

# Avoiding Bad Abstractions

## A Defense of Co-constitutive Value-Form Theory

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### Abstract

The article argues that Marx was a value-form theorist and defends the mainstream of value-form theory against the criticisms of the TSSI contributors to the symposium. Three positions are distinguished: (1) the “production-only” theory of the TSSI authors, according to which value and price are determined in production alone, and two types of value-form theory: (2) the “exchange-only” theory pioneered by Samuel Bailey, according to which value and price are determined in commodity exchange alone, and (3) the co-constitutive theory of Marx, according to which both production and exchange figure into the determination of value and price. The article contends that the TSSI authors are caught up in bad abstractions. Because they separate what is only distinguishable—notably, value from the value-form (money)—they find co-constitutive value-form theory unintelligible. Consequently, they reduce value-form theory to the empty “exchange-only” variant, which is subject to the criticisms they make.

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We see then that commodities are in love with money, but that ‘the course of true love never did run smooth’. — Marx (1976a, 202)

Marxian value theory is a value-form theory. Since it was by asserting this that I came to be invited to participate in the present symposium, I begin there.<sup>2</sup> Speaking in a general way, one could say that value-form theory encompasses any theory of the value-form, where the value-form is the expression of value, namely, exchange-value. That Marx is a value-form theorist in this general sense is apparent from any number of facts, the most striking is that he devotes section 3 of the first chapter of *Capital* to “The Value-Form, or Exchange-Value.” Marx discusses two theorists of the value-form in this general sense, Aristotle and Samuel Bailey. Marx (1976a, 151) identifies Aristotle as “the great investigator who was the first to analyse the value-form, like so many other forms of thought, society and nature.” Aristotle recognized (1) that it takes the equating of two commodities to express value, though he did not notice the necessarily polar nature of the expression of value, nor, consequently, did he analyze the peculiarities of either the relative or equivalent value-forms; (2) “that the money-form of the commodity is only the further developed figure [*die weiter entwickelte Gestalt*] of the simple form of value” (Marx 1976a, 151; my revised translation); (3) that the equalities expressed in the form of value presuppose commensurability, so that there must be some quantifiable “third thing” (as Marx calls it) common to all commodities, of which they represent various magnitudes; and (4) that this common thing cannot be either a physical property of a commodity or what we might term “use-value in the abstract” (utility), since, as Marx (1976a, 126) puts the Aristotelian point, “The usefulness of a thing ... does not dangle in mid-air. It is conditioned by the physical properties of the commodity, and has no existence apart from the latter.” Utility is a mirage—not the substance or measure of value.

These are heavy debts that Marx owes to Aristotle. But Aristotle’s theory of the value-form came to a halt when he could find nothing that worked as the “third thing,” as value, in terms of which all commodities are commensurable. Marx (1976a, 152) explains Aristotle’s failure to recognize that human labor in general is the substance of the “third thing” in terms of his historical limitations; value could not

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<sup>2</sup> It was said during a COPE-sponsored panel on value-form theory at the 2006 *Historical Materialism* conference in London.

be “deciphered until the concept of human equality had already acquired the permanence of a fixed popular opinion.”<sup>3</sup> Not contending with the historical obstacles that Aristotle faced, Marx succeeds in solving the riddle of the value-form.

Modern theorists of the value-form are few, Marx observes; the most notable is Samuel Bailey.<sup>4</sup> In *Capital*, Vol. 1, Marx (1976a, 141 n17) comments,

The few economists, such as S. Bailey, who have concerned themselves with the analysis of the form of value have been unable to arrive at any result, firstly because they confuse the form of value with value itself, and secondly because, under the coarse influence of the practical bourgeois, they give their attention from the outset, and exclusively, to the quantitative aspect of the question.

It is doubly odd that the TSSI authors do not consider Bailey.<sup>5</sup> For Bailey held the extreme value-form theory that is their target.<sup>6</sup> Secondly, Marx already criticizes Bailey’s value-form theory along lines followed by the TSSI authors. Marx writes, “The most superficial form of exchange-value, that is the *quantitative relation* in which commodities exchange with one another, *constitutes*, according to Bailey, their value” (Marx 1971, 129).<sup>7</sup> Bailey is the originator of the idea that value is constituted exclusively in exchange, which collapses

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<sup>3</sup> Marx might have added that, since value exists only where the capitalist mode of production predominates, not only did the solution to Aristotle’s quandary first become recognizable in modern times, the problem itself achieves actuality only with the generalization of the commodity form of wealth. The generalization of the commodity form, the social roles of buyer and seller, and wage-labor lay the basis for a broadly egalitarian society. See Murray (2004, 153–55).

<sup>4</sup> See Marx’s extended examination of Bailey in Marx (1971, 133–68). See also Furner (2004), Murray (2006), and Kliman (2008).

<sup>5</sup> I will refer collectively to the proponents of the Temporal Single System Interpretation (TSSI) in the present symposium—Alan Freeman, Andrew Kliman, Michael Posner, and Maya Gonzalez—as “the TSSI authors.”

<sup>6</sup> Bailey supplemented his theory of the value-form with a subjectivistic theory of value, a forerunner to neoclassical value theory.

<sup>7</sup> In referring to “the most superficial form of exchange-value,” Marx refers to what he calls the simple form of value and points to a criticism that he develops at length. Bailey has no theory of money (or price) because he fails to see the *polarity* of the value-form—one commodity must be in the relative value-form, the other in the equivalent form—and the necessity that one commodity, the money commodity, be socially recognized as the sole commodity in the role of the equivalent form.

value and the value-form, exchange-value. A passionate critic of Ricardian value theory, Bailey was a determined opponent of the very idea that value was an intrinsic property of a commodity, present prior to its sale. Inasmuch as Bailey is the pioneer of the variant of value-form theory that troubles the TSSI authors, Marx has done much of their work for them.

I propose that we distinguish simply having some theory of the value-form, as Aristotle did, from value-form theory in the more restrictive sense that is widely employed today. Value-form theory maintains that neither the value nor the magnitude of value of a commodity is constituted independently of its sale. We sometimes find a narrower meaning of “value-form theory” in the literature, when the term is limited to the one-sided theory according to which value and the magnitude of value are constituted exclusively in exchange. Bailey, not Marx, is the originator of this extreme variant of value-form theory, which I will call the *exchange-only* view. Since Marx rejected the basic claims of this type of value-form theory, it ought not to be considered Marxian. By contrast, Marxian value-form theory holds that value and the magnitude of value are co-constituted in production and circulation. It takes what I will call a *co-constitutive* view. Value is a supersensible social property intrinsic to the commodity as a potential that arises out of production and whose magnitude is not fully determinate until that potential is actualized with the final act of social validation, the sale of the commodity. Marx (1970, 45) puts the co-constitutive view as follows:

the different kinds of individual labour represented in these particular use-values, in fact, become labour in general, and in this way social labour, only by actually being exchanged for one another in quantities which are proportional to the labour-time contained in them. Social labour-time exists in these commodities in a latent state, so to speak, and becomes evident only in the course of their exchange. The point of departure is not the labour of individuals considered as social labour, but on the contrary the particular kinds of labour of private individuals, i.e., labor which proves that it is universal social labour only by the supersession of its original character in the exchange process. Universal social labour is consequently not a ready-made prerequisite but an emerging result.

The peculiar asocial sociality of commodity-producing labor requires the validation of privately undertaken labor through the sale of the commodities it produces. Marx (1970, 45) continues, pointing out

that value cannot be understood on the basis of the either/or: value is constituted either in production or in exchange, “Thus a new difficulty arises: on the one hand, commodities must enter the exchange process as materialised universal labor-time, on the other hand, the labor-time of individuals becomes materialised universal labor-time only as the result of the exchange process.”<sup>8</sup> Marxian value theory reverses the logic of Heisenberg’s Uncertainty Principle: only through the measurement of value in money effected in the sale of the commodity is value actualized and the magnitude of value finally determined.

