular commodity (historically this has been gold, and to a lesser extent silver). This commodity thus becomes the "money commodity."

The reference to "social custom" makes it clear that with the money form, we find ourselves at the level of the activity of commodity owners. Up to now, commodity owners have not been discussed. The *commodity form* of the product of labor and the *exchange relations of commodities* have been observed, but not the *exchange acts of commodity owners.*

3.6 Money and Exchange (Activity of Commodity Owners)

Only with the second chapter of *Capital* does Marx deal explicitly with commodity owners and their activity: as commodity owners, people are merely representatives of commodities. For that reason, the commodity had to be examined first.

If one considers only the exchange relation of commodities, then every commodity effectively serves as a manifestation of the value of every other commodity for which it can be exchanged. The commodity owner, however, does not wish to exchange his commodity for any arbitrary commodity, but rather for definite, particular commodities. For him, the commodity he owns is not a use value, and its exchange should provide him with the use value he requires. The commodity owner therefore would like to treat his own commodity like a general equivalent that can be *directly exchanged* for all other commodities. But since every commodity owner wants this from his commodity, no commodity is a general equivalent. For this reason, the commodity owners in the process of exchange are apparently faced with an irresolvable problem. Marx summarizes the *actual* solution rather incisively:

> In their difficulties our commodity-owners think like Faust: "In the beginning was the deed." ("*Im Anfang war die Ta*"—Goethe, *Faust,* Part 1, Scene 3.) They have therefore already acted before thinking. The natural laws of the commodity have manifested themselves in the natural instinct of the owners of commodities. They can only bring their commodities into relation as values, and therefore as commodities, by bringing them into an opposing relation with some one other commodity, which serves as the universal equivalent. We have already reached that result by our analysis of a commodity. [The form analysis undertaken by Marx in the first chapter that we dealt with in the previous section. —M.H.] *But only the action of society can turn a particular commodity into the universal equivalent.* The social action of all other commodities, therefore, sets apart the particular commodity in which they all represent their values. The natural form of this commodity thereby becomes the socially recog-

> nized equivalent form. Through the agency of the social process it becomes the specific social function of the commodity which has been set apart to be the universal equivalent. It thus becomes—money. (*Capital*, 1:180–81; emphasis added)

The analysis of the commodity revealed the necessity of the general equivalent *form*. In order to behave toward things as *commodities*, that is, to relate things to each other as *values*, the owners of commodities *must* relate their commodities to a general equivalent. Their "social act" must make a commodity into a general equivalent and thus real "money."

The people engaged in exchange are "free" in their activity, but as *commodity owners* they must follow the laws imposed by the nature of commodities. As Marx already observed in the preface to *Capital*, individuals only enter the stage insofar as they are "personifications of economic categories" (1:92). If the analysis begins by considering the activity and consciousness of commodity owners, then the social context that needs to be explained has been taken for granted. This is the reason why it was necessary for Marx to distinguish between the *form determinants of the commodity* and the *activity of commodity owners,* and initially depict the form determinants as such, since they are the given preconditions for the activity and considerations of the commodity owners—who then continually reproduce these conditions through their own activity (see section 3.2 above).

Really existing money is a result of the activity of commodity owners, but in no way rests upon a silent contract, as John Locke, one of the most important philosophers of the early bourgeois era, thought. Money is not simply introduced with deliberate consideration in one go, which is what economists who argue that money is used as a means of simplifying exchange assume. Commodity owners, emphasized Marx, "*already acted before thinking*"; their activity *necessarily* brings about money as a result—otherwise, it is not at all possible to relate commodities to one another as values.[14]

So money is in no way merely a helpful means of simplifying exchange on the practical level and an appendage of value theory on the theoretical level. Marx's value theory is rather a *monetary theory of value*: without the value form, commodities cannot be related to one another as values, and only with the money form does an adequate form of value exist. "Substantialist" conceptions of value, which attempt to establish the existence of value within individual objects, are *pre-monetary theories of value*. They attempt to develop a theory of value without reference to money. Both the labor theory of value of classical political economy and the theory of marginal utility of neoclassical economics are pre-monetary theories of value. The usual "Marxist" value theory that alleges that value is already completely determined by "socially necessary labor-time" is also a pre-monetary value theory.[15]

3.7 The Functions of Money, the Money Commodity, and the Contemporary Monetary System

Marx distinguishes between three fundamental functions of money that arise from the "simple circulation" of commodities and money. If one considers the total process of capitalist production and reproduction, there are additional functions of money (see chapter 8 below).

The first function of money consists of serving as the general measure of value; the value of every commodity is expressed as a specific quantity of money.

Commodities are values as "crystals" of their common substance, abstract labor. So it is not money that makes commodities commensurable but the common reference to abstract labor. Marx therefore notes: "Money as a measure of value is the necessary form of appearance of the measure of value which is intrinsic to commodities, namely labour-time" (*Capital*, 1:188).

But with this, the question is also posed as to why value cannot be immediately expressed in labor-time, or why money does not directly represent labor-time. Marx very briefly deals with this question in *Capital* in a footnote and refers to his earlier text of 1859, *A Contribution to the Critique of Political Economy*. In this text he wrote:

> Commodities are the direct products of isolated independent individual kinds of labour [*vereinzelter unabhängiger Privatarbeiten*], and through

> their alienation [*Entäußerung*] in the course of individual exchange they must prove that they are general social labour, in other words, on the basis of commodity production, ***labour becomes social labour only as a result of the universal alienation* [*Entäußerung*] *of individual kinds of labour.*** (MECW, 29:321–22; emphasis added)

That which can be measured by a clock is always just the individual private labor expended before the act of exchange. As noted in the section concerning abstract labor, only with exchange can it be shown how much of this privately expended labor was actually value-constituting and thus valid as an element of social labor-time. Value-constituting labor-time (or the magnitude of abstract labor) cannot be measured before, only during exchange—and when the values of all commodities are set into relation with one another, then this act of measuring can only be conducted by means of money. For that reason, Marx can speak of money as the "necessary" form of appearance of the immanent value measurement by labor-time: value-constituting labor-time cannot be otherwise measured except through money.[16]

The expression of the value of a commodity in money terms is its *price*. To specify the price of a commodity there must be a clear understanding of what functions as money (gold, silver, a paper note), but the money must not necessarily be at hand, it merely serves here in an "imaginary or ideal capacity" (*Capital*, 1:190).

The magnitude of value of a commodity is expressed in its price—and this is the *only* possibility for the magnitude of value to be expressed. If the magnitude of a commodity's value changes, if there is a new relationship of the individually expended labor to the total labor of society, then the price of the commodity also changes. However, the reverse is not the case: not every price is the expression of a specific magnitude of value, nor does every change in price indicate a change in the magnitude of value.

Things "without value," meaning those things that are not products of "abstract labor," can also have a price. That can be the case for both economically irrelevant issues (for example, the price of a noble title) and for quite important ones (for example, the price of a stock option, that is, the price of the right to buy a stock under guaranteed conditions).

The change in price of a *single* commodity can also indicate a change in its magnitude of value, but it can also be a sign of especially fortunate or unfortunate circumstances (momentary shifts in supply and demand) under which the commodity is sold. The simultaneous change in the price of *all commodities*, that is, a change in the price level, generally does not indicate a change in all magnitudes of value, but rather a change in the value of money: the devaluation of money is reflected in a general rise in prices (*inflation)*, while a rise in money's value is reflected in a general decline in prices (*deflation*).

