

Why Value Theory is necessary? For relationship between production and circulation, I'll try to view from Japanese Unoism position

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Introduction

Recently, many important interpretations, or reconstructions, of Marx's labour theory of value have been presented in Europe, America and other regions. I think that they have contributed to development of value theory controversy. However, their contributions except a few have not been introduced to Japan. In the other hand, Value theory controversies in Japan have not been introduced to Europe, America or other regions, either. I therefore try to compare European and American controversies with Japanese, Unoism in particular, and then connect both.ⁱ And, I would introduce unique points of Japanese, because there are several unique opinions in the Uno school. Thus my purpose is that I only argue a few suggestions besides introduction. However, I certainly believe the following. In the light of Japanese controversies, some problems of European and American controversies will be clearer.

I would focus my discussions on "New Interpretation" and "Temporal Single System". Needless to say, there are some other standpoints, but I can't discuss all of them. Furthermore, I would limit the sphere of my discussions. First, I would examine "the monetary expression of labour".ⁱⁱ My conclusions have two contrasted spheres, one of them is positive, but the other is negative. Second, I would discuss Non-equilibrium Economics. I can't clear a conclusion for that because Non-equilibrium Economics itself hasn't concreated yet. Generally, I suggest negative conclusion in methodology against TSS approach that tries to adjust value theory to dynamics analysis directly. I think that value system is internal law to explain price system; the former must be explained as the basis for the latter. But, I can't suggest any alternative system and don't deny whole of TSS approach.

New Interpretation

The suggestions of New interpretation begun by Foley, Dumenil and Lipietz were put on various a wide range of subjects. So, I followed Mohun(1994), Sinha(1997), Foley(1997), characterizing New interpretation as the following two.

Characters

1. Employment of the category of *net* rather than *gross*
2. Money expression of labour

Foley's opinion based on New Interpretation had been introduced to Japan. The Japanese introducer, Ishizuka, Ryoji, regarded the opinion as the method for solution of transformation problem.ⁱⁱⁱ As a result, some Japanese Marxists call Foley's opinion "New Solution", however anyone doesn't call that "New Interpretation". In fact, there can be same situations in Europe and

America, too.

I think that most Japanese authors don't understand the suggestions of New interpretation correctly. And what is even worse, New interpretation is often regarded as the forcible method to solve transformation problems in Japan. But, I just consider this opinion from a different viewpoint. In this paper, I only treat the latter character.

The latter character, money expression of labour, is developed by two-methodological reasons. In one hand, it is developed by the (principle) theoretical reason, in the other, the empirical. And theoretical method is divided into two more. I itemize them as following.

Reasons

1. Theoretical reason

- 1-1. Contradiction between the value of money wage and the value of wage goods
- 1-2. Money as general value form

2. Empirical reason

- 2-1. Workers get the money wage rather than the wage goods.

Money and Labour Power

In Japan, the 1-1. of above points has been discussed, regardless of New interpretation, in transformation problem. When one says 'transform from value into price', what form does one suppose transformation from the value-price into the price of production, or from the value measured by embodied labour time into the price of production? The two are not only different positions but also arrive at opposite results. A part of Uno school including Ito argues the different dimension theory. They based on this theory and suggest that dimension of value has to be distinct from dimension of price.^{iv} The substance of value belongs to the dimension of labour time. In other words, the quantity of value is measured by labour time, however the quantity of price is measured by money. Thus, one cannot compare between quantity of value and price, because of difference of each measure.

The authors belonging to that school tried to solve with above opinion, which is the transformation problem certainly. They said that the aggregate proposition was a simple mistake as theorem. They didn't solve that theorem, but abandoned. Some authors of Uno school, same as New interpretation, refuse to solve the transformation problem with traditional method. But, the two, Uno school and the New interpretation, have a completely oppositional conclusion. In one hand, the former argues there is no relation between value and price quantitatively. In the other hand, the latter argues there is a direct relation between the two. I cannot generally compare the two, because they see this from different angles. When I limit discussion to relation between labour time and money quantities, I conclude that the former arrives a serious result. If there is no relation quantitatively, the relation between value and price itself isn't clear. They regard value as substance and price as form, then connect both with dialectical methodology. But, their argument only has qualitative viewpoint, there is no quantitative.

The method of part of Uno school includes serious problem. The relation between labour and money is confused. New interpretation makes a sharp contrast with that. The authors of New

interpretation who employ money expression of labour raise direct relation. That method moves Marx's money theory up to new stage. Of course, reconstruction of money theory is tried by not only New interpretation but also other many schools.

