On the Identity of Value and Labour

A Defence of Intrinsic Value

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Abstract

The notion of intrinsic value is examined in the light of recent developments in value theory. It is recognised that embodied labour is unsustainable as a basis for the intrinsic value of money and labour-power. An alternative is proposed that treats the values of commodities as Aristotelian powers. A systematic dialectical approach is adopted. Starting from a totality characterised as intrinsic labour value, successive splits are imposed. Firstly, money labour value, buying power, is distinguished from non-money labour-value, selling power. Secondly, the vacuous circularity of seeing the value of money as the power of command over non-money and the value of non-money as the power of command over money is relieved by distinguishing between the relative value and the equivalent value of non-money. Thirdly, a distinction is made within non-money between labour-power as the power to create value and its actuality as activity/result. At this point the insight of the value form school that labour-time, as measured on the clock, is irrelevant to the value of the produced commodity is incorporated. The relevance of clock-measured labour times as equivalents for money is, however, emphasised to remedy the quantitative weakness of existing value-form approaches. Fourthly, the activity/ result of relative labour, but not equivalent labour, is split into activity, potential value, and result, actual value. Temporality is now introduced into what has been up to this point a timeless world. There is now a quantitative difference between the potential value of the produced commodity and its actual value as recognised by the market. The broad compatibility of this approach with the sequential non-dualist (TSS) position is demonstrated. Finally, a model of valorisation as an ergodic stochastic process is proposed.

Introduction

The chief difficulty with the Marxian theory of value lies in its formulation. In the good old days the value of any commodity was determined by the labour embodied in it and no nonsense. The value of a produced commodity was determined by the quantity of labour directly and indirectly required to produce it. Marx is unequivocal:

> 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. .... 'As exchange-values, all commodities are merely definite quantities of congealed labour-time' (Marx 1867, pp 129-130)

In the case of the value of labour-power there is some hesitation and a need to rely on reproduction:

> The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production, and consequently also the reproduction, of this specific article. In so far as it has value, it represents no more than a definite quantity of the average social labour objectified in it. (Marx 1867, p. 274)

On the determination of the value of money, the same formula applies, surrounded by concern with the expression of this value:

> It has already been remarked above that the equivalent form of a commodity does not imply that the magnitude of its value can be determined. Therefore, even if we know that gold is money, and consequently directly exchangeable with all other commodities, this still does not tell us how much 10lb. of gold is worth, for instance. Money, like every other commodity, cannot express the magnitude of its value except relatively in other commodities. This value is determined by the labour-time required for its production, and is expressed in the quantity of any other commodity in which the same amount of labour-time is congealed. (Marx 1867, p. 186)

On this highly selective reading, Marx has only one way to determine intrinsic value. The value-form is monolithic: its parts, the produced commodity, the producer commodity and money, all have their value determined in the same way. Money and labour-power are treated as products in so far as the determination of their value is concerned.

Few would support the monolithic value-form today. Mohun (2000) reviews some recent developments in value theory, concentrating on the Duménil-Foley (D-F) and single system (SS) approaches. Here de-commodified money has no labour embodied in it and thus lacks intrinsic value:

> If money is not a produced commodity, then it has no labour-content and hence has no value itself. But in a n-commodity world, money continues to have n equivalent forms, and hence the specification of the 'value of money' turns on the appropriate specification of that equivalent form. That is, if money has no intrinsic value itself, the value of money is *the value of something else*. (Mohun 2000, p. 5) [emphasis added]

The influence of the monolithic value-form is still being felt: value cannot be intrinsic unless embodied labour is present.

Similarly, the value of labour-power is not intrinsic (in SS approaches -- the question is left open in D-F (see Foley 1997, p. 25)):

> Because labour-power is not a produced commodity, there is no labour embodied in it. So not only does its value (like that of all commodities) have to be expressed in something else; it is also the case that for labour-power its value *has to be the value of something else*. The only candidates for this something else are the sum of money for which labour-power is sold, and the value of the produced commodities which that sum of money then purchases. (Mohun 2000, p.18) [emphasis in original]

Having ruled out the second candidate, we are left with the value of labour-power as the value of money wages. I see no difficulty in *equating* the intrinsic value of any worker's labour-power with the value of the money paid to the worker in wages. The problem is that the value of something else cannot be said to be intrinsic to labour-power.