In what follows, it is mostly assumed that commodities are exchanged "at their true values." This means that we disregard momentary fluctuation and the prices of commodities are assumed to be adequate expressions of their value. However, in section 7.2 we will see that under normal capitalist conditions, commodities are not exchanged at their values, meaning that normal prices are not solely the expression of the magnitude of value of commodities.

The *second function* of money is as a means of circulation, which mediates the actual exchange of commodities. In exchange, the owner of Commodity A (for example, a weaver who produces linen), whose commodity does not represent a use value to him, wants to transform it into Commodity B (for example, a chair) whose use value is of interest to him. He sells the linen for 20 euros and subsequently purchases a chair with these 20 euros. Marx describes this process as the "metamorphosis of the commodity" (for the weaver, the linen has been transformed into a chair).

The *material substance* of this metamorphosis is the substitution of one use value by another. Marx also speaks of the "social metabolism." The *result* is the same as that of a simple act of swapping linen for a chair. However, the *form* of this process is completely different, and this difference of form is precisely the point here.

As distinct from a simple swap, the metamorphosis of the commodity is mediated by money; the process has the form Commodity—Money—Commodity (C—M—C), or concretely from the standpoint of the weaver, linen—money—chair.

What is for the weaver the first act of the process, C—M, the transformation of the linen into money, is for the possessor of the money who buys the linen the conclusion of the metamorphosis of his original commodity. The purchase of the chair presents itself to the weaver as the conclusion of his commodity's metamorphosis, and in contrast, for the carpenter who sells the chair, this act is the beginning of the metamorphosis of the commodity.

The metamorphoses of commodities are labyrinthine and never-ending: in their totality they constitute the *circulation of commodities*. The simple exchange of products—use value for use value—is in contrast merely a two-sided affair, which is exhausted in the individual act of exchange. The circulation of commodities and the exchange of products are thus fundamentally different.

The fact that the interrelation of various individual acts is established through money in the circulation of commodities (as opposed to mere exchange of products), also means reciprocally that the intervention of money also contains the possibility of the interruption of this cohesion. If the weaver sells his linen, but holds on to the money without buying anything, then not only is the metamorphosis of his own commodity, the linen, interrupted, but so is the metamorphosis of other commodities (for example, the chair). The possibility of interruption and therefore of *crisis* is inherent to the mediation of the social circulation of matter through money. But for the mere *possibility* of crisis to become an *actual crisis*, a series of further circumstances must come into play (discussed in chapter 9).

The metamorphosis of the commodity, C—M—C, begins with one commodity and ends with a different commodity of the same value but a different use value. The commodity emanates from a particular commodity owner and returns to him in a different physical form. To that extent, the commodity is part of an act of *circulation*. The money that mediates this circulation, on the other hand, traces an orbit: during the first act, C—M, the commodity owner receives money, but only in order to spend it again (under normally functioning circumstances of commodity circulation) and complete the subsequent act of M—C. In its function as a means of circulation, money constantly remains within the sphere of circulation. However, merely *symbolic money* is sufficient for circulation, since the commodity owners are only concerned with the commodities that they can buy with it, and money can be substituted for mere "symbols of value" that are themselves without value (such as paper bills).

Only with its *third function* does money ultimately function as *real money*; as the *magnitude of value* money does not actually have to be present, and ideal money is sufficient; as a *means of circulation* money has to be present, but symbolic money is sufficient. Only as a unity of magnitude of value and means of circulation is money really *money*, that is, *an independent embodiment of value*, and this implies a series of new determinations.

Whereas the various commodities in their material existence represent particular use values and their value ("abstract wealth") can only be imagined, real money is the "material being of abstract wealth" (MECW, 29:358, corrected translation). Whatever material object functions as money counts as a thing of value in its immediate material existence. As a thing of value, it can be exchanged at any time for any other commodity, and can thus be transformed into any use value. Real money is therefore "the material symbol of physical wealth" (MECW, 29:358).

Real money, meaning money as an independent manifestation of value, has very specific functions. It functions as a hoard, as a means of payment, and as universal money.

As a hoard, money is withdrawn from circulation. It no longer mediates the circulation of commodities, but instead serves as an independent manifestation of value outside the process of circulation. In order to hoard, a commodity owner sells commodities without engaging in a subsequent act of purchase. The goal of the sale is to hold on to money as an independent manifestation of value. Every commodity producer, in order not to postpone his own purchases until his commodities are sold (or in order to ensure against his failure to sell a commodity), is dependent upon a smaller or greater hoard of money.

In its function as a means of payment, money also acts as an independent manifestation of value. If a commodity is not paid for at the moment of purchase but later, then the buyer becomes a debtor, and the seller becomes a creditor. Money does not function here as a means of circulation that mediates a purchase but as a means of payment that concludes a purchase that has already happened. (The phrase "means of payment" is used by Marx only in this sense; in contemporary everyday usage, as well as in contemporary economics, any money used to pay for purchase is described as a means of payment, regardless of whether payment is made immediately or later.) If money is used as a means of circulation, then the commodity owner initially engages in an act of sale, C—M. He then subsequently makes a purchase, and consummates M—C. In the case of money being used as a means of payment, the sequence is reversed: first the commodity owner makes a purchase, then he engages in a sales act to obtain the money for meeting his payment obligations. Acquiring money as the independent manifestation of value is now the function of the sale.

Finally, money functions as world money on the world market. On the world market, money can be used as a means of circulation in order to mediate a sale, as a means of payment, for concluding a sale, or as "the universally recognized social materialization of wealth" (*Capital*, 1:24) when not used for sale or payment, but to transfer wealth from one country to another (for example, after a war).

In *Capital*, Marx assumes that money always has to be linked to a particular commodity. During Marx's time, gold played the role of this "money commodity." But even back then, it was hardly the case that pieces of gold were widely used in everyday commerce; small sums were paid with silver or copper coins, larger sums with "banknotes." Banknotes were originally issued by individual banks, which promised to honor the notes in gold. Ultimately, banknotes were only issued by state central banks, which also promised to honor the notes in gold. As a rule, the central banks of individual countries were not allowed to print an arbitrary amount of banknotes, but rather had to ensure that the banknotes were covered by a proportionate amount of gold reserves. Gold was hardly circulated, but the paper money in circulation acted as a representation of gold.

At the end of the Second World War, at a conference in Bretton Woods, New Hampshire, an international currency system was agreed upon that was still based upon a gold standard. But only the U.S. dollar was covered by gold, thirty-five dollars corresponding to an ounce of gold. All other currencies had a fixed exchange rate to the dollar. However, the obligation to honor dollars in gold was not valid for private individuals, only for state central banks. At the end of the 1960s, it had become clear that the massive amount of dollars in circulation had rendered the coupling of the dollar to gold a fiction. At the beginning of the 1970s, the gold standard was formally abolished, as were fixed currency exchange rates.

Since then, there is no longer any commodity that functions at a national or international level as a money commodity. Now, money is essentially the paper money issued by the state central banks, and there is nothing for which this paper money can be redeemed. Of course, one can still buy gold with this paper money, but now gold is just another commodity like silver or iron, and no longer plays the special role of a money commodity, neither legally nor by default.