The term “value-form theory,” as I propose to use it, then, includes both the co-constitutive view and the exchange-only view. Value-form theory should not be identified with any of the following: (1) claims to find ambiguities, mistakes, or contradictions in Marx’s presentation of his theory of value, (2) assertions that value is constituted exclusively in exchange; (3) proposals to reconstruct Marx.<sup>9</sup>

### From Strawman to Paper Tiger

The TSSI authors endorse the idea that value is historically specific, a thought they find in all value-form theories, but they reject value-form theory in favor of what I will call a *production-only* conception of the constitution of value and the determination of the magnitude of value. They argue that both the magnitude of value and the price of commodities are determined prior to the sale of the commodity. Furthermore, they believe that this captures Marx’s view; in other words, Marx was not a value-form theorist. There is a basic difficulty with the TSSI authors’ engagement with value-form theory. Most, perhaps all—I am not certain about Eldred and Hanlon or Kay and Mott—of the value-form theorists whom they engage hold a

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<sup>8</sup> See also Marx (1976a, 179–180; and 1971, 136).

<sup>9</sup> Thus I disagree with Freeman’s (156) assertion that “Michael Heinrich’s argument [is] representative of the VF school, that Marx’s derivation of abstract labour, value and money is ‘ambivalent’ and should be replaced by superior derivations of these same categories.” Heinrich’s position is close to Geert Reuten’s, but Backhaus, Arthur, and Eldred and Hanlon regard Marx’s derivation as wrong, not ambiguous. I regard it as defensible.

co-constitutive view.<sup>10</sup> The TSSI authors continually collapse the co-constitutive view into the exchange-only view; only against the latter do their arguments work. They collapse the two views, I believe, because they cannot take seriously the co-constitutive view, which regards value as intrinsic to the commodity but only latently present prior to the sale of the commodity. The TSSI authors are locked into an either/or logic: either the commodity has its value in full before it is sold or there is no sense in which it has value. If it does, it must have a determinate magnitude of value (and a determinate price); if it does not, the question of the magnitude of its value is moot.

Though they do not put the point so directly, the TSSI authors spurn the idea of a commodity's value being an intrinsic potential prior to its sale: potential is a metaphysical hoax. Likewise, the Marxian value-form proposition that value and price are both pre-conditions and results of commodity circulation is unthinkable to the TSSI authors. Value is either a precondition or it is a result; it cannot be both.<sup>11</sup> For them, the co-constitutive value-form theory is a conceptual and metaphysical mish-mash that would make of value an impossible changeling. In the minds of the TSSI authors, then, a hole gapes where I place Marxian value-form theory and any other co-constitutive value-form theory. Because their concepts allow no room for value-form theory taking any other form, the TSSI authors engage only the most one-sided conception of value-form theory, the exchange-only kind. As a consequence of their either/or thinking, with its metaphysical aversion to real potentiality and indeterminacy

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<sup>10</sup> In addition to Bailey, Alfred Sohn-Rethel adopts an exchange-only view, but the TSSI authors do not discuss him. For a criticism of Sohn-Rethel's one-sided value-form theory, see Moishe Postone (1993, 177–79).

<sup>11</sup> Freeman (166) writes, "This takes us to the heart of the VF construction, which hinges on the view that in order to be 'recognised' as abstract, labor must participate in sale. Taken literally, this implies that labor can only be abstract if capitalism succeeds." *Final* recognition of labor as value producing is either/or; it requires social validation through the sale of the commodity. Pricing is not selling. But social recognition of labor as value producing is a complex process that includes pricing and affects the production process from the outset. Funds advanced by banks to producers may be considered a kind of pre-validation of labor as abstract (Bellofiore 2005). Labor is being treated as abstract from the get-go when the purpose of production is surplus-value. The value-form theorist can agree with Freeman (170) that "[e]ach concrete labor enters comparison with every other via the mediation of price"; that is, pricing is a social phenomenon wherein concrete labors are treated as abstract. But value-producing labor must be socially necessary in addition to being socially validated as abstract; and commodities prove they are socially necessary by being sold.

and their conceptual aversion to value's being both precondition and result, the TSSI authors cannot help but make a strawman of value-form theory. They are bound to collapse value-form theory into its extreme variant, which shares their belief that value does not exist potentially in commodities prior to their sale. Thereafter, the two part company; the conclusion of the extreme value-form theory is the polar opposite of TSSI: the value of a commodity is constituted, and the magnitude of its value is determined, exclusively in the act of exchange.

To juxtapose the "market-centered" (value-form theory), then, with the "production-centered" (TSSI), as Andrew Kliman does, is to understate the contrast. The value-form view that he and other TSSI authors criticize is not just market-*centered*; it conceives of value and the magnitude of value as being determined exclusively in exchange, by the sale of the commodity whose value is at issue. Likewise, Kliman's TSSI view is not production-*centered*; it holds that value, the magnitude of value, and price are fully determined in production prior to the sale of the commodity. If the TSSI authors were correct, our choice would be a stark one: reject value-form theory in favor of their production-only view or accept the extreme, exchange-only variant of value-form theory.

Generally speaking, co-constitutive value-form theory is not market-*centered*. For example, Geert Reuten (2005, 85) writes, "We saw that money is the necessary expression of value: only with money do we arrive at the extroversive form of immanent substance: that is the determinate 'being' of commodities. There cannot be a privileging of the one over the other." Reuten rejects a market-centered theory in favor of parity, but the co-constitutive theory can privilege production over circulation for the simple reason that without production there would be nothing to validate in circulation. Value-form theorists who take a systematic dialectical approach argue that the sphere of circulation is a necessary mode of appearance of a deeper reality, namely, the capitalist mode of production. To make that argument is to adopt a production-centered concept of value, while affirming the necessity of money and circulation to capitalist production. "Any thought that the market alone makes labor 'practically abstract' misconceives the status of generalised commodity circulation in relation to the production process as a whole" (Murray 2000, 45). The mainstream of value-form theory, from Marx, through Rubin, to the present is production-centered.<sup>12</sup>

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<sup>12</sup> See Marx (1976a, 165) and I. I. Rubin (1972).

Having made a strawman of value-form theory by collapsing it into its most extreme (and empty) version, the exchange-only variant, the TSSI authors turn it into a paper tiger. They inflate the exchange-only view by equivocating on the word “determine.” We can distinguish two senses of “determine.” In one sense, price is determined in the sale of a commodity; how much money is exchanged for a commodity determines its price, say \$10. This sense of “determine” does not get us beyond tautology: price just *is* what a commodity sells for, so the sale of a commodity determines its price. But what determines why that price is \$10 rather than \$2 or \$50? With this second sense of “determine,” we go beyond definition to explanation. But the exchange-only theory offers no explanation, hence its vacuity. As Posner and Gonzalez (14, 207) observe, “In the hands of the value-form theorist, value is transformed from a predicate of real human activity into a mystical substance of unknown provenance.” They add (correctly, with regard to the exchange-only version of value-form theory) that this “reinstates the fetishism that Marx sought to overthrow in his critique of political economy” (207). That was a dart Marx enjoyed throwing at Bailey, since, with his polemics against “intrinsic value”—like other subjectivistic philosophers and economists, he even rejected the common sense notion that use-value is intrinsic to goods—Bailey prided himself as the consummate anti-fetishist.