Money wage and Wage goods

I'll next consider relation between money wage and real wage or wage goods. The authors of New interpretation suggest that if one exchanges wage goods at price of production, the value of money of wage itself will be different from the value of wage goods. Since the two are both expressions of value of labour power, existence of quantitative difference itself contradict.

In Japan, that subject named "Demonstration of the value law" has been discussed between Uno school and the orthodox Marxian school, and among Uno school authors themselves. Of course, their interests are different from the New interpretation's, so a standing point and a conclusion of that subject is different, too.

The orthodox Marxian argued that there is that demonstration in an opening of *Capital I*, but Uno did not accept it. Why does substance of value is labour? In the opening, we don't still find the relation of capitalist production, yet. We only know change of commodities, namely, value form. Uno started his theory the value form rather than value substance. Thus, his theory had to begin with circulation analysis. Change of commodities finds money necessarily and functions of money lead money to capital. Capital gets correct reason of value expansion when a capitalist buys labour power as commodity. At the point, Uno started production theory. His purpose of production theory was to solve reason of value expansion through analysis of relation between capitalist and worker. A capitalist buys labour power from workers on the one hand and workers produce commodities on the other hand. A worker receives wages, but products belong to a capitalist. Then a worker has to change his wages for commodities. In other words, a worker works 8 hours, but the worker only gets commodities worth 4 hours. There is exploitation in that relation and it has made capital accumulation possible. According to Uno school, that is value law.

Even though I don't search in this paper if that is value law or not, a problem remains yet. Labour time, money and value of commodity are directly proportional to each other. The commodities of worker producing and the commodities of worker buying may be different kinds of commodities. If a worker gets commodities in proportion to price of production instead of value or embodied labour time, the above relation cannot be formed. In fact, some authors of the orthodox school have critiqued Uno school with that viewpoint. Some authors of Uno school accept that critique, but other authors of Uno school don't accept it. Both of the two have many interested discussions, but I only examine the latter.

They argue that relation between capitalist and worker has to be treated with in the category of *Capital in General*, where the difference of organic composition of capital among capitals is ignored. They think that internal law of capital has to be analyzed before external law, the law among capitals, and that purpose can be achieved through abstraction of impure element. I think that that method is the same as Marx's dialectical method.

I accept it, but it holds a limited sphere. I will discuss this issue later.

TSS approach

Information about TSS approach has never been introduced into Japan, as far as I know. This fact reflects the situation in Japan: the Japanese value theory controversy itself remains stagnant recent years. But, there are many ideas in TSS approach. Moreover, the authors of TSS approach try to make Value Theory fit in analysis of Modern Capitalist Economy. Though that viewpoint is necessary for economics, it has sometimes been ignored. So, I categorize TSS approach as following characters from that viewpoint, and then consider it from Japanese controversy.

Characters

1. The combination *Value theory* and *Non equilibrium dynamics*
2. Introduction of *temporal* category

In the one hand, the authors of TSS approach accept the money expression of labour. But in the other hand, about introduction of temporal category, there is a contrast scene between TSS approach and New interpretation. The former of the above characters expresses a course of that school and the latter is a means to an end. The authors look at necessity of that system from some angles. They emphasize to analyze the real capitalist economy by value theory, especially. Because equilibrium economy never exists in real economy, they say that value theory has to recompose. So, I just consider relation between economic theory and real economy.

Indeed, we have to employ any economic theory in order to analyze real economy. But, value theory only exists in a part of economic theory. The problem is where we should place value theory in the whole of economic theory. I think that Marx first expressed abstract form of real economy. He got that form with analysis. Then, he developed his system with dialectical methodology. We have to consider why he employed that method. In the other, Uno school has unique methodology; their system is divided into three parts, *Principle theory*, *Stage theory* and *Analysis of real economy*. That methodology is named three-stage theory in Japan. That two methods, Marx's and Uno school's, have contrast each other. But, TSS approach strikingly contrast with that two, more than former contrast. So, I compare and then examine these standing positions.

The character of Marx's method

Historically developing economy has special character in each time. In the Marx's time, most political economic authors except Marx ignored that point. Marx named their theory *Vulgar Economics*. Their economics could observe phenomena, but couldn't look at essence, so they couldn't find out law. Marx didn't satisfy that situation, because their economics couldn't explain a reason of class formation, poverty, alienation and so on. Capitalist economy has formal equality and essential inequality at the same time. Even though liberty of contract and of business was realized equality between capitalists, equality between two classes was not realized. Because of that reason, Marx sensed that relation among capitals and internal law of a capital had to be considered on different level. He analyzed relation between capitalist and worker in a single capital or in capitals abstracting difference of each capital and then finally analyzed relation among capitals in many capitals involving difference. He named the former *Capital in General*

and the latter *Many Capitals* or *Competition*.