Marx could not imagine a capitalist money system existing without a money commodity, but the existence of such a commodity is in no way a necessary consequence of his analysis of the commodity and money. Within the framework of the analysis of the commodity form, he developed the form-determinations of the general equivalent, and the analysis of the exchange process yields the result that commodity owners do in fact have to relate their commodities to a general equivalent. But that the general equivalent must be a specific commodity was not proven by Marx, merely assumed. That which serves as a general equivalent (whether an actual physical commodity or merely paper money) cannot be determined at the level of simple commodity circulation (for a more extensive analysis, see Heinrich 1999, 233). Only when the capitalist credit system is taken into consideration (see section 8.2 below) does it become clear that the existence of a money commodity is merely a historically transitional state of affairs, but does not correspond to "the capitalist mode of production, in its ideal average" that Marx sought to analyze (see section 2.1 above).

3.8 The Secret of the Fetishism of Commodities and Money

The final section of the first chapter of *Capital* is titled "The Fetishism of the Commodity and Its Secret." The term "commodity fetish" has enjoyed a certain amount of propagation since Marx's time, but is not always used and understood in a way referring to phenomena dealt with by Marx. Marx did not use the term "commodity fetish" to describe how people in capitalism place an undue importance upon the consumption of commodities, or that they make a fetish out of particular commodities that serve as status symbols. The term also does not refer to making a fetish of brand names. There is no "secret" behind possessing expensive commodities as status symbols that needs to be deciphered.

It is often the case that the commodity fetish is characterized solely as a state of affairs in which the social relationships between people appear as social relationships between things (the relationships of those engaged in exchange appear as a value relationship between the products being exchanged), so that social relationships become the property of things. But if we leave it at that, then fetishism appears to be merely a mistake: people ascribe false properties to the products of their labor and fail to see that "in reality" a social relationship between people lies behind the relationship between things. Fetishism would therefore be a form of "false consciousness" that merely conceals the "real conditions."[17] If that were the case, then this false consciousness must disappear once the real conditions have been explained. In this reductionist conception of the commodity fetish, important points of Marx's analysis are lost. We will therefore deal with Marx's argumentation in great detail. To offer a better overview, the following is divided into lettered sections.[18]

a. One must first pose the question, where can we pinpoint the "secret" that Marx speaks of in the section heading and that he seeks to decipher? Marx commences with the following:

> A commodity appears at first sight an extremely obvious, trivial thing. But its *analysis* brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties. (*Capital*, 1:163, emphasis added)

The commodity is thus only a "very strange" and mysterious thing not in terms of everyday perception, but as a result of the analysis (as rendered thus far). A table, for example, is "an ordinary, sensous thing. But as soon as it emerges as a commodity, it changes into a thing, which *transcends sensuousness*" (*Capital*, 1:163). This translation is wrong, Marx literally writes that as a commodity it is changed "into a sensuous extrasensory thing" (*sinnlich übersinnliches Ding*).

To our everyday perception, a table is above all a particular use value. As a commodity, it also has a particular value. Both aspects are not at all mysterious to our spontaneous, everyday consciousness. And the notion that the magnitude of value depends upon the volume of expended labor-time may be accepted or contested, but the circumstance itself is in no way mysterious. The "sensuous extrasensory" character of the commodity is first made clear by analysis: the analysis shows that the value-objectivity of the commodity cannot be expressed within the commodity itself (and is therefore "extrasensory," that is, a "spectral objectivity") but only in another commodity that effectively acts as a direct embodiment of value. The substance of value, abstract labor, was demonstrated to be just as elusive as the objectivity of value. The analysis has thus unearthed a number of disconcerting findings.

b. Marx then asks, "Whence, then, arises the enigmatic character of the product of labour, as soon as it assumes the form of commodities?," and formulates the following answer:

> Clearly it arises from this form itself. The equality of the kinds of human labour takes on a physical form in the equal objectivity of the products of labour as values; the measure of the expenditure of human labour-power by its duration takes on the form of the magnitude of the value of the products of labour; and finally the relationships between the producers, within which the social characteristics of their labours are manifested, take on the form of a social relation between the products of labour.
>
> The mysterious character of the commodity-form consists therefore simply in the fact, that the commodity reflects *the social characteristics of men's own labour as objective characteristics of the products of labour themselves, as the socio-natural properties [gesellschaftliche Natureigenschaften]*

> *of these things. Hence it also reflects the social relation of the producers to the sum total of labour as a social relation, which exists apart from and outside the producers.* (*Capital*, 1:164–65; emphasis added)

In every social form of production characterized by a division of labor, people stand in a particular social relationship to one another. In commodity production, this social relationship between people appears as a relationship between things: it is no longer people who stand in a specific relationship with one another, but commodities. People's social relationships therefore appear to them as "socio-natural properties" of the products of labor: what Marx means can be demonstrated using the example of value: on the one hand it is clear that "value" is not a natural property of things like weight or color, but on the other, for the people in a commodity-producing society, it seems as if things in a social context automatically possess "value" and therefore automatically follow their own objective laws to which humans must submit. Under the conditions of commodity production, things take on a life of their own, for which Marx only finds a suitable comparison in the "misty realm of religion": in religion, it is the products of the human mind that take on a life of their own, whereas in the world of commodities it is the "products of men's hands" that do so:

> I call this the Fetishism which attaches itself to the products of labour, as soon as they are produced as commodities, and is therefore inseparable from the production of commodities. (*Capital*, 1:165)

c. If fetishism "attaches itself" to commodities, then it must be something more than simply a case of false consciousness; the fetishism must also express an actual situation. And, under the conditions of commodity production, *producers do not relate to one another in a direct, social way*; they first enter into a relationship with one another during the act of exchange—through the products of their labor. That their social relationship to one another appears as a social relationship between things is therefore not at all an illusion. To those engaged in exchange, writes Marx, "the social relations between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material [*dinglich*] relations between persons and social relations between things" (*Capital*, 1:166, emphasis added).

That things have social characteristics under the conditions of commodity production is in no way wrong. What is wrong is the assumption that they possess these social characteristics *automatically*, in *every* social context. Fetishism does not consist of products of labor being regarded as objects of value—in bourgeois society, products of labor that are exchanged are in fact objects of value—but this objectivity of value is considered a "self-evident and nature-imposed necessity" (*Capital*, 1:175).

d. What must interest commodity owners first and foremost is the value of their commodities. These values are the objective expression of a *social connection produced by humans, but not transparent to them.*

> Men do not therefore bring the products of their labour into relation with each other as values because they see these objects merely as the material integuments of homogeneous human labour. The reverse is true: by equating their different products to each other in exchange as values, they equate their different kinds of labour as human labour. *They do this without being aware of it.* (*Capital*, 1:166, emphasis added)

Commodity producers produce their social connection precisely not as a result of a particular awareness concerning the connection between value and labor, but independent of such awareness. It would therefore be completely wrong to understand Marx's theory of value as claiming that people exchange their commodities according to their values because they know how much labor is contained within the individual products. It is Marx's intent to show that humans act *without* being aware of the conditions of their action.

e. This unconsciously produced fetishism is not simply a state of false consciousness, but rather possesses material force. Whether my individually expended labor is recognized as a component of the total labor of society, and to what degree, is not information provided to me directly by society, but by the value of my commodity in exchange. And my prosperity or misfortune depends upon this information. But the magnitudes of value of commodities