There is an equivocation involved in saying that, according to the exchange-only theory of value, value is determined in exchange. Thus, Kliman (191) writes of value-form theory (by which he means, as we can read, the exchange-only version), “total price is determined in and through exchange” since “commodities only acquire their prices by being exchanged.” The first statement equivocates; it suggests that exchange is somehow determining the price in the second, explanatory, sense of “determine,” when, really, this kind of value-form theory only states the tautology that the price of a commodity is how much money you get for it. The phrase “determined in and through exchange” accentuates the equivocation by adding an idle “through” to the “in,” as if mere exchange were somehow not only indicating that a commodity sold for \$10 but also explaining why it sold for that and no other price.<sup>13</sup> But the extreme value-form theory criticized by the TSSI authors has no such explanation to offer. The “through” is a dead letter that bestows on the exchange-only theory a scientific

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<sup>13</sup> More emphatic expressions, “establishes” and “constituted,” can be found on pages 188 and 191, respectively, of Kliman’s contribution.



weight it lacks. Here is where the exchange-only value-form theory gets puffed up into a worthier foe than it is.

In the exchange-only value-form theory, we have what Alan Freeman (156, 163–64) terms an “ontological collapse.” This extreme variant of value-form theory affords us no basis for distinguishing between value and price, so the talk of “constituting” value and price “through” the act of exchange only adds hype to the humdrum observation that commodities are sold at some price. At most the exchange-only version of value-form theory is a negative theory, as it was when Samuel Bailey championed it; it is a rebuke to any intrinsic theory of value, including any labor theory of value. The “theory” comes down to this: there is no value, only price, and there is no theory of price. A paper tiger.

Consequently, I agree with the criticisms that the TSSI authors make of the ideas to which they reduce value-form theory, namely, its extreme, exchange-only, variant. The key ideas of Marxian value theory cannot be derived from it. The problem with the TSSI criticism of value-form theory is that—because of its either/or logic: the value of a commodity either exists whole and entire prior to its sale or it does not exist at all—it cannot countenance the kind of co-constitutive value-form theory originated by Marx. Yet that kind makes up the mainstream of value-form theory today.

### **Needed: Two Concepts of Abstract Labor**

Posner and Gonzalez (204) write, “The crux of our argument against the value-form theory pivots on the theorization of abstract labor.” It does, but the trouble is that they write as if there were just one concept of abstract labor at stake, when there are two—in fact there are two *kinds* of concepts of abstract labor in play in Marx’s theory of value.<sup>14</sup> With good reason, Posner and Gonzalez (204) point to the difficulties that value-form theorists have in reconciling “Marx’s theorization of abstract labor as physiological human labor with his view that

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<sup>14</sup> There is even a third relevant concept (and third type of concept) in play in *Capital*, Vol. 1, the general concept of labor. Marx develops it in the first part of Chap. 7, the part devoted to a general account of the labor process, an account that abstracts from the specific social form of the labor process. At the same time, Marx recognizes that there is no production in general; that is, there is no actual labor process without a specific social form. On these three different concepts and the roles that they play in Marx’s theory of value, see Murray (2000).

abstract labor as the substance of value belongs to a historically specific ‘social formation in which the process of production has mastery over man, instead of the opposite.’”<sup>15</sup> No doubt, we confront a difficult interpretive task. Trying to resolve the apparent difficulty just noted without distinguishing two concepts of abstract labor—two kinds of concept—results in what I call “Rubin’s dilemma”: if we allow only one concept of abstract labor, either we must deny that there is a generally applicable concept of abstract labor or we must deny that value-producing labor is labor of a specific social sort.<sup>16</sup>

To escape “Rubin’s dilemma,” we need to distinguish between (1) a generally applicable concept of abstract labor, which we can associate with human labor considered “physiologically,” and (2) what I term “practically abstract” labor, which is labor that is socially validated in practice *as* abstract in the former sense. Once we have the concept of human labor in the abstract, it is applicable to concrete labor of whatever social type.<sup>17</sup> Abstract labor in this sense is not a kind of labor; it is a way of regarding concrete labor of whichever social or technical sort. So it is senseless to talk about someone doing abstract labor in this sense. It is a category mistake to contrast abstract labor in this sense to concrete labor, as if one person could perform concrete labor and another abstract labor. In this sense there simply is no abstract labor; there only is concrete labor. We do speak of concrete labor being more or less abstract; for example, the feverish bolt-tightening work done by Charlie Chaplin’s character in his film *Modern Times* counts as abstract. But a different sense of “abstract labor” is in play here, one that distinguishes among types of concrete labor—not between concrete and abstract labor.

By contrast, “practically abstract” labor is a specific social type of labor, namely labor that is socially validated in practice *as* abstract in the physiological sense. Value-producing labor is “practically abstract” labor; so value-producing labor is a specific social form of labor. On the latter point value-form theory and TSSI agree. But the social practice whereby labor is validated as abstract is commodity circulation. So value-form theory is presupposed by the concept of

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<sup>15</sup> In note 16 they mention Rubin, Postone, and Heinrich. See Postone (1993, 145). I take up this issue in Murray (2000), where I criticize Rubin.

<sup>16</sup> Murray (2000, 52–56).

<sup>17</sup> As noted in connection with Aristotle, this generally applicable concept of abstract human labor *arises* only with capitalism and the generalization of wage-labor. But that fact does not restrict its applicability to capitalist societies.

“practically abstract” labor: value is inseparable from money and the circulation of commodities.

### Commodity Fetishism without Money Fetishism?

Value-form theory and TSSI agree that value and value-producing labor are specific social forms of wealth and labor, but TSSI rejects the value-form theorist’s claim that money and circulation are ingredient to this social specificity. What alternative account, then, do TSSI theorists offer of the social specificity of value and value-producing labor? Posner and Gonzalez (205) answer that what “gives abstract labor a historically specific character and real existence in capitalism is the fact that this common equality of all human labor is transformed into an ‘objective characteristic’ of the commodities themselves, ‘as ... socio-natural properties of these things’ (Marx 1976a, 164–65).”<sup>18</sup> Here they refer to what Marx calls the “fetish character of the commodity.” But what shows us that the common, “physiological” character of human labor has been “transformed into an ‘objective characteristic’ of the commodities themselves,” and what is responsible for this peculiar transformation? How does congealed abstract labor become an objective characteristic of commodities?

Posner and Gonzalez (205, emphasis in original) refer us to the “value-relation of commodities,” in which “the various forms of concrete labor are not socially related as distinct and functionally reciprocal concrete labors which are productive of distinct useful objects, but only as *human labor as such*.” They quote a passage from the appendix to the first edition version of the first chapter of *Capital* that brings out the inversion of concrete and abstract: “Within the value-relation and the value expression included in it, the abstractly general counts not as a property of the concrete, sensibly real; but on the contrary the sensibly-concrete counts as the mere form of appearance or definite form of realisation of the abstractly general” (quoted in Posner and Gonzalez, 206 n19). Marx specifies that “the value expression,” that is, the sale of the commodity, is included in the “value-

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<sup>18</sup> In a provocative section of his paper, “The Historical Specificity of Embodied Labor,” Kliman argues that the transformation of abstract labor into an objective property of the commodity is what is specific to capitalism. All Kliman tells us about the historical specificity of value-producing labor is that its products have the odd, objective property of value. Why and how that is so, and whether or not it has anything to do with money and circulation, are left up in the air.

relation.” So money and the circulation of commodities are ingredient to Marx’s conceptions of value and value-producing labor. Commodity circulation, the buying and selling of commodities, completes the social practice by which concrete labor is transformed into “practically abstract” labor. Posner and Gonzalez have been led to a value-form conclusion: value and value-producing labor are inseparable from money and circulation. Of course, it is not their intention to reach this conclusion.

