

An Analysis of Marx's Theory of Value

Dinebari¹

¹ University of Port Harcourt, Choba, Rivers State, Nigeria

Received: 8 December 2013 Accepted: 4 January 2014 Published: 15 January 2014

Abstract

Marx's theory of value arose out of the bid to understand the basis on which goods were exchanged. What is it that determines the quantity of a product that is exchanged with another? How is it that a bag of rice can be exchanged with two bales of cloth or why is it that both products share the same monetary value? Marx's theory was a build-up on the theories of bourgeois classical political economists, notably, Adam Smith, David Ricardo, et al. who laid down the foundation for modern day economic theory economic theory from their investigations of what exactly determined the value of a commodity. For Barbon (1696:2) "things have an intrinsic value and that the greatest number of things have their value from supplying the wants of the mind". Others like Ricardo and Smith posited that the reward for labour (wage) determined price of value of the commodity. Locke (1777:280), studying the issue of the consequences of lowering interest rates posited that "the natural value of anything consists in its fitness to supply the necessities or serve the convenience of human life". Also, some thought that this 'value' seen in exchange was a result of the importance of products, what is regarded as its usevalue. 'but that 'this property of a community is independent of the amount of labour required to appropriate its useful qualities.

Index terms— value, labour, production.

1 Introduction

Marx's theory of value arose out of the bid to understand the basis on which goods were exchanged. What is it that determines the quantity of a product that is exchanged with another? How is it that a bag of rice can be exchanged with two bales of cloth or why is it that both products share the same monetary value? Marx's theory was a build-up on the theories of bourgeois classical political economists, notably, Adam Smith, David Ricardo, et al. who laid down the foundation for modern day economic theory economic theory from their investigations of what exactly determined the value of a commodity. For Barbon (1696:2) "things have an intrinsic value and that the greatest number of things have their value from supplying the wants of the mind". Others like Ricardo and Smith posited that the reward for labour (wage) determined price of value of the commodity. Locke (1777:280), studying the issue of the consequences of lowering interest rates posited that "the natural value of anything consists in its fitness to supply the necessities or serve the convenience of human life". Also, some thought that this 'value' seen in exchange was a result of the importance of products, what is regarded as its usevalue. 'but that 'this property of a community is independent of the amount of labour required to appropriate its useful qualities.

The classical theory of value, therefore, appeared incoherent, contradictory and somewhat confusing, which is why Marx continued on the work of the classical political economists in order to provide proof of the theory and stated that, the value of every commodity is determined by level of labour contained in it', that is quantity of socially necessary labour time in the production of the commodity.

The subject matter of the theory of value, therefore, is the interrelations of various forms of labor in the process of their distribution, which is established through the relation of exchange among things nor the relations

5 IV. WHAT IS VALUE?

44 of people with things, but relations among people who are connected to each other through things what things?-
45 Commodities.

46 This all shows that a thing can have use-value without having 'value'. The is the case when its utility to man
47 is not due to labour such as air, virgin soil, natural meadows, etc.

48 As use-values, commodities are, above all, of different qualities, but as exchange values they are merely
49 different quantities, and consequently do not contain an atom of use-value. If then we leave out of consideration
50 the use-value of commodities, they have only one common property left, that of being products of labour.

51 2 II.

52 3 Definition and Explanation of Concepts

53 Use-Value: The capacity of a product or thing to satisfy the wants or demands of man, that is, having utility.
54 As such, it must have definite qualities, it constitutes a substance of all wealth despite the social form of wealth
55 and its value only becomes real by its use or consumption. Thus, something can possess usevalue whether it is a
56 commodity or not.

57 Commodity: A product possessing use-value produced expressly for gain or profit through exchange. Human
58 labour is also a commodity since it has utility and can be exchanged for another commodity and for profit.

59 Surplus Social Product: The product produced in excess of what is needed or required for subsistence. The
60 labour expended in the production of this is referred to as surplus labour.

61 III.

62 4 Source of Value

63 By source of value, we mean or refer to what makes for value and it is traceable to the production of commodity,
64 which is when goods and or services are made or given expressly for sale at a 'profit'. Thus, 'a commodity is, in
65 the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another
66 ...whether, for instance, they spring from the stomach or from fancy... as a means of subsistence, or indirectly as
67 a means of production' ??Marx, op cit). By this, a man's labour also, is a commodity if it is exchangeable for
68 benefit, as well as for any other thing. This is why Hobbes (Marx, 1887) says about labour power: the value or
69 worth of a man is as of all other things, his price: that is to say, so much as would be given for the use of his
70 power.