> vary continually, independently of the will, foreknowledge and actions of the exchangers. *Their own movement within society has for them the form of a movement made by things, which far from being under their control, in fact control them.* (*Capital*, 1:169–70; emphasis added)

The value of commodities is an expression of an overwhelming social interaction that cannot be controlled by individuals. In a commodity-producing society, people (all of them!) are under the control of things, and the decisive relations of domination are not personal but "objective" (*sachlich*). This impersonal, objective domination, submission to "inherent necessities," does not exist because things themselves possess characteristics that generate such domination, or because social activity necessitates this mediation through things, but only because *people relate to things in a particular way—as commodities.*

f. That this objective domination (*sachliche Herrschaft*) and the objectification of social relationships to properties of things is a result of a specific behavior of humans is not transparent to everyday consciousness. For this spontaneous consciousness, "forms which stamp products as commodities . . . possess the fixed quality of *natural forms of social life*" (*Capital*, 1:168; emphasis added). In addition to everyday consciousness, classical political economy (and modern neoclassical economics) labors under the delusion of these forms. However, this delusion is not the result of the subjective delusion of individual economists. Marx emphasizes that this delusion is itself based upon a specific *objectivity* and therefore has a certain necessity:

> The categories of bourgeois economics consist precisely of forms of this

kind. They are *forms of thought* which are *socially valid, and therefore objective* [*gesellschaftlich gültige,* also *objektive Gedankenformen*], *for* the relations of production belonging to this historically determined mode of social production, i.e. commodity production. (*Capital*, 1:169; emphasis added)

These "objective forms of thought" constitute what individual economists perceive as a matter of course to be the *immediate, obvious object* of political economy. In this passage it becomes clear what Marx meant by "critical exposé of the system of the bourgeois economy" in his letter to Lassalle (quoted in section 2.2): the *critique of bourgeois categories* is not an abstract exercise in the philosophy of science, but is rather inseparable from it.

The various schools of political economy do not engage in debate concerning the *form-determinations* of their subject matter, but rather concerning the *content of these form-determinations*. In contrast, Marx renders a fundamental critique, a critique applied to the foundations of bourgeois economics: Marx criticizes forms that are always *presupposed* by bourgeois economics:

Political economy has indeed analysed value and its magnitude, however incompletely, and has uncovered the content concealed within these forms. But it has never once asked the question why this content has assumed that particular form, that is to say, why labour is expressed in value, and why the measurement of labour by its duration is expressed in the magnitude of the value of the product. (*Capital*, 1:173–74)

Because value-objectivity (*Wertgegenständlichkeit*) is a result of very specific behavior by human beings, namely producing things privately and exchanging them, this correlation is not apparent to either spontaneous, everyday consciousness or to political economists. Both see in the commodity form a "socio-natural property" (*gesellschaftliche Natureigenschaft*). In this respect, both everyday consciousness and the science of economics remain imprisoned within this fetishism. As Marx makes this fetishism recognizable, he not only provides the foundations for a critique of consciousness and the fields of knowledge, he makes clear that social relationships must in no way remain the way they are: the rule of value over humans is not a natural law of society, but the result of a very specific behavior by humans, and this behavior can—at least in principle—be changed. A society without commodities and money is conceivable.

g. Fetishism is not limited to the commodity. It is also inherent to money. Money as an *independent* manifestation of value possesses a special form of value: it exists in the form of the general equivalent; all other commodities do not. The special commodity (or piece of paper) that functions as money can only function as money *because* all other commodities relate to it as money. However, the form of money appears to be a "socio-natural property" of this commodity.

> What appears to happen is not that a particular commodity becomes money because all other commodities express their values in it, but, on the contrary, that all other commodities universally express their values in a particular commodity, because it is money. *The movement through which this process has been mediated vanishes in its own result, leaving no trace behind.* Without any initiative on their part, the commodities find their own value-configuration ready to hand, in the form of a physical commodity existing outside but also alongside them. (*Capital*, 1:187; emphasis added)

What applies to the commodity also applies to money: only as a result of the specific behavior of commodity owners does money possess its specific properties. But this mediation is no longer visible, it "vanishes." For that reason, it seems as if money possesses these properties in and of itself. In the case of money, whether it is a money commodity or a piece of paper, a social relationship appears as an objective property of a thing. And just as with the commodity, social actors do not have to be aware of the mediating relation in order to act: "Anyone can use money as money without necessarily understanding what money is" (*Theories of Surplus Value*, MECW 32:348).

h. The "absurdity" [*Verrücktheit*] (*Capital*, 1:169) of this reification of social relationships is increased in the case of money. If products of labor are turned into commodities, they acquire a value-objectivity in addition to their physical objectivity as use values. This value-objectivity, as illustrated above, is a "spectral objectivity," apparently just as objective as use value but nonetheless not tangible or visible within the individual object. But money now counts as an *independent* manifestation of value. Whereas commodities are useful objects that *additionally* have the objective status of being values, money is *directly* a "value-thing" (*Wertding*). In the first edition of volume 1 of *Capital*, Marx makes this point clear using a nice example:

> It is as if, in addition to lions, tigers, hares and all other really existing animals which together constitute the various families, species, subspecies, etc. of the animal kingdom, *the animal* would also exist, the individual incarnation of the entire animal kingdom. (MEGA II.5:37; emphasis in original)

That "the animal" walks about among the various concrete animals is not only factually impossible, it is also logical nonsense: the abstract category is placed at the same level as the individuals from which the abstract category is derived. But money is the real existence of this absurdity.

i. In bourgeois society, people's spontaneous consciousness succumbs to the fetishism of the commodity and money. The rationality of their behavior is always a sort of rationality *within the framework set by commodity production*. If the intentions of social actors (that which they "know") are made the point of departure of analysis (as is the case in neoclassical economics and various sociological theories), then that which individuals "don't know," the framework that preconditions their thought and activity, is blanked out of the analysis from the very start. Proceeding from this consideration, not only can we criticize a considerable portion of the foundations of bourgeois economics and sociology but also a popular argument of worldview

Marxism: namely that there exists a social subject (the working class), which, on the basis of its particular position in bourgeois society, possesses a *special* ability to see through social relationships. Many representatives of traditional Marxism expressed the need to "take the standpoint of the working class" in order to understand capitalism. But in doing so, they overlooked the fact that workers (just like capitalists) in their spontaneous consciousness are also subject to the delusions of the commodity fetish. In the next few chapters, we'll see that the capitalist mode of production brings forth other inversions and absurdities to which both workers and capitalists succumb. One cannot therefore speak of a *privileged* position of perception occupied by the working class—but one also cannot make the claim that fetishism is in principle impenetrable.

4. Capital, Surplus Value, and Exploitation

4.1 The Market Economy and Capital: The "Transition from Money to Capital"

In the first three chapters of *Capital*, Marx deals with the commodity and money, and is explicit that capital does not yet enter the picture. This has led some authors to the understanding that these chapters depict, at a very high level of abstraction, a precapitalist society of "simple commodity production," a mode of production in which commodity- and money-relations dominate, but with no, or only a very undeveloped, capital. This notion presupposes that commodities are exchanged according to their (labor-) values because the producers are aware of the quantity of their own labor expenditure and that of their partners in exchange. The most prominent representative of this view was Friedrich Engels, who, a few years after Marx's death, formulated it in his appendix to the third volume of *Capital* and therefore influenced many Marxists.[19] But this idea is problematic in many respects:

As a *historical* assertion: exchange has been practiced for thousands of years, and coin money has existed at least since 500 B.C.E., but commodity- and money-relations in precapitalist eras were always "embedded" in other relations of production; they were never comprehensive, and the economy was not dominated by them. This is only the case with the spread of the capitalist mode of production.