Posner and Gonzalez (205–06) veer away from a value-form conclusion when they insist that, despite the appearance created by the “value-relation,” the “true subject” is not “abstract human labor” (indeed, that is no subject at all); it is “the definite, concrete forms of labor which alone possess the characteristic of being human labor, and are thus the true subject.” This formulation omits what is all-important in Marx’s theory of value, namely, the specific social form of that concrete labor. Since there is no concrete labor without a specific social form, socially unspecified concrete labor is also “no subject at all.” It is merely a bad abstraction. By contrast, proponents of the co-constitutive version of value-form theory neither dissociate value-producing labor from concrete labor—since concrete labor is the only kind of labor there is, to do so would be to abandon a labor theory of value—nor do they separate concrete labor from its specific social form.

Later in their contribution Posner and Gonzalez drop the value-form theory conclusion to which they were led and adopt a position taken by Paul Sweezy. Sweezy tried to square the circle and reconcile a physiological conception of abstract labor with commodity fetishism and a socially specific conception of value.<sup>19</sup> They write, “Again, the specificity of the capitalist mode of production is seen not in the existence of abstract human labor but in the transformation of this predicate of real human labor into the only form of labor’s social existence” (205 n18). Here nothing is related about how this transformation takes place. The value-form theorist wonders: can this transformation occur without money and the circulation of commodities?

Like Sweezy, Posner and Gonzalez are penned in by “Rubin’s dilemma”: they want one concept of abstract labor (the generally applicable one) to do the work of two. They write, “we must say that the difference between abstract and concrete labor consists not in a difference between the lengths of time during which they are performed,

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<sup>19</sup> See the critique of Sweezy in Murray (2000, 33–34 n15).

nor in the supposed imperceptibility of abstract labor, but rather in the fact that when concrete labor is treated as *abstract* labor it is treated as ‘human labor-power expended *without regard to the form of its expenditure*’ (Marx 1976a: 128)” (208, first emphasis added).<sup>20</sup> But *who* is treating concrete labor as abstract and how? Silence. What specific feature of capitalist production is responsible not only for making this abstraction but also for transforming abstract labor into a supersensible property of the commodity? They don’t say. The value-form theory answer, which Posner and Gonzalez seemed to arrive at earlier in their paper, is that a capitalist society treats labor this way when wealth circulates as commodities, that is, when commodities are bought and sold. Thus, commodity-producing labor is “practically abstract” labor, which is the peculiar social sort of labor that produces value.

Posner and Gonzalez (208, emphasis in original) go on:

To make such an abstraction we take real, concrete human labor and remove all of its determinate qualities, leaving only the pure expenditure of undifferentiated human labor-power. This implies that abstract labor is one aspect of concrete labor, performed only when concrete labor is also performed: or, in other words, abstract labor is a part of the *real labor process*.

We remove? Who is this we? And why couldn’t this mysterious on-looker make the same abstraction regardless of the social form of the “real labor process”? Posner and Gonzalez (208) note, “This abstraction from the specificity and determinate character of concrete human labor [done how and by whom?—PM] is precisely the ‘reductive abstraction’ opposed by Geert Reuten (1993, 97).” True, but Reuten is right to oppose it. For the “reductive abstraction” conception of value-producing labor forces us into the unacceptable conclusion that human labor produces value regardless of its social form.

Posner and Gonzalez resist that conclusion while trying to fend off value-form theory. “But if abstract labor is seen both as a (socially) real substance and as existing prior to the market, then there is no need to refer to the market in order to treat it as ‘a real abstraction or abstraction in practice’” (208 n21). In other words, money and the

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<sup>20</sup> Again, the very idea of abstract labor “being performed” is wrongheaded. The idea being set up here, that we can measure value by counting up hours of concrete labor, would cancel Marx’s all-important qualification, that value-producing labor must be “socially necessary.”

market have nothing to do with abstract labor. But the question is not how labor is seen. The question is whether or not (congealed) abstract labor is an actual social substance existing prior to the market. Posner and Gonzalez shed no light on why we should think it is. They reject Reuten's value-form claim that abstract labor attains actuality as a ghostly social substance only by means of the "real" or "practical" abstraction from use value (and useful labor) that occurs in the market.<sup>21</sup> Nonetheless, Posner and Gonzalez argue that abstract labor achieves the status of a "socially real substance" that exists prior to and independently of the market. But they do not identify any socially specific feature of the capitalist production process that would explain why abstract labor is "a (socially) real substance existing prior to the market," much less why that substance must be incarnated in money. In effect, they leave commodity fetishism unexplained, and they disconnect commodity fetishism from money fetishism. Marx (1976a, 164) does not; he specifies that "the enigmatic character of the product of labor, as soon as it assumes the form of a commodity ... arises from this form itself." But the commodity form of the product is inextricable from money and circulation; to be a commodity is to be bought and sold.<sup>22</sup> Following in the footsteps of Sweezy, Posner and Gonzalez offer us a "physicalist" (Freeman) conception of value against their own intentions. And a "physicalist" conception of value is a fetishistic one; it treats a strictly social property or power as occurring naturally.

Abstract labor is inseparable from concrete labor, say Posner and Gonzalez; I agree. But they reason fallaciously from this truth. "It therefore follows, contra Reuten (2005, 87), that we are able to add

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<sup>21</sup> What Posner and Gonzalez (202, n11) cite as a "flat contradiction" to Reuten's value-form theory, the following passage from Sect. 3 of Chap. 1—"the magnitude of the coat's value is determined, as ever, by the labor-time necessary for its production, *independently of its value-form*" (Marx 1976a, 147, emphasis added)—is no such thing. Posner and Gonzalez highlight the phrase "independently of its value-form" as if it meant *altogether* independent from any value-form. Reading the complete passage in context reveals that it does not mean altogether independent but rather independent of *which* value-form the coat is in, the relative or the equivalent, which is a different matter. Posner and Gonzalez omit the first part of the sentence, "Whether the coat is expressed as the equivalent and the linen as relative value, or, inversely, the linen is expressed as equivalent and the coat as relative value" (Marx 1976a, 147).

<sup>22</sup> Commodities are not simply use-values exchanged for other use-values (barter); they are bought and sold. The commodity form presupposes the money form.

together one hour of one form of concrete labor (tailoring, for example) and one hour of another form of concrete labor (such as weaving) to arrive at two hours of labor performed; when we do this, however, we abstract from the differences between the two concrete labors, and thereby reduce the two different types of labor to their commonality as physiologically human labor in general, i.e. human labor in the abstract” (208–09).<sup>23</sup> The fact that all hours of abstract labor that are socially validated derive from concrete labor does not imply its converse, namely, that each hour of concrete labor counts as an hour of abstract labor. A necessary condition—that concrete labor be performed in order for there to be socially necessary abstract labor—is not a sufficient condition.

Counting hours of concrete labor to determine the magnitude of value is subject to the criticisms that Marx made against the various “time chit” or “labor-money” schemes of John Bray, John Gray, and Proudhonians such as Alfred Darimon—and for the same reason. They all failed to appreciate the inseparability of value from the value-form, the core thesis of value-form theory. Marx observes, “John Gray was the first to set forth the theory that labor-time is the direct measure of money in a systematic way” (Marx 1970, 83). On that conceptual basis, he proposed that banks issue “labor-money” certifying the hours of concrete labor performed. “Every commodity is immediately money; this is Gray’s thesis which he derives from his incomplete and hence incorrect analysis of commodities” (Marx 1970, 85). Every hour of concrete labor is immediately valid as value-producing labor: that is the thrust of Posner and Gonzalez’s thinking as well.