71 Our argument, however, is that the mere fact of exchange cannot give something value, and this is so because
72 a commodity must have value which makes it necessary or possible for someone to want to exchange it with
73 something he has, which he feels is of the same value. Therefore, exchange value would cease as soon as exchange
74 ceases.

75 To become a commodity, a product must be transferred to another, by means of an exchange for the purpose
76 of making profit because it will serve as a usevalue. This is so because nothing can have value, without being an
77 object of utility gotten from labour. It the things is useless, so is the labour contained in it. The labour does not
78 count as labour, and therefore creates no value.

79 It is because of the confusion associated with this, that Marx making reference to the physiocrats posits that,
80 as we have seen, "the basis for the development of capitalist production is, in general, that labour power as
81 the commodity belonging to the workers, confronts the conditions of labour as a commodity maintained in the
82 form of capital and existing independently of workers. The determination of the value of labour -power, as a
83 commodity is of vital importance'. 'Therefore the foundation of modern political economy, whose business is the
84 analysis of capitalist production, is the conception of the value of labour-power as something fixed, as a given
85 magnitude. 'The minimum of wages therefore correctly forms the pivotal point of physiocratic theory". Having
86 seen that the production of commodity is the source of value, the next problematic is the search for what value
87 is.

88 5 IV. What is Value?

89 There are varied perspectives on what constitutes value. For Mandel (1970) "the simple, abstract, total mass
90 of living human labour expended at average intensity in the course of production determines the total mass of
91 value newly made in society".

92 For Adam Smith (Marx, 1863:78), "it is the labour time necessary to produce different commodities that
93 determines the proportion in which they exchange for another, or their exchange value" or as Malthus says, it is
94 "the estimation in which a commodity is held, founded upon its cost to the purchaser or the sacrifice which he
95 must make in order to acquire it, which sacrifice is measured by the quantity of labour that he gives in exchange
96 for it, or what comes to the same thing, by the labour which it will command" Form these definitions, we find a
97 central thread running through: that of labour. The problem then is that they look at labour only in terms of
98 how it is exchanged and not for what it is, for value is a representation, or expression, of labour, not necessarily
99 that value is labour. Or as ??clellan (1976) would have us believe that "as soon as labour, in its direct form, has
100 ceased to be the main source of wealth, then labour time ceases and must cease to be its standard of measurement
101 and thus, exchange value must cease to be the measurement of use-value".

102 Marx further states that "quite correctly they "(the physiocrats)" lay down the fundamental principle that only
103 that labour is productive which creates a surplus-value, in whose product therefore a higher value is contained
104 than the sum of values consumed during the production of this product 'but the actual meaning of value does
105 not appear to the physiocrats because' they have not yet reduced value in general to its simple substance-the
106 quantity -the quantity of labour or labour -time and even when they do talk of labour, they erroneously regard,
107 agricultural labour, as the only productive labour, saying it is only this kind of labour that produces surplus-
108 value, and then, that rent is the only form of surplus-value which they recognize. This view is hinged on their
109 reasoning that the worker does not consume all that he produces and also that industry does create value but
110 only transforms that already created by agricultural labour.

111 If we are to follow the above argument how do we account for the quantity of labour expended in the
112 transformation of value created by agricultural labour, by those working in the industry? We therefore reiterated
113 that value is the representation or expression of labour. It is the socially necessary quantity of labour or labour
114 time used in the production of a commodity and labour is its substance. The validity of this labour theory of
115 value is based on 1. Analytical proof. Which is that extended far enough, everything is reducible to labour 2.
116 Logical proof. That, the binding quality of commonness, comparability and interchangeability of all productions
117 is their quality of being products of human labour-abstract or physical human labour 3. Proof by reduction
118 to the absurd: to wit, no human labour, no production, no value, no exchange. The law of value operating in
119 the commodity economy through the mechanism of competition therefore fulfils three functions i. it acts as a
120 regulator in the distribution of labour power and means of production between the various branches of production,
121 ii. it leads to the development of capitalist relations, thereby sending small commodity producers to destruction
122 and iii. it acts as a motive force of technical progress.

123 Having known what value is and that labour is the common substance of all commodities let us look at the
124 types of value.

125 6 a) Exchange Value

126 For there to be exchange value, there must of a necessity be division of labour. This is so because no two persons
127 will exchange things, which are the same. It would be idiotic. The fact of division of labour makes it possible for
128 people to be engaged in production for different products which because they have utility can be exchanged.