As a *theoretical* concept: it is precisely Marx's intent to show that the determination of exchange through value does not rest upon a conscious appraisal of the labor-time expended, that those engaged in exchange do not know what they're doing, but rather their social cohesion is consummated "behind their backs" (See section 3.8, d and e above).

As an *explanation* of the first three chapters of *Capital* this misunderstands what it is that Marx depicts: "simple circulation." By this Marx understands the circulation of commodity and money as a form of social interaction dominating the entire economy—but from a qualified and restricted viewpoint: Marx abstracts from the existence of capital. Marx is not analyzing precapitalist relations that existed at some time in the past, but rather capitalist, contemporary conditions (the first sentence of *Capital* points this out, as emphasized above), while disregarding capital. That capital is disregarded is not an arbitrary whim of the theoretician, and it is also not a didactic consideration. A specific aspect of reality is expressed in this abstraction: simple circulation appears "as that which is immediately present on the surface of bourgeois society" (*Grundrisse*, MECW, 28:186); the economy, for all intents and purposes, seems to consist only of acts of buying and selling.

At first glance, the economy seems to fall into three large, separate domains:

1. The sphere of production: at the respective level of technological possibility, goods are produced and services rendered;

2. The *sphere of circulation*: goods and services are exchanged, usually not directly, but for money;

3. The *sphere of consumption*: goods and services are consumed, either by individuals for the purpose of immediate survival (such as groceries, clothing, etc.) or within the process of production as a means of production (such as machines or raw materials) to make more products.

In the process, the perception emerges that the sphere of consumption has solely to do with the needs of consumers and the sphere of production with purely technical possibilities, so that only circulation remains as the actual sphere of economic activity.

The reduction of the economy to the sphere of circulation has considerable consequences. The sphere of circulation is only concerned with buying and selling, with transactions, therefore, in which—at least in principle—people face each other as free and equal partners, and in which, insofar as the commodities exchanged have the same value, nobody is fleeced, robbed, or exploited. If the people are in fact not so equal, because, for example, one person owns a lot and the other person owns very little, then that may be a regrettable circumstance, but it does not count against the "market economy." Disparities in ownership have no real theoretical relevance in the many liberal theories that sing the praises of the market economy. They appear to be as extraneous to the process of buying and selling, and therefore to the market economy as, for example, the physical infirmities of the participants in exchange. From this perspective, the "market" appears to be a neutral entity for the distribution of goods and the satisfaction of needs, as an efficient (and completely non-bureaucratic) institution for the transmission of information concerning what is needed, where, and in what quantity. According to this perspective, if the institution called "the market" does not function so well, this can only be the result of unfortunate marginal conditions or external disturbances that have to be removed by the state. Not only is such market euphoria presented as incontrovertible truth in (almost) every economics textbook, university economics departments, and the business sections of the large daily newspapers; after 1989, it was also adopted in different variations by many former leftists. The market and capital were sometimes even juxtaposed as downright opposing forces, and political conclusions drawn accordingly: whether in the form of the demand to curb the power of large corporations to help implement the beneficial effects of "the market" or in the form of "market socialism," in which capitalist businesses would be replaced by workers' cooperatives that would then briskly compete with one another "on the market."

So whether the market and capital merely exist in an external loose relationship, or whether there is an intrinsic, necessary connection between the two, is therefore not merely an academic question. Rather, the answer has direct political consequences.

If the circulation of commodities and money depicted in the first three chapters of *Capital* is *not* something self-contained and independent of capital (as expressed by Marx in his use of the phrase "surface" to describe simple circulation), then this dependence must already make itself felt. Rather similar to the relationship between the commodity and money, an intrinsic, necessary connection between money and capital must be revealed.

Let us shortly recapitulate three essential steps in the course of depiction of the commodity and money:

1. The commodity was analyzed. It presents itself as having a twofold nature: as a use value and as value. Its value-objectivity turns out to be something special: it is a purely social characteristic, which is not inherent to an individual commodity, but only exists as a *common* property of commodities that are exchanged (hence the "spectral" character of value).

2. For this spectral value to become tangible, it requires an *independent* manifestation. It obtains this in money. Money is therefore not supplemental to the world of commodities or a mere expedient; money is necessary to express the value of commodities, to comprehensively relate commodities to one another as values (hence the characterization of Marx's theory of value as a "monetary theory of value"). This also means that commodity production and money are inseparable. One cannot, as some socialists thought, abolish money while retaining private commodity production.

3. Money is an independent manifestation of value, but as the measure of values and as the means of circulation it does not appear as such; money serves here as a mere expedient. Only as a unity of the magnitude of value and means of circulation ("money as money") does

money become an independent manifestation of value. It is not only an intermediary that constantly disappears (in the case of the means of circulation) or that doesn't even have to be physically present (as in the case of the measure of values), it now becomes an end in itself: not just *value*, but the *independent* and constant manifestation of value, money, is to be retained and multiplied.

However, as the case of hoarding shows, the independence and imperishability of money is limited: if money is withdrawn from circulation to be hoarded, it ultimately becomes a useless object. But if it is thrown into circulation, meaning if it is used to purchase commodities, the independent manifestation of value is lost.

Within simple circulation, money is an independent and durable manifestation of value, but this independence and durability is nowhere to be seen; it cannot really exist at the level of simple circulation. If it is therefore correct that within simple circulation, the existence of commodities necessitates the existence of an independent expression of value (money), but this independence of value cannot exist within simple circulation, it thus follows that simple circulation cannot be something independent. Rather, it must exist as a moment within and result of an underlying process—namely the capitalist process of valorization, as will soon be shown.

If money is in fact an independent and durable expression of value, then it must enter into the process of circulation, it cannot exist separately—but at the same time, it cannot lose its independence and durability, as is the case with the act of simple purchase M—C, with the subsequent consumption of the commodity. The independence and durability of value is only assured when money consummates the movement M—C—M. But this movement—the purchase of a commodity and the subsequent sale of this commodity for the identical sum of money—does not yield any advantage. An advantage is only gained with the movement M—C—M', where M' is greater than M. In this movement (Marx describes it as "the general formula for capital") money not only retains its independent form, it also increases itself, so that it really does become the aim of the whole process. Only as capital does the independent form of value finally find its adequate and appropriate expression, or, to put it another way, the permanent existence of value, encompassing the entire economy, is only possible when value executes the movement of capital, M—C—M′. With the movement M—C—M′, however, we leave the realm of simple circulation; now we have to examine the substance and necessary conditions of this movement.[20]

4.2 The "Occult Quality" of Value: M—C—M′

Let's first take a look once again at the sequence C—M—C, which commanded our attention in part 2.2 during the discussion of money's different functions. The commodity producer has produced commodity C with a particular use value, he sells this commodity and uses the money thus obtained to buy a different commodity with a different use value. The money is definitely *spent*; the aim of the process is the consumption of the second commodity. The measure of the whole process is set by the needs of the producers, and the process is concluded with the satisfaction of these needs.