Marx’s critique commences with the point that he makes not only against Gray, Bray, and Proudhonians but also against the whole of “bourgeois” political economy: they never investigated the money-form, so they never recognized the necessary polarity of the value-form, of commodities and money.

Since labour-time is the intrinsic measure of value, why use another extraneous standard as well? Why is exchange-value transformed into price? Why is the value of all commodities computed in terms of an exclusive commodity, which thus becomes the adequate expression of exchange-value, i.e., money? This was the problem that Gray had to solve. But instead of solving it, he assumed that commodities could be directly compared with one another as products of social labour. [Marx 1970, 84]

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<sup>23</sup> Once again the enigmatic “we” appears. Who is doing the counting?

Marx explains why commodities cannot be treated as if they were money, and hence why the polarity of commodities and money cannot be eliminated: “But they are only comparable as the things they are. Commodities are the direct products of isolated independent individual kinds of labour, and through their alienation in the course of individual exchange they must prove that they are general social labour” (Marx 1970, 84–85).<sup>24</sup> Gray failed to grasp the social implications of producing wealth in the commodity form because he failed to comprehend the inseparability of value and the value-form. He lacked a value-form theory of value. We should not repeat Gray’s mistake.<sup>25</sup>

### Capitalism as a Monetary System

Kliman criticizes value-form theory for identifying money and the monetary character of capitalism as its distinguishing feature. He writes, “This is particularly pronounced in the work of Arthur (2006, 8–9), who argues that ‘capitalism is essentially a monetary system’ and that money is ‘the actuality of value.’ In short, ‘Money rules’” (184). But capitalism is essentially a monetary system: money and circulation are essential to it.<sup>26</sup> And, money is the “actuality of value,” inasmuch as value cannot be actualized without it: this is a central point of value-form theory. In Arthur’s account it is capital, not money, that rules, but there is no capital without money and circulation. That is the point of Arthur’s claim “capitalism is essentially a monetary system.” Conversely, only when capital rules can there be a monetary system. Arthur’s value-form reasoning goes like this: capital is self-valorizing value, so there can be no capital without value, but, because only the sale of the product can validate value-producing labor as socially necessary, money and circulation are essential for

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<sup>24</sup> Marx reviews this criticism in Marx (1976a, 188–89 n1).

<sup>25</sup> Kliman (185) misses the full import of Marx’s criticism of the Proudhonians: “By developing the money form of value from out of the duality inherent in each commodity, he showed that the money relations against which Proudhonists railed are manifestations rather than essences, merely the necessary consequence of the inherent contradictions of commodities and commodity production.” “Merely” ... “necessary” ... “inherent”? Kliman writes as if their mistake was to focus on money, when value is the real target. True as far as it goes, but Marx’s value-form point is that money (not phony “labor money”) and value are inseparable.

<sup>26</sup> Riccardo Bellofiore is among those value-form theorists who calls special attention to the monetary aspects of capitalism. See, for example, Bellofiore (2005).



capital. So, “capitalism is essentially a monetary system.” Arthur is critical of how Marx develops the concepts of value, money, and circulation, and he offers a reconstruction of that development, but he agrees with Marx that they are all necessary features of the capitalist mode of production.<sup>27</sup> For Arthur, surplus-value and capital are the truth of value and money, a truth that presupposes wage-labor as the dominant social form of labor. Arthur agrees with Marx that money and circulation are both presupposed by capitalist production and presuppose capitalist production. This mutual presupposition lays the conceptual basis for Arthur’s rejection of the very idea of a system of non-capitalist commodity production.

Though the two are mutually presupposing—Arthur argues that *Capital* generally follows a logic of mutual presupposition—one can say that the capitalist mode of production is the deeper phenomenon precisely because it has the capacity for reproducing itself, a power that the sphere of commodity circulation, taken alone, lacks.<sup>28</sup> Arthur’s conception of value, then, is not confined to circulation; if anything, like Marx’s, Arthur’s theory of value is production-centered. This truth may be lost sight of because of the nature of a systematic dialectical presentation. But the order of presentation must not be mistaken for the order of reality. Because the commodity, exchange-value, value, money, and circulation are presented before capital, surplus-value, wage-labor, etc. does not mean that they are independent of the latter, much less that they have ontological priority; if anything, it is the reverse.

Kliman argues that neither money nor circulation is “the distinctive feature of capitalism.” Rather, Kliman (185) counters, “What he [Marx] singled out as capitalism’s distinctive feature was, of course, that labor-power appears as a commodity.” On this score he is doubly wrong: (1) it is distinctive to capitalism that it is a monetary system,

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<sup>27</sup> I criticize Arthur’s reconstruction in Murray (2005b).

<sup>28</sup> Freeman’s (163) claim, “If reproduction were presupposed in order to deduce the categories of value, price, exchange, etc., then reproduction would be a more basic category, and should be analysed first,” misses this point about mutual presupposition, revealing an attachment to either/or thinking. Moreover, he seems to identify the idea that capitalist social relations are reproducible with general equilibrium theory and the idea that they are endlessly reproducible. The challenge to which Marxian theory responds is to show that capitalist relations are reproducible yet marked by various crisis potentials and tendencies. Value-form theory roots those potentials in its concepts of the commodity, value, and money.

and (2) it is wrongheaded to want to choose between these two features, since they are inseparable and both are unique to capitalism. True, “capitalism’s characteristic feature” is that wage-laborers are continually separated from the means of production and forced to sell their labor-power, but circulation and the generalization of the commodity form make that possible—and necessary. Writing in the concluding part of Vol. 3 of *Capital*, Marx identifies two “characteristic traits” of capitalist production. That surplus-value is the direct objective of production is the second; of the first, Marx (1981, 1019) writes,

It produces its products as commodities. The fact that it produces commodities does not in itself distinguish it from other modes of production; but that the dominant and determining character of its product is that it is a commodity certainly does so. This means, first of all, that the worker himself appears only as a seller of commodities, and hence as a free wage-laborer—i.e. labor generally appears as wage-labor.

Here Marx calls special attention to a point that value-form theorists highlight: only the *generalization* of the commodity form of wealth is an earmark of capitalism. And he states that labor necessarily takes the form of wage labor when the commodity form of wealth is generalized. Kliman’s contest misses the point: the generalization of the commodity form (the monetary system) and the generalization of wage-labor are two mutually presupposing aspects of capitalism.

### **On Implications of Value-Form Theory**

In the second part of his paper, Kliman looks at three indirect implications of value-form ideas for (1) the origin of surplus-value, (2) the quantity theory of money, and (3) intra-firm trade. Kliman (186) argues for his three implications on this basis: “Marx’s arguments rest squarely on the premise that commodities have determinate prices (and not only values) before they enter into circulation.” I will argue that it is sufficient, and it is Marx’s view, that commodities enter circulation with latent value (and surplus-value) and with adjustable prices that are actualized and given final determination in the sale of the commodity. On that basis, I conclude that Kliman’s three implications do not hold for co-constitutive value form theory. In the case of exchange-only value-form theory, I agree with Kliman on all three implications.

## The Origin of Surplus-Value

Regarding Marx's argument that "surplus-value cannot arise in exchange," Kliman (187) contends, "The crucial and necessary premise underlying his demonstration is that commodities have determinate prices, as well as values, before they enter into the market." This is a stronger requirement than needed. To make the argument work it suffices that commodities sell at their values and that their prices express those values. If it is only in the act of sale that those values and prices are finally determined, as value-form theory contends, that does not defeat Marx's argument. They need not be fully actualized and determinate prior to sale.