Further, in SS approaches, the value of constant capital is determined, not by the labour embodied in it, but by the value of the money spent in acquiring it -- the value of something else yet again. This is a further departure from the monolithic value-form: now, apparently, even the value of produced commodities is not determined by the labour embodied in them. Mohun comes to reject this idea on the following grounds:

> Hence to propose that the sum of money which purchases means of production, when multiplied by the value of money, is the value of constant capital, regardless of the embodied labour content of those means of production, is vulnerable to the criticism that such a proposition breaks the link between labour and value. Once it is asserted that total value is the value added by living labour to whatever value sum the constant capital represents at the going value of money, it is conceptually not obvious how to relate such a total value concept to the total expenditure of labour. (Mohun 2000, p. 18)

One can only agree: while the intrinsic value of labour-power or money cannot be embodied labour, the intrinsic value of the produced commodity can scarcely be anything else. What is at issue here is not whether the value of constant capital is or is not equal to the value of the money spent on it. I am persuaded that such an equality does indeed hold. The money actually spent on a produced commodity is a measurement by money of the labour contained in it. What is immediately at issue is that the *intrinsic* value of constant capital cannot possibly be the *intrinsic* value of the money spent it, even though equality holds. Similarly, the intrinsic value of labour-power cannot be the intrinsic value of the money spent on labour-power, even granting equality. Again, despite equality, the intrinsic value of money cannot be the intrinsic value of its labour-time equivalents.

The task is to preserve intrinsic value while not losing the advances made by the D-F and SS approaches.

Intrinsic Value

> Hence exchange-value appears to be something accidental and purely relative, and consequently an intrinsic value, i.e. an exchange value that is inseparably connected with the commodity, inherent in it, seems a contradiction in terms. (Marx 1867, p. 126)

Dunn (2000) advanced a non-intrinsic notion of value as an equal exchange money price, which prevailed in simple reproduction. Such values were non-relative, because they were quantities of money, and non-accidental, because not subject to market fluctuation. This had the advantage that value could be associated with labour-power without having recourse to embodied labour. The monolithic value-form could be avoided but at the cost of being forced to deny that money had value: since money lacked any sort of price it could not have an equal exchange price. There is thus no contradiction in a non-accidental, non-relative exchange-value. The problem is that a price, as a quantity of money, is still an exchange-value, that is, something else, not the value of something else, but something else nonetheless. Dunn failed to distinguish between value and exchange-value. The core issue in the passage quoted is not one of relativity or contingency. Values, which like prices are non-relative, could also be accidental like prices, fluctuating with the market. The point is that value is a property of commodities whereas price is not.

Kliman (2000) has examined the development of Marx's concept of intrinsic value. This is based on the distinction between value and exchange value. Kliman argues that:

> … the primary purpose of Marx's analysis at the beginning of *Capital* was to establish a clear distinction between value and exchange-value, *to break from the conception of value as a ratio in exchange*. [Kliman 2000, p. 99] [emphasis in original]

However, since money prices are not ratios but are still exchange-values, a further distinction is required. Kliman emphasises that the topic of the opening section of Capital is the nature of the produced commodity as objectified abstract labour and not the nature or regulation of exchange-value. Kliman goes on to introduce the question of the identity of labour and value:

> Whether 'value' in Marx's work *is* labour, or is only *determined* by labour has long been the subject of debate. I believe that both are correct. Later in Chapter One, Marx clarifies his view: 'Human labour-power in its fluid state, or human labour, creates values but is not itself value. It becomes value in its coagulated state, in objective form'. Hence, *living* labour *creates* value, is the '"value-forming substance"', while the commodity considered as the container of this labour in objective form, *dead* labour, is *value*. [Kliman 2000, p. 106] (emphases in original)

The notion of intrinsic value strongly suggests an identity theory. Granting that embodied labour, dead labour, is inherent in the produced commodity, the identification of value with this objectified labour is difficult to avoid. The aim of this paper is to extend this identity theory to money and labour.