Now let's take a look at the sequence M—C—M. The sequence consists of the same elements, M—C and C—M, as the sequence C—M—C, only the order differs: now a commodity is purchased in order to sell it afterward. Money is the starting point and endpoint of the process. Amounts of money can only differ from one another quantitatively, not qualitatively. The figure of circulation only yields an advantage if the amount of money at the end of the sequence is greater than the amount of money at the beginning of the sequence, when it is therefore a case of M—C—M′, where M′ is greater than M. Now the point of the whole process is the quantitative increase of the original amount of money. The money is not spent (as it is in the case of C—M—C); rather, the money is *advanced*. It is given out only in order to take in a larger amount afterward.

A sum of value that performs this movement is *capital*. A mere sum of value in and of itself, whether in the form of money or a commodity, is not yet capital. A single act of exchange also does not make capital out of a particular sum of value. Only the linking of various exchange processes with the purpose of increasing the initial sum of value yields the typical *movement of capital*: capital is not merely value, but rather *self-valorizing value*, meaning a sum of value that performs the movement M—C—M′. The increase in value obtained with the movement of capital, the difference between M and M′, is what Marx calls *surplus value*. In classical political economy, and in modern economic theory, this concept does not exist. As we shall see later, surplus value is not merely a different name for profit or gains, but rather something different. However, at this time, there is no need to concern ourselves with this difference (on the exact meaning of profit, see chapter 7; on the meaning of profit of enterprise, see chapter 8).

The only aim of the movement of capital is the increase of the sum of value that is initially advanced. But this purely quantitative increase knows neither measure (why should a 10 percent increase be deemed insufficient while considering a 20 percent increase as sufficient?) nor limit (why should the process end after a singular movement, or even ten such movements?). Unlike the simple commodity circulation of C—M—C, which has an aim outside of the sphere of circulation (the acquisition of use values for the purpose of satisfying needs) and that finds its measure in the need and its limit in the satisfaction of that need, the movement of capital is an *end in itself*, *unlimited* and *ceaseless*.

If one considers commodity production while abstracting from capital, one might get the idea that the aim of commodity production and exchange is the general satisfaction of need. Everyone satisfies his or her own needs by producing a commodity that satisfies the needs of others. This commodity is then exchanged for money in order to use this money to purchase a commodity that satisfies one's needs. Bourgeois economics (both classical political economy as well as modern neoclassical economic theory) understands commodity production in this way.

Capitalist commodity production (the generalization of commodity production first occurs historically under capitalist conditions) is, however, not geared toward the satisfaction of needs, but to the valorization of value. The satisfaction of needs only occurs as a by-product, insofar as it coincides with the valorization of capital. The *aim* of capitalist production is surplus value and not the satisfaction of needs.

Up till now, we have spoken of *capital*, but not yet of *capitalists*. Someone who possesses a large sum of value is not yet a capitalist; someone is only a capitalist when he or she actually disposes of this sum of value as capital, making the *movement* of capital as an *end in itself* a subjective aim:

> It is only insofar as the appropriation of ever more wealth in the abstract is the sole motive behind his operations, that he functions as a capitalist, i.e., as capital personified and endowed with consciousness and a will. *Use-values must therefore never be treated as the immediate aim of the capitalist; nor must the profit on any single transaction. His aim is rather the unceasing movement of profit-making.* (*Capital*, 1:254; emphasis added)

A person is therefore a "capitalist" only when he or she is "capital personified," meaning that his or her activity follows the logic of capital (limitless and ceaseless valorization), and for this it is not necessary that this person be the *owner* of capital. And only in this sense, capitalists as capital personified, is the term capitalist used in the following chapters.

Capitalists are "personifications of economic relations" or "economic character masks" (*Capital*, 1:179).[21] This is similar to what we observed with regard to the activity of commodity owners (see sections 3.2 and 3.6): a person behaves like a commodity owner or capitalist insofar as his or her behavior follows a specific rationality. This rationality is a result of the form-determination of the economic process (the economic form-determination of the commodity or capital, respectively). As people's behavior conforms to this specific rationality, they reproduce the preconditioned economic form-determinant. In Marx's presentation, the economic form-determination must be analyzed first, before the behavior of people is addressed.

An actual owner of money might pursue other goals besides the valorization of capital, but then he no longer operates exclusively as a "capitalist." The fact that the individual capitalist constantly attempts to increase his profit is not rooted in any psychological trait like "greed." Rather, such behavior is *compelled* by the competitive struggle among capitalists.

The individual capitalist, insofar as he or she wishes to remain a capitalist, requires increasing returns not to satisfy an increase in personal consumption, which in the case of large capital constitutes a tiny fraction of total returns, but primarily to modernize production facilities or produce new products when there is no longer demand for older ones. If a capitalist forgoes modernization or change, he or she will soon be bankrupt. In section 5.2, we will return to these *coercive laws of competition*.

With the passage of time, the external form of appearance of the capitalist has undergone some changes. The "free entrepreneur" of the nineteenth century, who managed his business and not uncommonly founded a family dynasty, was largely replaced in the twentieth century, at least in the larger businesses, by the "manager," who often owned only a smaller share of stock in the business he managed. Both are *capitalists* in Marx's sense, that is, personifications of capital. They both dispose of a sum of value as capital.

If the capitalist merely executes the logic of capital, then it is not he, but rather capital, self-valorizing value, that is the "subject" of the process. Marx refers to capital in this regard as the "automatic subject" (*Capital*, 1:255), a phrase that makes the paradox clear: on the one hand, capital is an automaton, something lifeless, but on the other, as the "subject," it is the determining agent of the whole process.

As the "dominant subject" (*übergreifendes Subjekt*) (*Capital*, 1:255) in the process of valorization, value needs an independent form and obtains it in money. Money is therefore the starting point and terminal point of the valorization process.

Money was already the independent, if inadequate, form of value within the process of simple circulation. As capital (to repeat: capital is neither money nor commodity taken by itself, but rather the limitless and ceaseless movement of appreciation, M—C—M´), value not only possesses an *independent* form, it is now "a self-moving substance, which *passes through a process of its own*," a rather curious subject with extraordinary powers:

> In truth, however, value is here the subject of a process, in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude. . . . By virtue of being value, it

> has acquired the *occult quality* to add value to itself. (*Capital*, 1:255: corrected translation)

It *seems* as if value is able to increase itself (some banks use the advertising slogan "let your money work for you," which is characteristic of this illusion). Now let's examine what this "occult quality" rests upon.

4.3 Class Relations: The Worker "Free in the Double Sense"

So far, we have only formally determined what capital is: a sum of value that valorizes itself, that executes the movement M—C—M′. But the question remains, how is this movement at all *possible*, or to put it another way, *where does surplus value come from*?

Within the sphere of circulation, valorization would only be possible if commodity C is purchased below its value or sold above its value. In this case, the sum of value advanced can be increased, but one capitalist's gain is only possible if another capitalist takes a loss of the same amount. At the level of society as a whole, the sum of value has not changed; it has simply been redistributed, just as if a simple act of theft had occurred.

