THE "HEART AND SOUL" OF MARX'S CRITIQUE OF CAPITALISM: EXPLOITATION OR SOCIAL FORM - OR BOTH? A REPLY TO MURRAY

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The editors of *Rethinking Marxism* have invited me to write a response to Patrick Murray's (2001) comments on Enrique Dussel's (2001) paper on "the four drafts of *Capital*" and my (Moseley 2001) introduction to Dussel's paper, and I am happy to do so.

I will briefly discuss three issues in particular: (1) the extent to which Marx's theory of surplus-value and exploitation is the "heart and soul" of his critique of capitalism, (2) Marx's quantitative theory of value and price, and (3) the precise "starting-point" of Marx's theory in *Capital*.

1. Theory of surplus-value

Murray criticizes Dussel for being similar to what he calls "Ricardian Marxism", in that he emphasizes Marx's theory of surplus-value, which concludes that surplus-value is produced by the surplus labor of workers, and thus that workers are *exploit ed* in capitalism. According to Murray: "The hallmark of Ricardian Marxism is that it takes the theory of surplus-value to be the *heart and soul* of Marx's critique of capitalism." (emphasis added) Marx's theory of exploitation is the basis for Dussel's ethical critique of capitalism. Murray suggests that the problem with such an emphasis on the theory of surplus-value and exploitation is that it implies that "human emancipation can be achieved … by eliminating surplus-value," or through a "fancied redistribution of surplus-value," without necessarily eliminating value production.

It is not entirely clear to me exactly what kind of economic structure Murray has in mind here that would "redistribute surplus-value" or "eliminate surplus-value", without eliminating value, but the suggestion seems to be some kind of worker-owned cooperative system, or perhaps market socialism.

However, Murray's criticism is a *non sequitor*, or a *mistaken guilt by association*, which is not appropriate. It does not follow that emphasis on the theory of surplus-value and exploitation implies that one sees market socialism as the cure to capitalism. Dussel does not advocate market socialism, and neither do I. Therefore, whether or not it is appropriate to emphasize Marx's theory of surplus-value and exploitation depends on other factors besides this mistaken guilt by association with market socialism, or the like.

I would argue that Marx himself certainly emphasized his theory of surplus-value, as the cornerstone of his theory and critique of capitalism in *Capital*. The theory of surplus-value is the main question addressed in Volume 1. This most-important question is posed in key Chapter 4 ("The General Formula for Capital"), and then answered the in the crucial Chapter 7, Section 2 ("The Valorization Process"). The rest of Volume 1 is mostly about the two main forms of surplus-value – absolute surplus-value and relative surplus-value, that follow from his theory of surplus-value.

The main conclusion of Marx's theory of surplus-value is of course that surplus-value is produced by the surplus, unpaid, labor of workers. In other words, wage-laborers in capitalism are exploited, just like serfs in feudalism and slaves in slavery – they all perform surplus labor *gratis* for the owners of the means of production. What is unique about capitalism is that this exploitation is less obvious, because of the initial exchange between capitalists and wage-laborers (the purchase and sale of labor-power), which appears as an exchange of equivalents. However, Marx's theory shows that this exchange on the market is only the first phase in the relation between capitalists and wage-laborers; the second phase is the "hidden abode" of production, in which workers produce more value than they are paid, and therefore are exploited.

Thus Marx's theory of surplus-value serves to uncover the reality of exploitation beneath the appearance of equal exchange. I think this theory of surplus-value and exploitation is a large part of the "heart and soul" of Marx's theory and critique of capitalism. Marx's theory of surplus-value destroys the prevailing ideology (supported by neoclassical economics) that capitalism is "fair and just", i.e. that all the market exchanges in capitalism – including most importantly the exchange between capitalists and workers – are the exchange of equivalent values, in which each party receives a value equivalent to what they contribute to the exchange. In particular, workers receive in wages a value equivalent to their contribution to the value of the output. Marx's theory provides a devastating critique of this powerful, pervasive ideology. To lose all this (or to deemphasize it) because of a supposed connection between this theory of surplus-value and market socialism would be a big mistake.

In addition, most of other important conclusions of Marx's theory are derived in one way or another from his basic theory of surplus-value. These important conclusions include: inherent conflicts between capitalists and workers over the length of the working day and over the intensity of the workers' labor, inherent technological change, rising rate of surplus-value and increasing composition of capital, falling rate of profit, and recurring crises. All these important conclusions follow from Marx's theory of surplus-value, according to which surplus-value depends on surplus labor.

I agree with Murray that Marx's theory of the social form of labor is another very important aspect of his critique of capitalism. I also agree that Marx's theory is not about labor as such, as a general category which applies to all forms of social production, but is instead about the "specific social form of labor" in capitalism – wage-labor that produces commodities. Marx's theory of the social form of labor is especially important, because it demonstrates that capitalism is not the natural form of social production, but is instead a historically specific form of social production, which has not always existed and need not always exist. I also agree that a socialist revolution should also be "against value" (i.e. against commodity production and the market), and not just "against surplus-value" (i.e. against the exploitation of workers).