The Value-form Approach

Taylor, in a dissertation on social versus technical paradigms in value theory, discusses the Italian debate:

> Napoleoni's argument is traced out by Bellofiore (1999): (1) commodities are ideal money before exchange; (2) actual money is the necessary phenomenal form of the *immanent* measure of value as embodied labour-time; (3) the transition from ideal money in production to actual money in exchange cannot be assumed; (4) labour-power systematically produces money only when it takes the wage-form, and this entails the separation of workers from means of production; (5) when the technical labour-process is fully subsumed under the valorisation process (the process of increasing value), the objectified abstract-labour embodied in technical inputs (Marx's constant capital) dominates the living labour of the worker (Marx's variable capital) and extracts surplus value from it; (6) the *centre* of the valorisation process is this *real* and immediate process of production, and it is here that living labour is alienated as value. This *real hypostatisation* (process of substantive creativity) is behind the reification of human relations in the capitalist system of production for exchange.
>
> The modern monetary theory emerging from the Italian debate is an extremely rich and sophisticated attempt to retain Marx's abstract-labour-embodied value theory while, at the same time, emphasising the crucial role played by money (and the exchange relation) in constituting value as actual in a

> capitalist economy. The interconnectedness of exchange and production is conceptualised, within this theory, as a relationship between potential value/abstract labour created in production and measurable (in principle) in labour-time, and actual value/abstract labour that comes into existence only when commodities are exchanged for money (Bellofiore, 1989; 1999). Through this distinction between potential and actual abstract-labour/value, the privileging of production is maintained since the alienation abstraction of objectified labour arising from exchange is posited by the more fundamental abstraction-alienation of living labour in the production process (Bellofiori and Finelli 1998, p. 53). In other words, money and capital are theorised in terms of two relationships with labour: (1) the (quantitative market-driven) exchange of labour-power for wages, and (2) the qualitative production-driven subordination of living labour to its quantitative aspect, the expansion of value. (Taylor 2000, § 3.2) [emphasis in original]

Taylor criticises this theory from a value-form position that holds money to be the sole measure of value and denies the existence of any immanent measure of value:

> That Marx himself sought an independent or immanent measure of value constituted in labour-time must then be seen as a retreat to the Ricardian vice that has subsequently plagued Marxian social science, at least in its technical labour-embodied and abstract-labour-embodied varieties (Reuten 1999). …. The argument for money as the sole measure of value is, however, quite independent of whether an immanent measure of abstract-labour-embodied can be defined theoretically. What is at stake is not the *possibility* of an empirical enquiry based on a monetary version of the abstract-labour-embodied theory of value, but its *relevance* in an economy where the production and distribution of commodities and labour is determined by the value-form. (Taylor 2000, § 3.2) [emphases in original]

The challenge over relevance has considerable force. Even the possibility of such a labour-time measure is in doubt in dynamic contexts. It can be conceded that money is the sole measure of the value of produced commodities. Money cannot, however, measure the value of money. The immanent measure, clock-measured labour-time, is needed as a measure of price. For Taylor the value-form is, initially, the *bourgeois* mode of association in exchange. This often seems to be taken narrowly as just money, nominal money. Taylor writes:

> … the value-form of labour and its products is constituted in the market, a mode of social synthesis centred on the function of money as a universal equivalent. In this capacity money is vested with an abstract capacity to equate, *symbolically*, all products on the market and all types of labour in money terms. (Taylor 2000, § 4.4) {emphasis added]

While there is no doubt that money equates commodities as values, how is this possible? The problem is that the idea that there is no need for an immanent measure has been broken for over 2000 years. Meikle has studied Aristotle's thought on money as the basis for the unity of heterogeneous goods:

> The idea is that the existence of a common standard of measurement itself constitutes commensurability, and makes the equalisation of goods possible. …. The idea is inadequate and, though Aristotle appears to return to it once of twice in the ordering of the chapter as we have it, he finally drops it. It is inadequate because simply establishing a measure cannot in itself create a commensurability between things that are in themselves incommensurable. Indeed, measure presupposes commensurability. The things must be commensurable in respect of some shared property in the first place, otherwise there would be nothing for the measure to measure. …. Furthermore, the possibility of a measure not only presupposes commensurability, but presupposes it in just the dimension where the

> measurement is to be made. Aristotle says that 'the measure is always homogeneous with the thing measured; (Meikle 1995, pp 21-22)