Yes, "The value of a commodity is expressed in its price *before* it enters into circulation, and it is therefore a pre-condition of circulation, not its result" (Marx 1976a, 260, emphasis in original). But keep in mind here where we stand in Marx's presentation. Marx has already made the case that money and circulation are co-constitutive—with labor—of value: the substance, magnitude, and form of value are inseparable.<sup>29</sup>

Demand constrains value but not in the same way as do the production factors that determine whether or not labour is 'socially necessary.' The average levels of technical development, skill and intensity give positive quantitative determinations of 'socially necessary' labor: they always matter. Demand affects the quantity of 'socially necessary' labor only when it does not balance supply. Insofar as demand matches supply, it stops influencing the magnitude of value and price. [Marx 1981, 290–91]

For most of the three volumes of *Capital*, Marx is assuming that commodities are selling at their values, that supply and demand match. But if we drop that assumption, as Marx does in Chap. 10 of *Capital*, Vol. 3, we are reminded that value and prices are both pre-conditions and results of circulation.<sup>30</sup> But we need not reach back so far in *Capital*.

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<sup>29</sup> "What was of decisive importance, however, was to uncover the inner, necessary belonging together [*inneren notwendigen Zusammenhang*] of value-form, value-substance, and value-magnitude" (Marx 1966, 240, my translation, emphases in original).

<sup>30</sup> "To say that a commodity has use-value is simply to assert that it satisfies some kind of social need. As long as we were dealing only with an individual

In the opening pages of a subsection of Chap. 3 devoted to “sale” (Marx 1976a, 201–03), Marx catalogues the ways in which prospective sellers may run into trouble. Each trouble spot in the commodity’s love affair with money is a strike against the TSSI proposition that values and prices are fully determinate prior to the sale of the commodity.<sup>31</sup> Yes, commodities enter the market with prices, as the TSSI authors rightly insist, but they may not leave with the same price—or any price at all. In setting the commodity’s price, the price giver is simultaneously making a qualitative and a quantitative judgment regarding the labor objectified in the commodity; the claim is that the objectified labor is socially necessary (qualitative) and that it is of a certain magnitude (quantitative). Marx’s point is that the price giver can be proven wrong in a variety of ways on both counts. He begins with the value-form theory observation, “But it [the product of one’s labor] cannot acquire universal social validity ... except by being converted into money” (Marx 1976a, 201). Since nowhere is it written what is the monetary equivalent of the commodity’s value, prices may involve a “subjective error,” as Marx (1976a, 201) observes. Or the conversion may misfire because the product claims “to satisfy a newly arisen need, or is even trying to bring forth a new need on its own account” (Marx 1976a, 201) but fails to do so. New products may flop: Ford’s Edsel and the “new Coca-Cola” are fabled examples.<sup>32</sup> Or “a particular operation, although yesterday it still formed one out of the many operations conducted by one producer in creating a given

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commodity, we could take the need for this specific commodity as already given, without having to go in any further detail into the quantitative extent of the need which had to be satisfied. The quantity was already implied by its price. But this quantity is a factor of fundamental importance as soon as we have on the one hand the product of a whole branch of production and on the other the social need. It now becomes necessary to consider the volume of the social need” (Marx 1981, 286).

<sup>31</sup> Freeman (166) writes, “I will first show that the VF approach involves a crucial confusion between the *formation of a price* and the *successful completion of sale*. I will then argue that labor becomes abstract not when a commodity is sold, but when its price is formed.” But value-form theorists do not doubt that goods are priced before they are sold or that pricing goods is a way, if not a definitively valid way, of recognizing the labor that produced the goods as abstract. There are a variety of ways in which the values of commodities are prevalidated without guaranteeing final validation.

<sup>32</sup> “Considering only those items intended for sale in supermarkets, we find that each year in North America 1,500 new products appear, 80% of which are withdrawn within that year to be replaced by another assortment” (Leiss 1988, 14–15).

commodity, may today tear itself out of this framework, establish itself as an independent branch of labor, and send its part of the product to market as an independent commodity” (Marx 1976a, 201). As Marx (1976a, 201) goes on to observe, “The circumstances may or may not be ripe for such a process of separation.” Conversely, a successful product may become obsolete for various reasons: “Today the product satisfies a social need. Tomorrow it may perhaps be expelled partly or completely from its place by a similar product” (Marx 1976a, 201). Consider the replacement of typewriters by computers. Then there is absolute excess of supply: “If the society’s need for linen—and such a need has a limit like every other need—has already been satisfied by the products of rival weavers, our friend’s product is superfluous, redundant and consequently useless” (Marx 1976a, 201). As useless, the superfluous linen has no value. Or the conversion may misfire through changes in the way a commodity is produced that affect the magnitude of value and occur “behind the back” of the producer: “What was yesterday undoubtedly labor-time socially necessary to the production of a yard of linen ceases to be so today, a fact which the owner of the money is only too eager to prove from the prices quoted by our friend’s competitors” (Marx 1976a, 202).<sup>33</sup> Marx (1976a, 202) closes by narrowing his focus to the effects of supply and demand:

Let us suppose, finally, that every piece of linen on the market contains nothing but socially necessary labour-time. In spite of this, all these pieces taken as a whole may contain superfluously expended labour-time. If the market cannot stomach the whole quantity at the normal price of 2 shillings a yard, this proves 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.<sup>34</sup>

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<sup>33</sup> “The value of a commodity is certainly determined by the quantity of labour contained in it, but this quantity is itself socially determined. If the amount of labour-time socially necessary for the production of any commodity alters—and a given weight of cotton represents more labour after a bad harvest than after a good one—this reacts back on all the old commodities of the same type ... and their value at any given time is measured by the labour socially necessary to produce them, i.e. by the labour necessary under the social conditions existing at the time” (Marx 1976a, 318). Because the labor that produces value must be socially necessary, value and price cannot be fixed prior to sale.

<sup>34</sup> Though Freeman (170) observes, “This is not to underestimate the non-trivial problem of accounting, in value terms, for a mismatch between supply and

There are further considerations from which Marx is abstracting; for example, money's value fluctuates. This does not affect the determination of the magnitude of the commodity's value, but it does give the value-form theorist one more reason to hold that prices are not fixed prior to sale. Or prices could be monopoly prices, another possibility from which Marx is abstracting. Finally, we should not neglect the obvious: since use-value is a precondition of value, the value and price of finished commodities can be lowered or lost through spoilage, breakage, fire, loss, etc. Up to the point of consumption, use-value itself is a potential, and 'tis many a slip twixt cup and lip.<sup>35</sup> These considerations contradict Freeman's (170) "temporal" definition of value and its magnitude, according to which "the future plays no role in the definition," and return us to Marx's (1970, 45) statement, "On the one hand, commodities must enter the exchange process as materialised universal labour-time, on the other hand, the labor-time of individuals becomes materialised universal labour-time only as the result of the exchange process." That is co-constitutive value-form theory in a nutshell.

Kliman (188) worries that value-form theory collapses the very distinction between value and price: "If ... the act of exchange determines (or establishes, etc.) what the commodity is actually worth, and whether it is worth anything or not, then the worth of anything is just 'so much money as 'twill bring' (Samuel Butler, quoted in Marx [1976a], 126 n7), so the very notion of gains and losses in exchange becomes meaningless."<sup>36</sup> For Kliman, the only way to escape this intolerable consequence is to recognize "that the commodities' prices—whatever they might be—are determined before the commodities enter into circulation" (188, emphasis omitted). Once again we see the consequences of either/or thinking: value-form theory is reduced

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demand. On this there is room for a valid and productive discussion," neither he nor the other TSSI authors say how the balance of supply and demand enters into the constitution of value or the determination of the magnitude of value. As we can see, Marx does; the effect of oversupplying the market "is the same as if each individual weaver had expended more labour-time on his particular product than was socially necessary."