Phenomenon is a kind of form, but form isn't direct expression of substance. Phenomenon is distorted with many functions. Surplus value is expressed in real capital economy indirectly, because capitals compete according to general rate of profit. It is expressed with distorted form. If we try to find out the source of surplus value, we have to get rid of that distortion. Thus, when Marx analyzed source of value or surplus value, he supposed a kind of equilibrium economy. Moreover, price has two distinct abstract levels. Those are price of production and market price. The former is equilibrium price, but the latter is non-equilibrium price. Marx explained the former before the latter. The former is abstract form of the latter. The latter is therefore distorted expression of the former. The authors of TSS approach tend to ignore, or slight, price of production and regard market price or market value as most important.^v I think that they overlook above.

Method of Uno school

Uno expanded the method of Marx. He thought that Marx confused historical theory and logical theory. So, he made a distinction between the two especially. In fact, the two above spheres distorts phenomenon in real economy. He constructed logical theory as *Principle Theory* primary. And then he constructed historical theory as *Stage Theory*. There wasn't historical fluctuation in the former. Thus, it was called *Pure Theory* too. Finally, he analyzed real capitalist economy. He certainly thought that one could analyze real economy for the first time after the two theories, principle theory and stage theory. Principle theory, stage theory and analysis of real economy are three theories that have different abstract level.

Principle theory is most abstract level. Moreover, Uno divided that theory into three theories, namely, *Circulation Theory*, *Production Theory* and *Distribution Theory*.^{vi} Value theory belongs to the two from the front and price theory belongs to the last one. Both of the two theories, value and price, are almost treated within equilibrium economy. In principle theory, market mechanism is everything^{vii}. And historical development is ignored, so that technical innovation doesn't exist. Market price or market value only exists as a passing phenomenon.

If we accept those assumptions, there isn't difference between *simultaneous determination of value* and *temporal determination*.

Stage theory succeeds to the result of principle theory. The purpose of stage theory is to explain how motion of value is distorted by historical elements. There are some distinct expressions of motion of value according to historical stages of development. Those stages can be classified into three according to mode of capital accumulation, namely, *Mercantilism Stage*, *Liberalism Stage* and *Imperialism Stage*. Price is *distorted* expression of value, but the reason, degree and result of distortion are different according to each stage.

The authors of TSS approach argue that when a certain commodity is used as input and expressed as output in a production process, we have to distinguish between input value and output value. Because input value is determined in the period($t-1$), but output value is determined in the period(t). In fact, input value may be different from output value. It is important that why two value, input and output, is different.

The authors of Uno school treat a kind of equilibrium economy in Principle theory. Thus, input value and output value of a commodity is same. They analyze about institution, state, central bank, trust, cartel and so on within Stage theory and then after that they can treat non-equilibrium economy.

Conclusion

Value theory that owns particular purpose has to be constructed within abstracted level. Since we try to solve the source of surplus value and the essence of capital, motion of value expansion, within value theory, we have to abstract obstacle in order to achieve our object. In other words, when we try to solve the relation between capitalist and worker or the relation internal capital, we have to abstract the relation among capitals or the relation external capital. Thus, the difference between money wage and real wage doesn't exist since we abstract the difference of the organic composition of capital among capitals.

But, we have to limit this result. When we move our work from value system to price system, that result loses effect. We should remember that price system doesn't exist independently but it is transformed from value system. On that level, the difference of the organic composition of capital among capitals exists certainly. When we try to get the solution, we have to use *Single System*. *Dual System* obstructs our work.

Even though real economy is non-equilibrium economy, we still assume a kind of equilibrium economy when we work price system. The analysis of real economy, non-equilibrium economy, is based on equilibrium economy.^{viii} Market price can appear less than specific sphere regulated by value. Value or price of production affects as the center of market price. Non-equilibrium price can't continue in the long term. Continuation of non-equilibrium price must be a cause of a crisis or a revolution. On the analysis of equilibrium price, price of production, we don't have to distinguish between *simultaneous determination* and *temporal determination*.