The mistake is rooted in a failure to distinguish between the "abstraction" due to the value-form, the species of capitalist surplus labour extraction, which is the basis of homogeneity and commensurability, and "abstraction" in the sense of money measurement. On the point at issue, Marx's words still stand:

> It is not money that renders the commodities commensurable. Quite the contrary. Because all commodities, as values, are objectified human labour, and therefore in themselves commensurable, their values can be communally measured in one and the same specific commodity, and this commodity can be converted into the common measure of their values, that is into money. Money as a measure of value is the necessary form of appearance of the measure of value that is immanent in commodities, namely labour-time. (Marx 1867, p. 188)

The final sentence in this passage has caused some difficulty. For example, Reuten (1998) finds it "is rather puzzling, and might give fuel to a labour embodied interpretation." I do not think that the immanent measure can refer to embodied labour. The paragraph following sheds some light:

> The general relative form of value of commodities has therefore assumed its original shape of individual relative value. On the other hand, the expanded relative expression of value, the endless series of equations, has now become the specific relative form of value of the money commodity. However, the endless series itself is now a socially given fact in the shape of the prices of commodities. We have only to read the quotations of a price-list backwards, to find the magnitude of the value of money expressed in all sorts of commodities. As against this, money has no price. In order to form a part of this uniform relative form of value of the other commodities, it would have to be brought into relation with itself as its own equivalent (Marx 1867, p. 189).

There is much here – the value of non-money commodities is expressed simply by money as universal equivalent, the value of money is expressed by its being a universal relative with the totality of non-money commodities as its equivalents. With regard to the immanent measure, if the embodied labour value of a produced commodity is equal to the value of the money for which it is sold, it follows that this money-measured labour-content cannot stand as an equivalent for money. And there is no clock measure of embodied labour: money is the *sole* measure of the value of produced commodities. Reading a price-list backwards to find equivalents for money must go deeper to reach the immanent meas ure, clock-measured labour-time.

Systematic Dialectics

Arthur (2000, p. 1) outlines the method of systematic dialectics as follows:

> In these paradigmatic works [of Hegel and Marx] systematicity is of the essence because the object of investigation is a totality. Dialectic grasps phenomena in their interconnectedness, something beyond the capacity of analytical reason and linear logic. As Hegel argued, 'since what is *concretely* true is so only as…*totality*', science in treating such a totality must take the shape of *system*. The system comprises set of categories expressing the forms and relations embedded within the totality, its 'moments'. Since all 'moments' of the whole exist synchronically all movement must pertain to their reciprocal support and development. While this motion implies that moments become effective *successively*, the movement winds back into itself to form a *circuit* of reproduction of these moments by each other. Theory can trace a logic of mutual presupposition in the elements of the structure and hence of the *necessity* of certain forms and laws of motion of the whole under consideration.

I favour Aristotelian, rather than Hegelian, metaphysics. Aristotle upholds the law of contradiction resolutely. I amend radically Marx's dialectic of use-value and value, the commodity as contradictory unity of use-value and value, by excluding use-value from the value-form. Use-value is restricted to be the material bearer of value and is not permitted to intrude into the value-form.

Aristotle distinguishes between *epagogic* (poorly translated as inductive) and *apodictic* (deductive) phases of an inquiry. The epagogic phase involves not only the collection of the phenomena to be explained but also the examination of existing theories and the problems, puzzles and paradoxes that arise from them. Systematic dialectics, as a method of presentation, is the culmination of the epagogic phase. Afterwards, it is possible to proceed deductively.

Let us present a systematic dialectics of the value-form in terms of successive divisions and doublings. Initially we have a value-formed but unarticulated whole with intrinsic value that is identical with labour -- intrinsic labour value (Figure 1).

The first polarisation of the totality is the familiar one of relative and equivalent value (Figure 2)

The first doubling of the value-form is into money as buying power and non-money as selling power (Figure 3). The relative value of money is its buying-power. The buying power of money, as the universal relative, is its power of command over non-money equivalent value. The relative value of non-money is its selling power. The selling power of non-money is its power of command over money as the universal equivalent.

There is a vacuous circularity here: non-money value as power over money value and money value as power over non-money value. To break the circularity a second separation is required. This splits apart the relative value and equivalent value of non-money (Figure 4). This allows for quantitative differences to arise between relative values and equivalent values; no such difference occurs in the case of money value. The ground covered up to this point is that of Part I of Capital I. The result is C-M-C'.

