

## THE IMPORTANCE OF THE LABOUR VALUE THEORY

**I**N reading the very interesting and suggestive book, *Karl Marx*, translated by Eden and Cedar Paul from the Italian of Prof. Loria, which was recently reviewed in *THE PLEBS*, I was very surprised that Loria should throw over the Marxian labour value theory as untenable, and still more surprised that Eden and Cedar Paul should acquiesce in this, and state in their Foreword that the theory is not an essential part of the proof of "surplus-value" as capitalist exploitation.

Now, it seems to me, although I am not of the orthodox Marxian "school" but a supposed student of "bourgeois vulgar economy," that the conception of the equivalence of labour and value is the very kernel of the Marxian theory. It has been truly said that the conception of value is the most fundamental of all [in economics. Surely without the labour value theory Marxian economics lack a basic foundation; they are "in the air," and must either become a mere appendage of "bourgeois" economics, or fall disastrously to the ground? It was by rejecting the labour value theory that Böhm-Bawerk and the "Austrian school" sought to combat the Marxian theory of "capitalist exploitation." If Marxians themselves abandon the labour value theory, do not they surrender everything into the hands of the "Austrian school"?

Loria's theory of "differentiated income," similarly to Dr. Graziadei's theory of "surplus product," may be an important contribution to Marxian economics, and no doubt investigates a very important aspect of "surplus value." But without the theory of labour value as a foundation, it offers absolutely no proof of the existence of "surplus value" in the sense in which Marx used it, namely, as a measure of "exploitation." Without such a basis it is very far from being "proof against enemy attack." The "bourgeois" economists themselves admit the existence of this "surplus product," to use Graziadei's term. But since they make utility instead of labour the underlying principle of value, they see this "surplus product" not as "exploitation," but as the product and hence the rightful reward of the capitalist class. Mallock formulated in his *Critical Examination of Socialism* a theory based, as is Loria's, on the difference between the product of isolated labour and the product of associated labour. But, taking utility as his principle of value, he asserted that the superior productivity of labour under capitalism was solely due to the organising ability and the foresight of the capitalist class, and that, therefore, on the contrary to labour (the proletariat) getting less than it produced (measured in utility), it got considerably more. Likewise, Mr. Hartley Withers, in his new book, *The Case for Capitalism*, since he starts by making the keystone of his case the measurement of value by utility, fully accepts the existence of a "surplus product," but seeks to refute the claim that this "surplus" is "exploitation," by showing that, without the help of "capital," labour would not have produced it, and that, therefore, this "surplus product" is the product of "capital."

The only real and fundamental refutation of these arguments is the Marxian theory of the equivalence of value and labour: the theory that the value of a commodity is determined by the cost in abstract labour of producing that commodity—a *quantitative* relation; and not by the utility arising from the social demand for that commodity—a *qualitative* relation. The "contradictions" of this theory do not seem to me to exist. Even "bourgeois" economists admit that the natural law of value in a society free from "class stratification" and with

free competition ruling would be a labour value theory. Prof. Taussig, of Harvard, says:—

If competition were perfectly free—if there were no non-competing groups [i.e., "classes"] . . . it would be possible to maintain a labour theory of value: that the value of commodities measured or embodied the labour given to producing them.—(*Principles* Vol. ii.)

And there does not appear to me to be any valid reason why this theory should not apply as much to products of brain as of hand labour.

Now, it is unnecessary for me to point out that Marx dealt with three forms of value—"use-value" or utility, "exchange-value," and "value"—and it was the latter which he asserted to be determined by labour. This conception of value, it appears to me, is an abstract, underlying principle, but is not for that reason any the less important; whereas "exchange-value" is a more or less concrete reality, which is always tending to be equal to "value," by which it is governed; just as the surface of the sea, to quote an oft-repeated analogy, always *tends* to be, but seldom actually is equal to the abstraction, the "sea level," which is governed by the law of gravity. Hence I see no contradiction of this law in the fact that "exchange-value" does not in many cases exactly coincide with labour value. It is sufficient to show that the *tendency* is there.

Space and the patience of my readers will not permit me to examine fully the important question of how far this principle, which Marx used in order to show in the simple and in the abstract the nature of capitalism, governs "exchange value" and the creation of "surplus value" in the concrete under the conditions of class-stratification and class-monopoly of capitalism, where free and equal competition does not exist. But, perhaps, the following hasty and incomplete observation will give sufficient reasons to uphold the truth of the theory.

"Surplus value," in the "parlance" of bourgeois economics, is in the nature of a "scarcity rent" accruing to holders of scarce factors of production. This "rent" does not determine, but is determined by, the exchange-value of commodities. What, then, determines this exchange-value? The Austrian school say utility. But utility is an unstable basis, for it itself varies with and depends upon the amount of money in the hands of consumers, and this in its turn depends upon the income of the capitalist class, and we are arguing in a circle. To discover the primary determinant of the exchange-value of commodities, and hence of "surplus value," we must go back to the condition—the historical condition of the first development of capitalism—of a capitalist community exchanging its products with a non-capitalist community. How will the exchange-value in this case be determined? Obviously, by the labour cost of producing them, since this will be the real cost to, and hence value of, the commodities to the non-capitalist, free and equal community. The standard of value will, therefore, in this way be established in the capitalist community in equivalence to labour cost, and this will in turn determine the ratio and amount of "surplus value"—the total value of commodities, minus the value of the labour-power expended in producing them.

Therefore, I maintain that the labour value theory is the very essence of the Marxian theory of "capital," as the underlying principle of value, which illustrates the fundamental nature and mechanism of capitalism in the simple and in the abstract, to which principle the concrete tends to approximate, in so far as varying circumstances do not impose obstacles to the working of this principle. Hence I cannot see the "contradictions" which Loria asserts to exist. For Marx, in addition to exploding "the sacred theory of profit" and showing the

true nature of capitalism, also solved the problem of "the just price," which the mediæval canonists debated ethically from an unstable, ideological and sentimental standpoint, by establishing a scientific economic principle, which is the fundamental basis of all value.

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