<sup>35</sup> "Use-values are only realized [*verwirklicht*] in use or in consumption" (Marx 1976a, 126). A commodity's value can be actualized without its use-value being actualized—suppose I break a dozen eggs on the way home from the grocery store—but a commodity's use-value cannot be actualized without its value being actualized.

<sup>36</sup> This goes to show, as Marx said of Bailey's exchange-only value theory, that value is collapsed into price, while no (positive) theory of either is offered.

to its exchange-only variant, from whose unacceptable consequences only a production-only theory of value and price can save us. Where the exchange-only theory of value is concerned, Kliman is right. Indeed, he echoes a point that Marx made against Bailey. However, a co-constitutive value-form theory is not subject to Kliman's criticism. All that is needed to defend "the very notion of gains and losses in exchange" is that commodities have valid prices, which was the observational basis of Marx's theory of value.<sup>37</sup> If a commodity has a valid price and is sold above or below that price, it will be one person's gain and another's loss, just as Marx argues.

### **The Quantity Theory of Money**

Mining the same vein, Kliman (191) states, "it is unclear to me how it [the quantity theory of money] might be rejected by those who hold that values and prices are determined (or established, constituted, etc.) at the moment of exchange and through the act of exchange." That Kliman cannot imagine how value-form theory *could* reject the quantity theory of money shows once again how his either/or logic compels him to reduce value-form theory to its emptiest variant, the exchange-only one.<sup>38</sup> Kliman (189) plays his trump again: "The notion that commodities' prices are determined prior to exchange is also crucial to Marx's critique of the quantity theory of money." Once again, the requirement is overly strong. What is required is not that the prices of commodities are finally determined before they enter the market but only that they have valid prices. What Marx objects to in the quantity theory of money is its assumption that money has no intrinsic value. The fact that the values of commodities and money are fully actualized at the point of sale does not mean that they are not intrinsic. On the contrary, value is the social form intrinsic to

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<sup>37</sup> On Marx's concept of valid prices see Furner (2004), Murray (2006), and Kliman (2008).

<sup>38</sup> The pressure of this logic leads Kliman (191) to a peculiar observation: "As far as I am aware, no value-form theorist has taken a stand on the quantity theory of money. Perhaps they wish to reject it." In his seminal contribution to value-form theory, "On the Dialectics of the Value-Form," Hans-Georg Backhaus (1980, 108) writes, "Ricardo's false theory of money is the quantity theory, whose critique is intended by the analysis of the value-form." Martha Campbell's (2005) "Marx's Explanation of Money's Functions: Overturning the Quantity Theory" defends Marx's criticism of the quantity theory from the standpoint of co-constitutive value-form theory.

commodities and money, and circulation belongs to that social form. When Marx (1976a, 213) writes, “In their prices, the commodities have already been equated with definite but imaginary quantities of money,” we must remember where we are in the presentation. Among other things, Marx is assuming that supply and demand balance, so the anticipated price set prior to exchange will be the actual selling price.

I am not sure what to make of Kliman’s (191) observation, “They [the value-form theorists] might argue that what they mean by prices being established (or whatever) in exchange is that prices depend partly upon demand conditions. But no other theory denies this.” In holding that “prices are both qualitatively *and* quantitatively determined prior to exchange” (192, emphasis in original), isn’t Kliman rejecting the idea that “prices depend partly upon demand conditions”? Demand can change rapidly and unexpectedly. Where in his theory of the determination of value and price does he incorporate the idea that “demand is a determinant of price”? In any case, some value-form theorists, including Marx, argue that demand is a determinant not only of price but also of value, both qualitatively and quantitatively. Commodities, writes Marx (1976a, 179–80), “must stand the test as use-values before they can be realized as values. For the labor expended on them only counts in so far as it is expended in a form which is useful for others. However, only the act of exchange can prove whether that labor is useful for others, and its product consequently capable of satisfying the needs of others.” As a consequence of shortfalls in demand, the total surplus-value can be reduced, thereby lowering the average rate of profit and affecting prices across the board. Marx (1981, 279) also allows for situations where insufficient or excess supply of commodities in a given branch can affect the market value of its products: “Only in extraordinary situations do commodities produced under the worst conditions, or alternatively the most advantageous ones, govern the market value, which forms in turn the centre around which market prices fluctuate.”

### **Intra-firm Trade**

Kliman’s third implication introduces the perplexing topic of intra-firm trade. The phrase “intra-firm trade” sounds like an oxymoron; after all, you cannot sell things to yourself. Nonetheless, there is an important phenomenon to be investigated here. Kliman (192) observes, “Marx did not consider exchange between juridically



distinct owners to be necessary in order for a product to be a commodity, or for it to have value (and, presumably, a price).” He cites Marx (1976b, 952) on the case of the capitalist farmer who uses some of this year’s harvest as seed corn the next year: “Where [means of labour such as seed] are not changed into actual money, they are converted into accounting money ... and the element of value they add to the product is precisely calculated.” In such a case we do not have formal subsumption of the seed under the capital form (or even the commodity form). Though Marx discusses this form of subsumption, he does not give it a name; I suggest that we call it *informal subsumption*. Kliman (193) observes, “Marx regarded it as ‘immaterial’ whether they are ‘changed into actual money ... [or] converted into accounting money.’ Immaterial if all goes well: converting the seed into accounting money does not guarantee that the seed will maintain its value and pass it through to the next year’s harvest. The accounting money may never see the light of day as cash.”<sup>39</sup>

Again, Kliman (193) concludes that there is but one way to account for informal subsumption: “Clearly, this line of argument makes sense only if the products have determinate values and prices before they enter into circulation and irrespective of whether they enter into circulation.” Kliman (193, emphasis omitted) questions the value-form theorist, “How can the view that commodities obtain actual values and prices only when they are sold make sense of this phenomenon?” I agree with Kliman that the exchange-only theorist has no answer. But co-constitutive value-form theory can make sense of this phenomenon in much the same way that it makes sense of value and prices generally. Accounting money functions like anticipatory prices, which belong to the business as usual of prevalidation. Kliman (193) asks, “What is the difference between the portion of the seed that the farmer sells to others and the portion he ‘sells’ to himself?” The difference is this: in the former case, the farmer receives money for the seed—the value of the seed that he has sold has definitively actualized itself—whereas he has no money (as yet) from the seed that he “sells” to himself. Marx’s point is that, if the seed is used successfully in producing the next harvest of grain, and that grain is sold at a price that passes through the value of the seed that the

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<sup>39</sup> Kliman (194, emphasis in original) is right to insist that “there is a crucial difference between *cannot be sold* and *have not been sold*,” but the value-form theorist’s point is that we do not know whether or not goods that have not yet been sold ever will be.

farmer “sold” to himself, then the value of the seed passes through. But this is contingent. If the seed goes bad in the ground because of too much or too little rain, then the potential value of the seed is lost and the farmer never sees the money that was on his books. In such a case, the farmer will disagree with Kliman’s (194, emphasis omitted) answer to the question: “does the distinction between ideal (anticipated, latent, etc.) and actual pinpoint a real and essential difference? ... I do not think so.”

### **TSSI’s Mutually Reinforcing Bad Abstractions**

Hegel’s logic of essence, according to which the essence necessarily appears as something other than itself, possesses the conceptual complexity needed to understand Marx’s theory of value and money.<sup>40</sup> Exchange-value (money) is the necessary form of appearance of value (which is congealed, socially necessary abstract labor); consequently, value is not independent of exchange-value (money). “Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time” (Marx 1976a, 188). This, I believe, is the central proposition of co-constitutive value-form theory. That value is not actual and that the magnitude of value is not finally determined prior to the sale of a commodity are consequences of this proposition. Exchange-value (money) is not value: money is measured in ounces of gold or in dollars, while value is measured in hours (of congealed socially necessary abstract labor time). Essence necessarily appears as something *other than itself*: value necessarily appears as money.