This framework is adequate to discuss the values of producer commodity (Figure 5). The *real* value of money is its power of command over the equivalent value of the producer commodities, the quantity of equivalent labour-power value as measured on the clock. The real value of a nominal unit of money is found by dividing the total of clock-measured labour-power by the (adjusted) total nominal wage-bill. An adjustment to the total nominal wage-bill is required since wages are paid in arrears. We are not yet in a position to make this temporal adjustment for changes in the real value of money. If total clock-measured labour-power is N, then the real value of the total wage-bill is N and the total relative value of the producer commodity, money-measured labour-power, is also N. Real labour-power value is simply equal to the real wage paid for it.

There next follows a doubling of C-M-C' (Figure 6). Covered here is both the activity of labour-power and, on the relative side, the result of this activity. There is the activity of labour-power as value adding and value transferring labour and the result, the fixing of value added and transferred as the labour-content of the produced commodity.

Marx (1867, pp 307-9) makes a distinction between value-adding labour and value-transferring labour. A little later on (1867, pp 320-4) the following moves are made:

> When we refer, therefore, to constant capital advanced for the production of value, we always mean the value of the means of production actually consumed in the course of production, unless the context demonstrates the reverse. (p. 321)

> Therefore, in that our investigation may lead to accurate results, we must make abstraction from that portion of the value of the product in which constant capital alone appears, and thus posit the constant capital as zero or make c = 0. (p. 322)

In the numerical example that Marx is discussing here there is no arithmetical requirement to posit the fraction of fixed capital that is not transferred as zero and then further to posit constant capital transferred as zero. The use of the word 'posit' suggests that the need is dialectical. There is a value accounting requirement to do so.

The effect of the first move is to distinguish stocks from flows, the balance sheet from the revenue account. Marx quotes Malthus at this point:

> 'If we reckon the value of the fixed capital employed as part of the advances, we must reckon the remaining value of such capital at the end of the year as part of the return' (Malthus, *Principles of Political Economy*, 2nd edn, London 1836, p.269).

I have argued in Dunn (2001) that the value-form requires a distinction to be made between the return in the sense of the flow of sales revenue, turnover, and the return in sense of closing stocks. However, Marx does not proceed dialectically at this point; he makes a simplification. Doing this makes a full discussion of the circuit of money capital and of capital as self-valorising value impossible. Effectively, we are confined to a circulating capital *model* with commodity capital posited as zero also. Since, however, my main focus in this paper is the valorisation process I will accept this deficiency.

The effect of positing constant capital transferred as zero is to separate activity from result. Concentrating on the activity of labour-power, we note that this activity can, as a consequence of the separation, be measured in two ways. First, value-adding labour activity can be measured by the real labour-power value expended since it is the activity of labour-power. This may be called potential value-added. Secondly, value-adding labour activity can be measured by actual value-added as recognised in the market. This recognised value adding labour activity I associate with value transferring labour activity. Suppose workers clock on in the morning, sit around drinking tea all day and clock out in the evening. There is no problem in creating equivalent labour value -- this is just time on the clock. Nor is there any problem in creating potential value added – it is enough merely to be on the payroll. But, clearly, in this situation there can be no recognised value added and equally clearly there can be no value transferred. Value transferring labour activity is identical to recognised value adding labour activity

Remarks

Looking back, I am amazed that I ever thought that price differed in magnitude from value. The confusion is due to the lack of proper distinctions between potential and actual price, on the one hand, and between potential and actual value, on the other. The divergence between actual value and potential value should not be confused with the deviation of actual from potential price.

To get the potential value of a produced commodity, just add the quantity of clock-measured labour-power expended to expired absolute costs.

To get the potential price of a produced commodity just add, the quantity of money-measured labour-power expended, the actual real wage, to expired absolute costs. The divergence of actual and potential value represents disruption in the circuit of money capital.

Foley (1997, p. 26) notes that Wolff, Callari and Roberts (1982) offer no economic motivation or interpretation of single system values, defined as the sum of labour and expired cost. In a steady state context SSS values bear interpretation as potential values with the labour input taken as clock-measured. It does not seem possible to give a potential price interpretation since prices differ from SSS values in the steady state and it seems very plausible that, in that static situation, potential and actual prices would be equal. TSS values, however, will bear interpretation both as potential values, when the labour input is taken as clock-measured, and as potential prices, when the labour-input is money-measured.