Capitalist profit would therefore be explained as a *violation* of the laws of commodity production. If we assume the normal conditions of commodity production and circulation, then the "exchange of equivalents" applies: the commodities that are exchanged for one another have the same magnitude of value, the price paid is an adequate expression of the magnitude of value of the commodity and does not express a coincidentally greater or lesser magnitude; the commodities are exchanged "at their true values." If surplus value is a normal phenomenon of capitalist commodity production and not just an exception, then its existence must be explained under the presupposition of an "exchange of equivalents," and this is exactly the question that Marx poses.

Marx's deliberations can be summarized as follows: if equivalent exchange is assumed, then surplus value cannot be constituted in circulation, not in the first act of circulation, M—C, nor in the second act, C—M′. A change must take place between both acts. But outside of the sphere of circulation, the use value of the purchased commodity is merely consumed. Thus the owner of money must find a commodity on the market *whose use value possesses the quality of being a source of value*, so that the use of this commodity creates value, and more value than the commodity itself costs.

Such a special commodity exists. It is the commodity called *labor-power*. The term labor-power refers to the *ability* of humans to perform labor, and under the conditions of commodity production, the expenditure of labor can be a source of value. If I sell my labor-power, then I relinquish this ability to someone else for a specific period of time. In the case of selling labor-power, the entire person is not sold (I do not become a slave), but it is also not the case that labor is sold. Labor is the *application* of labor-power. That only the *ability to labor* was sold, and not labor itself, is shown among other things by the situation where raw materials are temporarily missing and the owner of money cannot use the labor-power he has purchased.

That the owner of money encounters labor-power *as a commodity* on the market is not a matter of course. Two conditions have to be satisfied for this to be the case. First, there must be people who act as *free proprietors* of their own labor-power, who are therefore in a position to sell their labor-power. A slave or a serf is therefore not in such a position, since the sellers of labor-power must be *legally free people*.

But if these people have means of production at their disposal and can produce and sell their own commodities or can subsist from the products of their own labor, then they will probably not sell their labor-power. They are only *driven* to sell their labor-power, and this is the second condition, if they do not own any means of production, if they are therefore not only legally free but also free of substantive *property*. Then they actually treat their labor-power as a commodity. The existence of workers who are "free" in this double sense is an indispensable social precondition of capitalist production.

Thus a specific *relationship between social classes* underlies the capitalist mode of production: on the one hand, there must exist a *class of property owners* (owners of money and means of production), and on the other hand there must exist *a class of largely propertyless, but legally free* *workers*. This relationship between social classes is usually what is meant when Marx speaks not of capital, but of the *capital-relation*.

When Marx deals with "classes," he is doing so without developing a full "class-theory."[22] The term refers simply to positions within the social process of production, in our case to owners of means of production and those who are excluded from this ownership, respectively. However, with regard to these classes defined by their social position, Marx does not assume that the individual members of a class automatically possess a common "class consciousness" or even that they exhibit a common "class activity." At this level of depiction, "class" is in the first instance a purely *structural* category; whether class means anything more has to be examined in each respective concrete context. When modern sociology—against Marx—claims to discover the end of class society within capitalism, then it usually cites as evidence the lack of class consciousness, on the basis of possibilities for upward mobility or the "individualization" of society.[23] It therefore makes use of a criterion that Marx does not at all apply to the structural concept of class predominant in *Capital*. However, traditional Worldview Marxism often drew the conclusion of a common consciousness arising from a structurally common social position and tended toward assuming a common social agency. Thus, instead of conceiving "class rule" as a *structural* relationship between social classes, it was conceived as an *intentional relationship*, where one class imposes its will upon another class.

The sheer existence of this class relationship—owners of money and means of production on the one hand, propertyless but legally free workers on the other—is in no way "natural," but the result of a *historical development*. This historical development belongs to the *prehistory* of capitalism. In order to continue with the analysis of the fundamental structures of capitalism, it is sufficient to take the results of this prehistory as given. For that reason, the historical process of emergence of the worker as "free" in a double sense is sketched at the end of the first volume of *Capital* under the title "The So-Called Primitive Accumulation." Using England as an example, Marx shows that this was an extremely violent and bloody process, which resulted in no way "from the market" but was actively assisted by the state (we already hinted at this process in sections 1.1 and 1.2). However, "primitive accumulation" is not a historically singular process: in the course of the global spread of capitalism, similar developments occur.

4.4 The Value of the Commodity Labor-Power, Surplus Value, and Exploitation

To understand the emergence of surplus value—in spite of the exchange of equivalents—we have to concern ourselves in greater detail with the commodity called labor-power. Like all other commodities, labor-power has a use value and a value. The *use value* of labor-power consists of its application, that is to say, labor itself. Labor expenditure creates new value, which prior to the act of exchange can only be estimated. The extent to which the labor expenditure was actually value-constituting is revealed on the basis of the reduction that occurs in exchange (see section 3.3 above).

Marx views the value of labor-power as being "determined, as in the case of every other commodity, by the labour-time necessary for the production, and consequently also the reproduction, of this special article." Every individual requires for his or her own maintenance a range of means of subsistence in the broadest sense, not just food, but also clothing, shelter, etc. Marx then concludes: "Therefore the labour-time necessary for the production of labour-power is the same as that necessary for the production of those means of subsistence; in other words, *the value of labour-power is the value of the means of subsistence necessary for the maintenance of its owner*" (*Capital*, 1:274; emphasis added).

Since the continued existence of the capital-relation requires that labor-power is continuously offered for sale on the market, the value of labor-power must also cover the costs that are necessary for a worker's entire family, including the costs of education for the worker's offspring.

If the traditional nuclear family, in which the male hires himself out as a wage laborer while the woman takes over the reproductive labor, is socially predominant, the value of the (male) labor-power has to cover the costs of reproduction. If, in contrast, the usual case is one in which two people are employed, this also influences the value of labor-power: the costs of reproduction rise, since a part of the reproductive labor no longer occurs in the household, and corresponding products and services have to instead be purchased or provided by the state, which in the latter case then have to be financed by higher taxes. The costs of reproduction for a family must no longer be covered by a *single* labor-power, but by the sum of value of *both* labor-powers, so that the value of individual labor-power—despite rising costs of reproduction—will tend to sink.

As with every commodity (see section 3.7 above), *price changes* for the commodity labor-power do not always express a change in value, but might also reflect the momentarily favorable or unfavorable situation for the sale of this commodity (a temporary scarcity or a temporary surplus of labor-power). Actual *changes in value* of labor-power can result from two sources: from a change in the value of the means of subsistence necessary for the reproduction of the laborer or from a change in the *extent* of the amount of means of subsistence necessary for the reproduction of the laborer. The extent of "necessary means of subsistence" differs among the various countries and historical periods, and depends upon what is normally counted among the necessary requirements of life, as well as which claims workers are able to assert. Since it is not necessarily the case that capitalists willingly concede such claims, it is the *class struggle* between workers and capitalists that determines the value of labor-power, as specific claims are imposed—or not. In this context, Marx speaks of a "historical and moral element" (*Capital*, 1:275) that enters into the determination of the value of labor-power, which is not the case with other commodities.[24]

However, there is a further difference between the commodity of labor-power and other commodities, which Marx does not address. The value of means of production used to produce a normal commodity forms part of its value, as well as the new value added by the labor that creates the finished product from these means of production. This is not the case with the commodity labor-power: its value is determined solely by the value of the means of subsistence that have to be purchased on the market. Reproductive labor carried out in the household (housework, childrearing), primarily by women, does not form a part of the value of labor-power. Feminist authors have levied the accusation at Marx that the critique of political economy has a "blind spot" (for example, the programmatic essay by Claudia von Werlhof, 1978). However, it is not Marx's determination of the value of the commodity labor-power that is wrong—he gives an account of how its determination appears in capitalism—what is wrong is that he does not emphasize the distinctiveness of this determination of value, but instead attempts to prove its consistency with the determination of the value of all other commodities.