But, non-equilibrium price exceeding the sphere regulated by value exists in real economy and it continues. I argue that the situation of specific historical stages of development is its reason. According to historical stages of development, institutions, laws, monopoly and so on exist and they tend to make non-equilibrium price. But, we have to treat within *Stage Theory* in order to analyze of non-equilibrium economy, because they effect not only non-equilibrium price but also more historical development.^{ix} Since we have to analyze various special situations, we occasionally need temporal system. I think that when we try to make universalization of system, little deference is existence between temporal system and simultaneous system. When we analyse value system and price of production system, the difference between the two systems don't exist at all.

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Notes

ⁱ My opinion is different from Ito, M.'s. there are many positions in Unoists. Japanese value theory controversies had been progressed in serious antagonism between Uno school and an orthodox school in Japan in the past. This opposition reflected political situation. Uno school was born after the Second World War, however the root of the opposition dates back to pre-war. Some revolutionary parties were born in 1920s, and two big scholarly opinions, *Rono school* and *Koza school* supported these parties. The authors who discussed on the journal "Rono" were generally called Rono school and the authors who published the book "The Historical Development of Japanese Capitalist Economy" were generally called Koza school. There were many differences between the two, e.g. views about the stage of development of Japanese capitalist society, the class analysis, the Emperor system of Japan and so forth. Moreover, The 1932' thesis of The third communist international made many confusion and opposition, because that thesis suggested the opinion opposed against The 1931' draft of that thesis. The draft suggested direct revolution in Japan, but the thesis suggested two stage revolution, people should carry out bourgeois revolution primarily, then socialist revolution. Koza school gradually supported Japanese communist party. As a result, this school suffered much damage because of the Japanese military regime. On the other hand, Rono school suffered less damage except a few facts. Under the influence of that situation, many authors after war had had a grudge.

But, many authors aren't conscious to which school they belong at present. In fact, I accept many opinions Uno school, but I am not conscious that I belong to Uno school.

ⁱⁱ Foley said following. "Our intervention centered on the monetary expression of labor. We argued that the important issue for Marx was the idea that money represents social labor time, and that he can therefore use a measure of the monetary expression of labor appropriately defined at the level of the aggregate system of commodity production to translate flows of money in real-world capitalist accounts into flows of labor-time and vice versa. This way of looking at the labor theory of value dispenses with the need for a separate accounting system based on embodied labor coefficients."(Foley(1997))

ⁱⁱⁱ Ishizuka, Ryoji, is the professor of Senshu University, who introduced some opinions into Japan. Moreover, he considered the opinions of Lipietz, Foley and Saad Filho in his university bulletin. If you want to get more information, you should see The Senshu university bulletin Vol.29-2, 1994. But, it is written in Japanese.

^{iv} Most authors who based on this opinion were Suzuki, Koichiro, and his followers. they are named The world capitalism school, because they reconstructed Uno principle theory historically. In the other, The authors of opposition against that opinion in Uno school are named The pure capitalism school.

^v Moseley critiqued TSS approach and concluded as following. "This paper has argued that that the textual evidence is very substantial and very consistent, from Marx's first consideration of average prices or costprices in the 1861-63 Manuscript through Marx's theory of prices of production in the 1864-65 draft of Volume 3 of Capital and beyond, that Marx's concept of price of production is essentially the same as Smith's and Ricardo's concept of natural price - long-run prices that equalize rates of profit and that function as the center-of-gravity around which market prices fluctuate from period to period. Prices of production may change from time to time, but they change only due to changes in the productivity of labor or the real wage. Marx's theory in Volume 3 of Capital is about these long-run prices in order to focus the analysis on the long-run trends on the key variables in his theory. Short-run fluctuations around the long-run center-of-gravity prices are generally ignored as inessential."(Moseley(1999))

^{vi} I don't explain why he developed circulation theory before production theory in this paper. It is extremely important, but Ito, M. and Sekine, T. already explained that reason in detail.

^{vii} Uno treated labour power as the only exception. Even though labour power cannot be produced

within capitalist production, capitalist has to get labour power in market. Capitalist cannot regulate it finally. He found out fundamental contradiction of capitalist economy in that point.

^{viii} I had argue at Japanese conference. “We need equilibrium system in order to consider non-equilibrium economy. If we don’t have a standard, non-equilibrium itself isn’t found out.” An author of Post Keynesian argued against me. “Your view point is same as Neo Classical school’s.”

^{ix} Kliman said following. “All actual economies produce some negative net products, because some goods (386 computers, for instance) are used as inputs without being reproduced. The economies sustain themselves and even grow by producing, instead, similar but not identical goods (586 computers).”(Kliman(1998))

He expressed above as one of reason of the advantage of temporal determination of value. I accept that the method of temporal determination of value has an advantage than simultaneous determination of value when we analyze such case. We have to choose any system on circumstance.