Hegel’s conception of essence opposes conventional thinking about essence, which Hegel would identify with *Verstand* thinking (thinking that treats as *separable* what is actually only *distinguishable*). According to conventional thinking about essence, essence stands alone, separable from appearance; essence appears, yes, but appearance does not belong to what essence is. Appearance manifests essence (price expresses value), but appearance is in no way constitutive of essence; essence is exactly what it is quite apart from appearance. Hegel’s insight about essence is twofold. Appearance is necessary for essence. What reason would there be for asserting the

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<sup>40</sup> See Murray (1993) and Murray (1988, Chap. 11).

existence of an essence that did not appear? But, if appearance is necessary for essence, then essence is inseparable from appearance: appearance belongs to essence; essence is not independent of appearance. To assert the independence of essence from appearance is to engage in bad abstraction. Bad abstraction—treating what is only distinguishable as separable—is the basic problem with the TSSI authors, for in rejecting value-form theory they falsely assert the independence of value from the value-form, money.

Bad abstraction recurs in the interpretive practice of TSSI authors as they read Marx and other value-form theorists. The pivotal case concerns the interpretation of Marx's account of what determines the magnitude of value. Marx (1976a, 129) reaches this conclusion: "What exclusively determines the magnitude of the value of any article is therefore the amount of labour socially necessary, or the labour-time socially necessary for its production." Torn out of context—here is the bad abstraction—this quote sounds like a ringing endorsement of the TSSI position.<sup>41</sup> But what is the missing context? Marx (1976a, 128) switches topics from the substance of value to the magnitude of value—the decisive issue for the TSSI authors—with this caution:

The common factor in the exchange relation, or in the exchange-value of the commodity, is therefore its value. The progress of the investigation will lead us back to exchange-value as the necessary mode of expression, or form of appearance, of value. For the present, however, we must consider the nature of value independently of its form of appearance.<sup>42</sup>

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<sup>41</sup> Here is another case. Posner and Gonzalez (210) quote Marx's (1976a, 302) statement that the valorization process "is entirely confined to the sphere of production." But Marx's point here, that surplus-value cannot be created through the circulation of commodities—labor is the only source of value—only confirms the conclusion he reached in Chap. 5: "capital cannot therefore arise from circulation." But, that passage continues, "and it is equally impossible for it to arise apart from circulation. It must have its origin both in circulation and not in circulation" (Marx 1976a, 268). In other words, Marx's point here, as in the passage cited by Posner and Gonzalez, is not to overturn the value-form theory of value that he developed in the first three chapters. Insisting that capital "must have its origin both in circulation and not in circulation," Marx does not see value-form theory as competing with the assertion that valorization "is entirely confined to the sphere of production."

<sup>42</sup> If we compare the German at the end of that last sentence with the German at the end of the first paragraph of the chapter on the labor process and the valori-

The TSSI authors either overlook this caution or misunderstand it by taking it to mean that the magnitude of value is actually determined independently of its necessary mode of appearance, money. Eldred and Hanlon likewise wrongly draw the conclusion that Marx is asserting the independence of the magnitude of value from the expression of value in money.<sup>43</sup> But to consider value apart from the value-form is not to assert that value is independent of the value-form. For Marx, the *substance*, *magnitude*, and *form of appearance* (the value-form) are distinguishable but inseparable aspects of value.

Marx is making what David Hume called a “distinction of reason”; that is, he distinguishes between aspects of something that are actually inseparable.<sup>44</sup> Hume gives the example of a spherical white marble globe: I can distinguish, or consider apart, the whiteness and the spherical shape of the globe, even though this whiteness and spherical shape are actually inseparable. Making a distinction of reason is of course an act of abstraction; what saves it from being a bad abstraction is that it recognizes the inseparability of the aspect in question from what it is an aspect of. Before discussing what determines the magnitude of value, Marx puts us on notice that he is making a distinction of reason when he considers the magnitude of value in abstraction from value’s necessary form of appearance (i.e., money). In considering the magnitude of value independently of money, value’s necessary form of appearance, Marx is not asserting that value is actually independent of money. On the contrary, the point of his cautionary introduction is to remind the reader that value is not independent of money, the value-form. When Marx writes that exchange-value is “the necessary mode of expression, or form of appearance, of value,” he is invoking the full conceptual complexity of Hegel’s logic of essence.<sup>45</sup> If exchange-value (money) is the necessary

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zation process (Marx 1976a, 283), we find exactly the same language: “*zunächst unabhaengig von ... zu betrachten*.” But it should be evident that Marx does not mean to say that the labor process is actually independent of all specific social forms.

<sup>43</sup> “Marx treats commodities as endowed with a magnitude of value measurable in terms of duration (and intensity) and, therefore, measurable independently of money” (Eldred and Hanlon 1981, 25–26; see also 35ff.).

<sup>44</sup> Hume 1967, 24–25. Hume indicates that he is echoing George Berkeley’s criticism of abstract ideas, that is, bad abstractions.

<sup>45</sup> Whether or not Marx intends a reference to Hegel does not matter for present purposes.

form of appearance of value, then there is no value without money: value is not independent of money.<sup>46</sup> That is the basic contention of value-form theory, which is why Marx is a value-form theorist.

“Violent abstraction” is Derek Sayer’s term to describe the rupturing of a mode of production into “forces of production” and “relations of production” that is characteristic of the conventional understanding of Marx’s historical materialism. Violent or bad abstraction is the root of the problem in the present debate between TSSI and value-form theory as well. For Marx, the rupturing of production from distribution is one of the violent abstractions that plague economics. This point is the focus of Chap. 51 of *Capital*, Vol. 3, “Relations of Distribution and Relations of Production.”<sup>47</sup> There Marx (1981, 1018) observes, “the relations of distribution are essentially identical with these relations of production, the reverse side of the same coin, so that the two things share the same historically transitory character.” A couple of pages later, Marx (1981, 1020) spells out implications for the capitalist mode of production: “The character (1) of the product as a commodity, and (2) of the commodity as the product of capital, already includes all the relations of circulation, i.e. a specific social process which products must pass through and in which they assume specific social characters.”<sup>48</sup> Marx makes it clear that products of capital must pass through commodity circulation in order to assume their specific social character, that is, their character as value. So, both the TSSI production-only theory and the exchange-only value-form theory are one-sided; both engage in bad abstraction. Both rupture production from distribution.<sup>49</sup>

The three bad abstractions of TSSI theorists are complementary and mutually reinforcing: (1) they falsely separate value from its necessary form of appearance, exchange-value (money), (2) they falsely separate Marx’s exposition of the magnitude of value from his exposi-

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<sup>46</sup> This means that Marx’s theory of price is no ordinary one, for value is not the independent variable that gets expressed in the dependent variable price. See Murray (2005a).

<sup>47</sup> Marx argues along the same lines in Sect. (2) of the Introduction to the *Grundrisse* (Marx 1973, 88–100).

<sup>48</sup> I have replaced “involves” with “includes” as a translation of “*einschliessen*.”

<sup>49</sup> Kliman (184) wants to avoid this bad abstraction when he states that his “production-centered concept of value determination does contain elements of the determination of value ‘in exchange’—where exchange refers to ‘a social form of the process of reproduction.’” But it is not clear either what these elements are or how they could be irrelevant to the determination of the magnitude of value.

tion of the value-form, and (3) they falsely separate production from distribution. TSSI's bad abstractions are reminders of how difficult it is to get free of *Verstand* thinking, or what Marx called "the bourgeois horizon."

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