Within capitalism, the particular determination of value of the commodity of labor-power is necessary: if workers would receive considerably more than the value of the means of subsistence that they have to buy on the market, then they would in the long term no longer be without property, and would be able to at least partially free themselves from the compulsion to sell their labor-power. The restriction of the value of labor-power to the costs of reproduction is a functional necessity of capitalism, but the achievement of this restriction is in no way a matter of course. It is entirely conceivable that a well-organized working class would be able to impose correspondingly high wages by means of labor struggles. How this restriction of the value of labor-power is nonetheless imposed "automatically" in the course of the capitalist process of accumulation will be shown in section 5.6.

The difference between the (daily) value of labor-power (the sum of value required on average by labor-power for its own daily reproduction) and the new value that the individual worker is able to produce in one day under normal conditions accounts exactly for the surplus value referred to above in the case of the formula M—C—M′. The fact that the daily value of labor-power (the value *required* for its own reproduction) is lower than the value that can be *created* in a day by the use of labor-power (through expenditure of labor-power) is the foundation of the "occult quality" of value to create new value.

The (daily) value of labor-power thus constitutes only a portion of the value newly created through the (daily) use of labor-power. For example, if a particular sum of value is created through the expenditure of labor-power during an eight-hour workday,[25] then this newly created value can be formally divided into the value of labor-power and the surplus value.

If the daily value of labor-power amounts to 3/8 of the value created over the course of an eight-hour workday, then one can formally state that the value of labor-power was produced in three hours and the surplus value was produced in five hours. Marx therefore refers to the first three hours as "necessary" labor-time (labor-time required to reproduce the value of labor-power) and the remaining five hours as surplus labor-time (labor-time performed by the worker beyond that necessary to reproduce his or her own labor-power). Since the workers in our example receive the value produced in three hours as payment, Marx refers to the necessary labor-time as "paid labor" and the surplus labor-time that the capitalist receives in the form of surplus value as "unpaid labor."

The fact that the individual worker receives a lesser value from the capitalist than the value he produced through his labor is referred to by Marx as "*exploitation*"—a term that can be misunderstood in various respects.

The term exploitation is not meant to allude to especially low wages or especially bad working conditions. Exploitation refers solely and exclusively to the fact that the producer only receives a portion of the newly produced value that he or she creates—regardless of whether wages are high or low or working conditions good or bad.

Exploitation—contrary to a widespread notion and despite corresponding statements by many "Marxists"—is also not meant to be a *moral* category. The point is not that something is taken away from workers that "actually" belongs to them, and that this act of taking is something morally reprehensible. The reference to "paid" and "unpaid" labor is also not intended to argue for the compensation of "all" of the labor expended.[26] On the contrary: Marx emphasizes that—according to the laws of commodity exchange—the seller of the commodity labor-power receives exactly the value of his or her commodity. The fact that the buyer obtains a particular advantage from the use value of the commodity is no longer of any concern for the seller. Marx compares this to the example of an oil dealer: the dealer obtains the value of oil as payment, but does not receive anything in addition for the use value of the oil (*Capital*, 1:301). "Exploitation" and the existence of "unpaid labor" are not the result of an *infringement* of the laws of commodity exchange, but are rather *in compliance* with them. If one wishes to abolish exploitation, then this cannot be accomplished through a reform of the relations of exchange within capitalism, but only through the abolition of capitalism.

4.5 The Value of Labor—An "Imaginary Expression"

Valorization rests upon the appropriation of "unpaid labor-time": the capitalist does not pay the value of the product created by workers, but pays the value of labor power. But according to everyday consciousness, wages are regarded as payment for the labor performed: exploitation as the normal state of capitalist production is not visible. Exploitation only seems to occur if a wage is "too low." It seems as if the wage does not express the *value of labor power*, but rather the *value of labor*.

Marx refers to the term "value of labor" as an "imaginary" and "irrational" expression (*Capital*, 1:677, 679). Labor—more precisely, abstract labor—is the substance and immanent measure of value. Labor *creates* value, but does not itself have value. If one speaks of the "value of labor" and asks how large the value of a workday of eight hours is, then one would have to answer: the eight-hour workday has a value of eight hours of labor, a statement that Marx rightly describes as "absurd" (*Capital*, 1:675).

However, the phrase "value of labor" is not just an absurd expression. Marx maintains that "imaginary expressions" like value of labor or value of land "arise, nevertheless, from the relations of production themselves. They are categories for the forms of appearance of essential relations" (*Capital*, 1:677).

The *essential* relation is the value of the commodity labor-power, but it *appears* in the form of the wage as the value of labor. Such forms of appearance "are reproduced directly and spontaneously, as current modes of thought," whereas the essential relations "must first be discovered by science" (*Capital*, 1:682).

The "value of labor" is an inverted and incorrect conception, not brought about through conscious manipulation, but rather emerging from social relations. It is one of the "objective forms of thought" (*objektive Gedankenformen*) (*Capital*, 1:169; see sec. 3.8, part f) that structures the consciousness of people caught up within the conditions of capitalism. From the viewpoint of the worker, an eight-hour workday has to be fulfilled in order to obtain a particular wage amount. The wage seems to be the payment for this labor, an illusion further strengthened by the usual forms of wages, the "time rate" (payment according to hours of work) and the "piece rate" (payment according to the number of articles produced). In the former case, it appears as if the labor performed during a particular unit of time is compensated, and in the latter case, the labor performed for the production of a single article.

Capitalists also succumb to this illusion. It is a "spontaneously" emerging inversion of reality to which all participants (as well as the majority of economists) submit. As the wage is understood as payment for the "value of labor," all labor seems to be paid labor. Surplus labor, unpaid labor, does not seem to exist. This inversion of reality has far-reaching consequences:

> All the notions of justice held by both worker and the capitalist, all the mystifications of the capitalistic mode of production, all capitalism's illusions about freedom, all the apologetic tricks of vulgar economics, have as their basis the form of appearance discussed above, which makes the actual relation invisible, and indeed presents to the eye the precise opposite of that relation. (*Capital*, 1:680)

The wage form constitutes the foundation for all further "mystifications" of the capital-relation, which culminate in the "Trinity Formula" (see chapter 10). But at the present point we must note that just as the spontaneous consciousness of *all* members of bourgeois society is subordinated to the fetish character of the commodity and money (see section 3.8), both workers *and* capitalists are equally subordinate to the mystification of the wage form.[27] The inversions generated by the capitalist mode of production do not stop at the doorstep of the ruling class (the insight of this class into social relations is therefore also limited), nor does the ruled and exploited class enjoy a privileged position from which it is able to see through these inversions—the "standpoint of the working class" much vaunted by traditional Marxists is of no further help here.