Several ratios are of interest. Firstly, the ratio of actual to potential value, regarded as a random variable, has similarities with the specific price of Farjoun and Machover (1983, ch. 5).

Secondly, the ratio of actual price added to potential price added, the ratio of absolute money value added to the real wage bill, looks worth investigating. It might be called the valorisation ratio and treated as a random variable.

Thirdly, the rate of surplus value emerges as nothing other than ratio of money profits to the wage bill. Indeed, there is a difficulty defining it as, say, value added less the value of labour-power divided by the value of labour-power. To see this we need to discuss equal exchange.

Equal Exchange

The monolithic value-form gives a clear meaning to the notion of equal exchange. Exchange is equal when equal quantities of embodied labour are exchanged. Exchanges between money and produced commodity or producer commodity can be equal, as can exchanges between produced commodity and producer commodity.

The articulated value-form restricts this significantly. Firstly, money is purely a medium of exchange. Exchange takes place only between the non-money commodities. Indeed, in a money economy, every non-money commodity effectively exchanges with every other via the medium of money. Secondly, the labour-value identity theory does not allow the producer commodity to have absolute value or the produced commodity to have real value. The producer commodity can only have real value identical to its abstract labour-power; the produced commodity can only have absolute value identical to its abstract embodied labour. Produced commodities can exchange equally with each other at their absolute abstract values, and in fact always do. Similarly, producer commodities always exchange equally among themselves at their real abstract values. However, exchange between a producer commodity and a produced commodity cannot be said to be either equally or, for that matter, unequally. Ten dollars buys, say, 1 hour of abstract embodied labour but perhaps 2 hours of abstract labour-power. The values simply cannot be validly compared at all: they are incommensurable, being based on different money measures. This resolves an old conundrum, which de Vivo describes as follows:

> Thus the problem is that ‘labour has two values’ … *with respect to materialized labour*. In the determination of the value of commodities it has the same value, in the capital/labour exchange it has a different value, than materialized labour.
>
> The solution to this contradiction is provided by Marx in Chapter XIX, volume I, of *Capital*, where he soon faces the problem of explaining why ‘the labourer … receives for 12 hours’ labour … less than 12 hours’ labour’. He notices that one cannot deduce the exchange of more labour against less, from the difference in form, the one being realised, the other living’. The solution he offers is the distinction between labour and labour-power:
>
> > What the worker is selling is his labour-power. … Labour is the substance, and the immanent measure of value, *but it has no value itself* (Marx 1867, p. 677). [translation changed, emphasis de Vivo]
>
> Thus, Marx seems to think that it is possible to escape the contradiction he had noticed by distinguishing between ‘labour’ and ‘labour-power’, the former not being a commodity, but merely the substance of value, which does not have itself any value. The problem of the relative value of living and materialised seemed therefore to disappear. (de Vivo 1987, p. 223)

De Vivo does not accept Marx’s solution, preferring one based on the reduction to dated labour. And indeed there is still a problem, even though the distinction between labour-power and labour is the basis of the solution. It is not possible to accept Marx’s monolithic value-form approach to the value of labour-power. This dissociates the value of labour-power from its value-creating power, which is ascribed to its use-value. From the angle of the identity theory, the value-creating power of labour-power is identical to its real value. The resolution of the conundrum comes with the realisation that the producer commodity does not have any *absolute* value that could, in exchange, be unequal to the absolute values its activity creates.

As regards the rate of exploitation, it must be defined in terms of money value. Subtracting the absolute value of labour-power from absolute value added to get surplus value cannot be done since labour-power has no absolute value.

Conclusion

Valorisation is a stochastic process.