129 Exchange value therefore is the capacity of a commodity to be exchanged for another commodity. Such
130 exchange is predicated on the sharing of commonness between the commodities, which allows for comparison.
131 The basis of simple measurement of comparison is however, not in terms of weight, volume or form.

132 According to Marx (), "exchange value is the proportion in which values of one sort are exchanged for those
133 of another sort". This is referred to as commodity relations and it constantly changes with time and place. Thus
134 the regular system of exchange give rise to the establishment of standard equivalents.'

135 From the above we can assert that exchanged value is accidental and purely relative. Relative in the sense
136 that commodities exchanged must have commonness and also, have the capacity for exchange by having a valid
137 exchange value which must be equal to that of the other commodity. Balley (1821:165) in this regard accuses
138 Ricardo of converting exchange value from something relative to something relative to something absolute. The
139 more generalized commodity production becomes 'therefore' the greater the regulation of labour and the more
140 society becomes organized on the more society becomes organized on the basis of an accounting system founded
141 on labour'. Exchange is therefore governed by equivalence in work hours.

142 Marx amply illustrated this with an historical record in India where a farmer supplies the blacksmith with raw
143 materials to make farm implements and also tills the blacksmith's land for him during the period the blacksmith
144 engages in forging the implements. This demonstrates that exchange is governed by equivalence in work hours.
145 Also, Marx gives an illustration of how an ell of cloth 927-28 inches) would be exchanged for ten pound of buffer
146 (on the basis of the approximate labour-time needed to produce a given quantity of cloth.

147 Exchange value is therefore only a mode of expression through which the values of commodities are made
148 manifest. It 'reflects' the quantitative relationship of exchange in which the value of a commodity appears (Dutt
149 1879:263).

150 V.

151 7 Determinants of the Exchange Value of Commodities

152 Three factors basically determine the level of a commodity's exchange value, and they are (a) the fact of its being
153 a commodity (b) its use-value (c) the amount of labour deposited in it a) Commodity It is simple fact that a
154 product can not have exchange value except it is produced for exchange and not for immediate consumption or
155 subsistence, in which it would not be brought for exchange.

156 8 b) Use-value

157 A commodity must be a use value, that is have utility before it can be exchanged because it is its usefulness and
158 ability to satisfy wants or need that makes it desirable and facilitates.

9 c) Labour

The amount of labour deposited in a commodity is also a major determinant as to the level of that commodity's exchange value. The is the real value of the commodity.

Since the above hold true, exchange value becomes an objective bond set up between independent producers in order to equalize the various crafts in society based on division of labour and an economy.

In summary, exchange value can best be understood in relation to commodity production. Thus Marx in 'DA KAPITASL' (1887:)

Critically analyzed capitalism with special reference to commodities. He further disclosed when predicting the fall of capitalism, that the embryonic contradiction of capitalism lay hidden in the commodity and their exchange value =. Lenin, in support of Marx sees the exchange of commodities as the simplest, most ordinary, fundamental, most common and every day relation of bourgeois society. It would be pertinent to note that exchange before economics were monetized was not regulated and was by chance. Barter was the order of the day (that is direct exchange of products. However, owing to contradictions in the barter system, a commodity money, has become highly marketable and has gradually assumed the role of universal equivalent for any product or commodity.

Surplus Value: As long as the productivity of labour remains at a level where one man can produce only enough for his subsistence, social division does not take place and any social differentiation within society is impossible. Under these conditions, all men are producers and they are all on the same economic level. Any small increase in the productivity of labour beyond this low point makes a small surplus possible, and once there is a surplus of products, once man's two hands can produce more than is needed for his own subsistence, then the conditions have been set for a struggle over how this surplus will ne shared.

From this point, some of the labour output may now be used to release a section of society from having to work for its own subsistence. Whenever this situation arises, a section of society through its economic wherewithal can become the ruling class, whose outstanding characteristic is its emancipation from the need to produce for its own subsistence, by owing and controlling the means of production. The process of exploitation of workers is simple: the capitalist buys a commodity (probably raw-materials) needed for production and sells the products for a greater amount of money than he expended or makes the worker produce in excess of what is required for his subsistence. The money realized is the initial form of capital and capital invested has a self expanding tendency. The fundamental motive of the capitalist is the creation of surplus value sometime referred to as profit.

For instance, during the salve era, the slave had to produce for himself by working on a tiny plot of ground on Sundays and whatever is produced constitutes his food. On the other six days of the week, the salve works on the plantation and received in return, none of the products of his labour. This is the labour which creates social surplus product, surrendered as soon as it is produced. The work on Sunday is the necessary labour, while the work from the six other days constitutes surplus labour.