However, I still want to emphasize that Marx's theory of surplus-value and exploitation is at least as important as (I would say even more important than) Marx's theory of social form, for reasons discussed above. Murray criticizes "Ricardian Marxism" for emphasizing only surplus-value and exploitation, and ignoring the specific social form of labor in capitalism. It seems to me that Murray is in danger of making the opposite mistake – emphasizing only the specific social form, to the exclusion of surplus-value and the exploitation of workers. I think this one-sidedness would be as big a mistake as the opposite one-sidedness of "Ricardian Marxism". The "heart and soul" of Marx's critique of capitalism includes *both* his theory of surplus-value and exploitation and his theory of social form.

Murray also seems to suggest that Marx's theory of surplus-value is no great achievement, because this "'unjust appropriation' [of surplus-value] was visible to any number of Left Ricardians going back to the 1840s."

I argue, to the contrary, that Marx's theory of surplus-value is a tremendous achievement in the history of economic throught. The origin and magnitude of surplus-value is surely the single most important question in understanding the structure and dynamics of capitalist economies. This all-important question was not answered satisfactorily by classical political economy – indeed it was hardly answered at all. A few "Left Ricardians" had written pamphlets, with simple arguments, drawing out the logical implications of Ricardo's labor theory of value to explain surplus-value or profit by the exploitation of workers. But no one had presented a full-blown, rigorous theory of value and surplus-value, based on the labor theory of value. Certainly no one had come remotely close to Marx's thousands of pages and mountains of logical rigor.

Furthermore, Marx's theory of surplus-value remains today a great theoretical achievement. It is the best theory of profit, by far, in the history of economics. Neoclassical economics still has no satisfactory theory of profit (or interest as it is called in neoclassical theory). This is a well-known, notorious, area of weakness in neoclassical economics. The main neoclassical theory of interest of the 20th century – the marginal productivity theory – is now almost entirely discredited, due to a host of logical difficulties that have been revealed in recent decades.

By comparison, Marx's theory of surplus-value remains a logically consistent, rigourous theory, which has considerable explanatory power in understanding capitalist reality (see Moseley 1995 for a discussion of the empirical explanatory of Marx's theory of surplus-value), and certainly has much more explanatory power than the various neoclassical theories of interest, which have little or no explanatory power (they are almost entirely static and based on highly restrictive assumptions).

2. Theory of value

Murray also criticizes another aspect of "Ricardian Marxism" (which doesn't really apply to Dussel) – that it interprets Marx's theory as a theory of price in the ordinary sense, with prices as the dependent variables and values as the independent variables. Instead, Murray argues, there are no dependent and independent variables in Marx's theory; values and prices are not independent of one another. Rather, price is the "necessary form of appearance" of value.

I certainly agree that Marx's theory derives price is the "necessary form of appearance" of value, and that this logical demonstration of the necessary connection between value and price (in Section 3 of Chapter 1 of Volume 1) is another great achievement. I also agree (as mentioned above) that the abstract labor that determines prices is not a general, ahistorical, category, which applies to all forms of social production, but is instead a historically specific category, which applies specifically and solely to capit alist production.

However, I argue that Marx's theory still provides a determinant quantative theory of price, in which prices are determined by values (i.e. by quantities of abstract labor). Values are determined independently of prices (by the socially necessary labor-time in production) and then determine prices. There is a causal relation in Marx's theory running from values to prices, even though values and prices are not independent and dependent variables in the usual sense of the terms. (It should be noted that the prices that are explained in *Capital* by Marx's labor theory of value are *long-run, average, center-of-gravity prices*, not actual market prices in any given period. In other words, Marx's labor theory of value assumes supply is equal to demand and no realization problems, in order to analyze capitalism "in its pure state".)

To pick a crucial example, in the all-important theory of surplus-value presented in Chapter 7 of Volume 1, Marx first assumed that the working day is 6 hours, in which case the new-value produced per worker is 3 shillings (on the assumption that the new-value produced per hour is 0.5 shillings), and the quantity of surplus-value is 0. Marx then assumed (in dramatic fashion) that the working day is was 12 hours, in which case the new-value produced per worker is 6 shillings, and the quantity of surplus-value is 3 shillings. In these examples, the quantity of labor-hours clearly determines the quantity of shillings of new-value produced, and indirectly the quantity of surplus-value produced. More precisely, the new-value component of the price of commoditie is proportional to the labor-hours worked, as represented by the following equation:

$$N = m L$$

where m is the new-value produced per labor-hour (0.5 shillings in Marx's example). In this equation, L is determined independently of N and determines N. Therefore, even though Marx's theory is not an ordinary theory of price, it is nonetheless a determinant quantitative theory of price, in which values determine prices. Indeed, without such a quantitative theory of price, there would be no theory of surplus -value, and Marx's greatest achievement would be lost.