Social surplus products is that part of the proceeds of social production produced by the labouring class but which is appropriated and expropriated by the ruling class, regardless of the form the surplus product may assume, whether they be natural produce or commodities.

Surplus value, therefore, refers to the monetary form of the social surplus product which is appropriated from the worker, whether gratuitously or no, without compensation. It is the value created by the labour of a worker over and above the value of his labour power. It is therefore, unpaid labour. As such in the capitalist system, the degree of labour productivity is such that the cost of living of the worker are always less than quantity of the newly created value, that is, only a fraction of his day's labour is left for him. It this difference did not exist , of course, employers would not hire workers since such a purchase of labour would bring no profit.

According to Marx, surplus value is created or produced through absolute surplus value and relative surplus value. The absolute surplus value being the process where by the capitalist increase the working day or intensifies labour while the relative surplus value is the process by which the capitalist decreases the necessary labour time.

10 VI.

11 A Critical Assessment

In reality, prices of all commodities (including labour) are continually changing. They rise and fall as the result of most varied circumstances which often bear no relation whatsoever to the production of the commodities themselves. As such prices (appear as a rule) to be determined by pure chance. Speculation which leads to hoarding, increase in energy which in itself increases the cost of moving goods form one market place to the other or even political decision usurping economic decisions are some of the random factors affecting the prices of a commodity. These illustrations tend to suggest that the value of a commodity may not be identical to its price because the market price often may be a gross exaggeration or concealment of the true cost of production even when the socially necessary labour had been used. It follows too that value may not be constant.

Besides, value is time dependent. If it is akin to utility, preferences change as utilities change hence value attached to commodities and the price one is willing to pay in exchange for the value of such commodity will change. Again and by implication, Marx's theory attributed the capitalist surplus (profit) to the uncompensated labour, the gratuitous labour which the wage worker gives involuntarily to the capitalist as the worker receives no value in exchange. Surplus or profit truly derive from the hidden uncompensated labour, but the impact of

220 management in combining resources, in selecting production process and technologies and in deciding economist
221 still need a law to explain the chance connotation that determine prices of commodities, and indeed to find a
222 central point around which fluctuations and oscillations will have to stabilize.

223 However, Marx had set himself the task of providing a popular outline of the economic relations firing the
224 materials basis for the class struggle in capitalist society. He has provided a theoretical weapon on the theory of
225 surplus value. Left to be resolved is the identification and definition of what consists the costs of production of
226 the labour -power of the worker. To the classical economist and their mode of production, this is the quantity
227 of the means of subsistence (food et al) such as their prize in money term which on the average is necessary to
228 make him capable of working and to replace him with a new worker after severance.

229 However, the value of labour or any commodity is ultimately fixed by supply and demand. Supply and
230 demand are the forces that regulate the temporary fluctuation of marker prices. It explains why the market of a
231 commodity rises or sinks below its value itself.

232 **12 VII.**

233 **13 Conclusion**

234 Although Marx's doctrine of surplus value is the cornerstone of Marx's economic theory, yet the kernel of Marxist
235 theory of value is that exchange value of a commodity is determined by the quantity of labour which is socially
236 necessary to produce that commodity'. This is the basis for all Marxist economic theory in general while the theory
237 of social surplus product and surplus labour constitute the basis of Marxist Sociology. It is the bridge connecting
238 Marx's sociological and historical analysis, his theory of classes and the development of society generally to
239 Marxist analysis of all commodity producing societies of a pre-capitalist and post-capitalist character.

-
- 240 [Ricardo] , David Ricardo . 1821. P 179-224.
- 241 [Barbon ()] , Barbon . 1696.
- 242 [Locke ()] , John Locke . 1777.
- 243 [Marx and Dapital ()] , K:-Dad Marx , Dapital . 1887.
- 244 [Selected Works Of et al. ()] , Karl Selected Works Of , Frederic Marx , Lawrence Engels , Ltd . 1977. Moscow
245 USSR: progress Publisher.
- 246 [Ernest mandel: an introduction to Marxist economic theory ()] *Ernest mandel: an introduction to Marxist*
247 *economic theory*, 1976. New York NY 10014: Pathfinder Press. (410 west street)
- 248 [Marx] Karl Marx . *Theories of Surplus Value*, 1 p. .
- 249 [Dencik et al. ()] *Marrismens Politiske ekonomein introduction*, Peter Dencik , Lars Herlitz , Ba , Lundrall .
250 1969. 1969.
- 251 [Ricardo ()] David Ricardo . *Principles of political economy*, 1917.