Murray also mentions in passing that "there is no 'transformation problem'" in Marx's theory. I am not sure what this means. Is there not a need to explain the equalization of profit rates across industries, and how this equalization is compatible with the determination of prices by values? The inability to provide such an explanation was the "main stumbling block" of Ricardian economics. Marx's solution to this long-standing problem was another great theoretical achievement. Murray's interpretation seems to deny the importance of the problem, without providing a solution. If there is no transformation problem, then what is Marx doing in Part 2 of Volume 3? (See Moseley 1993 and 2000 for my interpretation of Marx's solution to the transformation problem. I argue, contrary to the prevailing wisdom, that Marx did *not* "forget to transform the inputs" of constant capital and variable capital from values to prices of production, and thus that Marx's method of determination of prices of production in Part 2 of Volume 3 is logically consistent and complete.)

In general, Murray's interpretation seems to downplay the *quantitative* aspects of Marx's theory (the theory of price and surplus-value) and to emphasize only the qualitative aspects (the theory of social forms). Murray argues correctly that Marx's theory of price does not have dependent and independent variables in the usual sense of these terms. However, Murray's interpretation seems to run the risk of having no variables at all, and thus no determinant quantitative theory of price and surplus-value. I would be happy to be wrong about this.

3. The starting-point of *Capital*

I come finally to the controversial issue of the "starting point" in Marx's theory in *Capital*. Dussel argued in his paper that Part 2 of Volume 1 is the "real" starting point of Marx's theory, with the confrontation between capital and labor and the subsumption of labor under capital. I argued in my introduction that the logical starting point of *Capital* is the commodity in Chapter 1, as the most abstract and universal element of the totality of capitalist production. Murray argues in his comments that Marx's method of "mutual presuppositions" calls into question the very idea of a "starting-point" in his theory. He argues:

> Marx conceives of the development of the dialectic of the categories as involving *mutual presuppositions*; for example, the circulation of capital presupposes the generalization of commodity exchange, *and* the generalization of commodity exchange presupposes the generalization of the circulation of capital. This structure of mutual presuppositions throws the very idea into a cocked hat. Where does a circle of mutually presupposing categories "start"?

I think that Murray is mixing up two different types of presuppositions – logical presuppositions and presuppositions in reality. It is true that the circulation of capital and the circulation of commodities mutually presupposes each other in reality, in the sense that Marx's theory starts with the totality of actually existing capitalism, in which the circulation of capital and the circulation of commodities are both key elements. Marx's theory seeks to understand and explain this totality, and how all the elements of this totality are necessarily connected. (It should be noted that an important point of agreement between Murray and myself, and with Dussel as well, is that *Capital* is about capitalism from the very beginning, i.e. from Chapter 1 of Volume 1. In other words, Part 1 of Volume 1 is *not* about "simple commodity production", as argued by Engels, Sweezy, Meek, and many others. On this important point, see Arthur 1997.)

But everything cannot be explained at once. Marx's logical method, adapted from Hegel, is to start with the simplest, most abstract and universal element of this totality (the commodity), and then to derive all the more concrete and complex elements (money, capital, surplus-value, etc.) from this most abstract element. Everything is *not* mutually presupposed logically. The concept of capital logically presupposes the concepts of the commodity and money, in the sense that the concept of capital is defined in terms of commodities and money (i.e. M – C – M'). But the concepts of commodity and money do *not* logically presuppose the concept of capital, in the sense that these concepts are *not* defined in terms of capital. The concept of the commodity can be introduced without first introducing the concept of capital, as indeed Marx does in Chapter 1, even though the commodity presupposes capital in reality.

This is what I mean by "the commodity is the starting point" of Marx's theory – the commodity is the *logical* starting point for Marx's logical derivations of money, capital, etc. As Marx put it in the Preface to the First Edition of *Capital*, the commodity is the "economic cell-form" of capitalist society. In other words, the commodity is the fundamental element with which the explanation of all other elements begins.

There are many passages in the various drafts of *Capital* in which Marx discussed the commodity as the starting point, or the point of departure, of his theory. One of the most important such discussions is in the "Results of the Immediate Process Production", in Section 1 which is entitled "Commodities as Products of Capital". The main point of this discussion is that the commodity at the end of Volume 1 is understood differently from the commodity at the beginning of Volume 1. In Chapter 1, commodities appeared as autonomous articles, containing specific amounts of objectified abstract labor. However, by the end of Volume 1, the commodity is understood to be the product of capital.

> As the **elementary form of bourgeois wealth**, the *commodity* was our **point of departure**, the **prerequisite** for the emergence of capital. On the other hand, commodities appear now as the *products of capital*. (Marx 1981, p. 949; bold emphasis added)
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> The *commodity* that emerges from capitalist production is different from the **commodity we began with** as the **element**, the **precondition** of capitalist production. We began with the individual commodity viewed as an autonomous article in which a specific amount of labor-time is objectified and which therefore has an exchange-value of a definite amount.
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> The commodity may now be further defined as follows …
> (Marx 1981, p. 953; bold emphasis added)

We can see that Marx clearly states that the commodity is the "elementary form of bourgeois wealth," the "point of departure" for his theory of capitalism, and the "prerequisite" for capital.

In conclusion, I want to thank Patrick Murray for his very stimulating comments. Murray's outstanding scholarship over the last fifteen years is yet another indication that Dussel is right when he says that the level of Marxian scholarship is higher today than ever before.

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