A Note on Historical Cost

Bryer has linked the labour theory of value and surplus value with accruals based financial reporting. He writes:

> A fundamental principle of accrual accounting is that costs “attach’ to products or services. Paton and Littleton provide a classic rendition of the conventionally accepted relationship between accrual accounting and production:

> "When production activity effects a change in the form of raw materials by the consumption of human labour and machine power, accounting keeps step by classifying and summarizing appropriate portions of materials cost, labor cost and machine cost so that together they become product cost. .... The realization of revenue from sales marks the time and measures the amount of (1) recapture of costs previously advanced in productive efforts, and (2) capture of additional assets (income). .... Inventories and plants are not "values", but cost accumulations in suspense, as it were, awaiting their destiny. In order to learn what costs have already met the test (recapture) and what costs still await the test, accounting assumes that acquisition costs are mobile and may be apportioned and regrouped, and that costs reassembled have a natural affinity with each other which identifies them with the group" (1940, pp 13-14).

This formulation is strikingly consistent with Marx's theory of surplus value, which also sees costs "attaching" to products through its distinction between "constant" and "variable" capital. (Bryer 1994, pp 324-325)

Figures

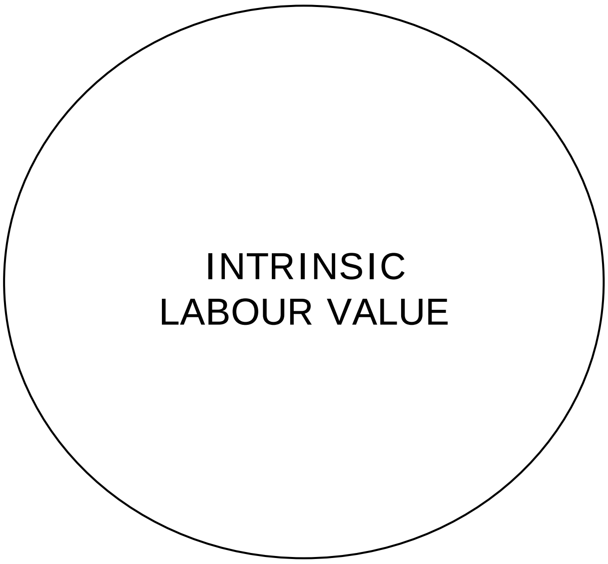

Figure 1 Totality

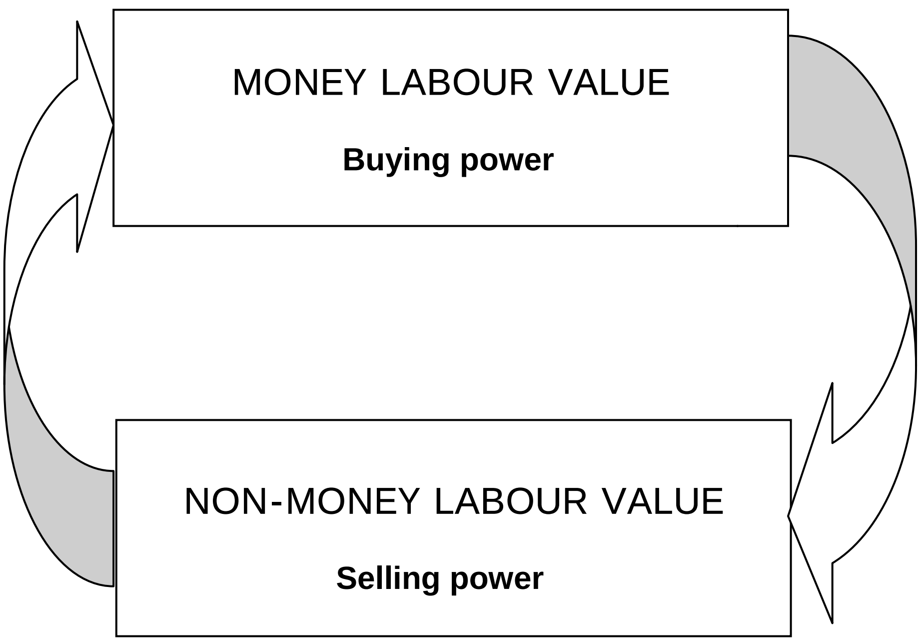

Figure 2 Circulation

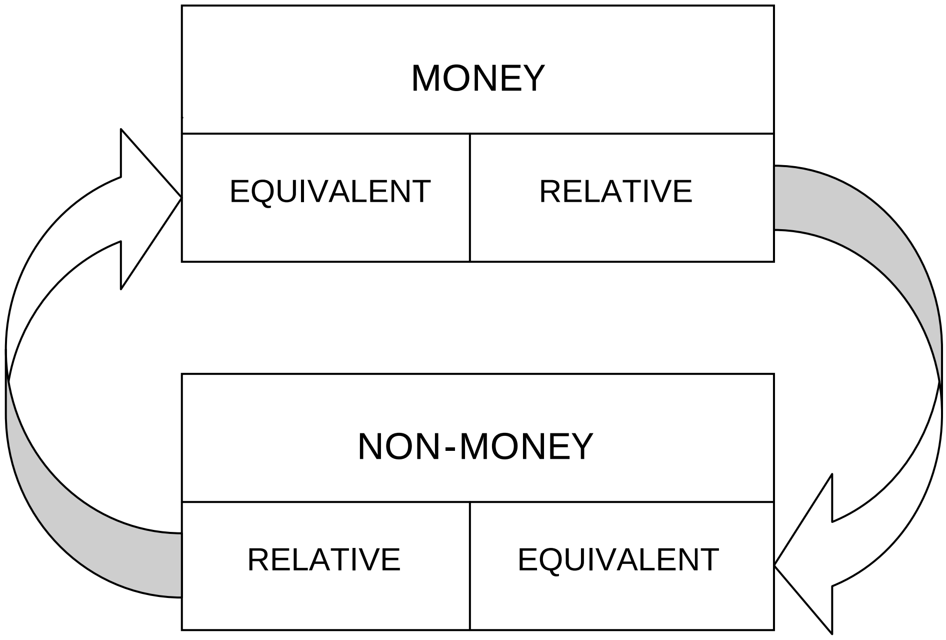

Figure 3 Relative and equivalent positions

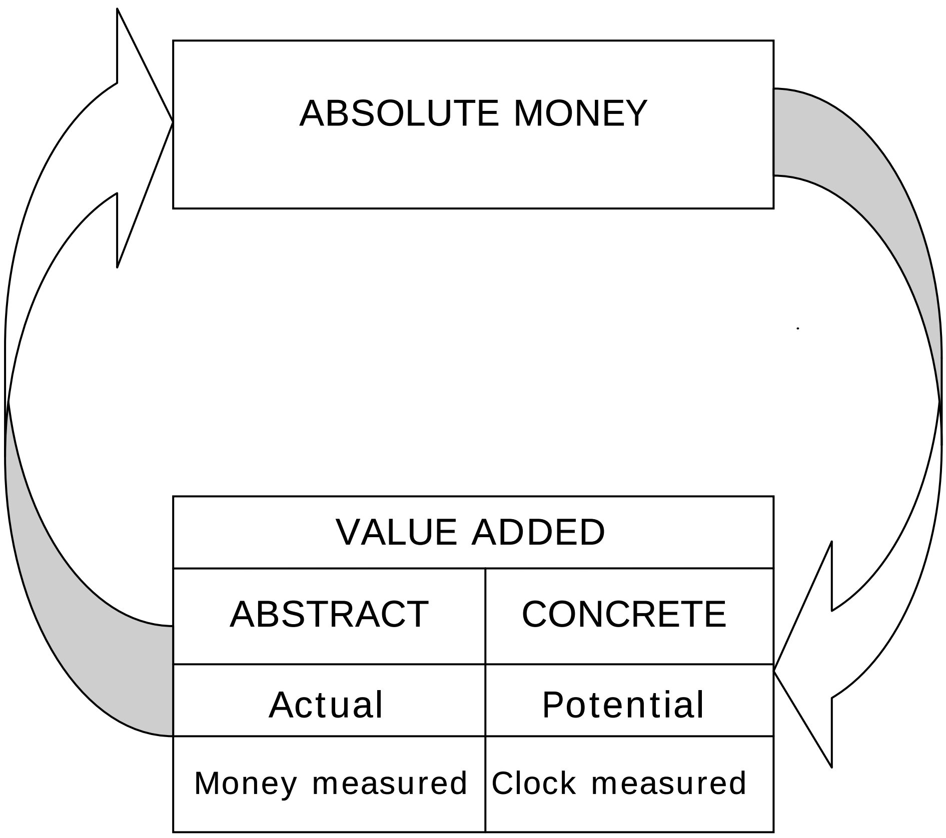

Figure 4 ... posit the constant capital as zero.

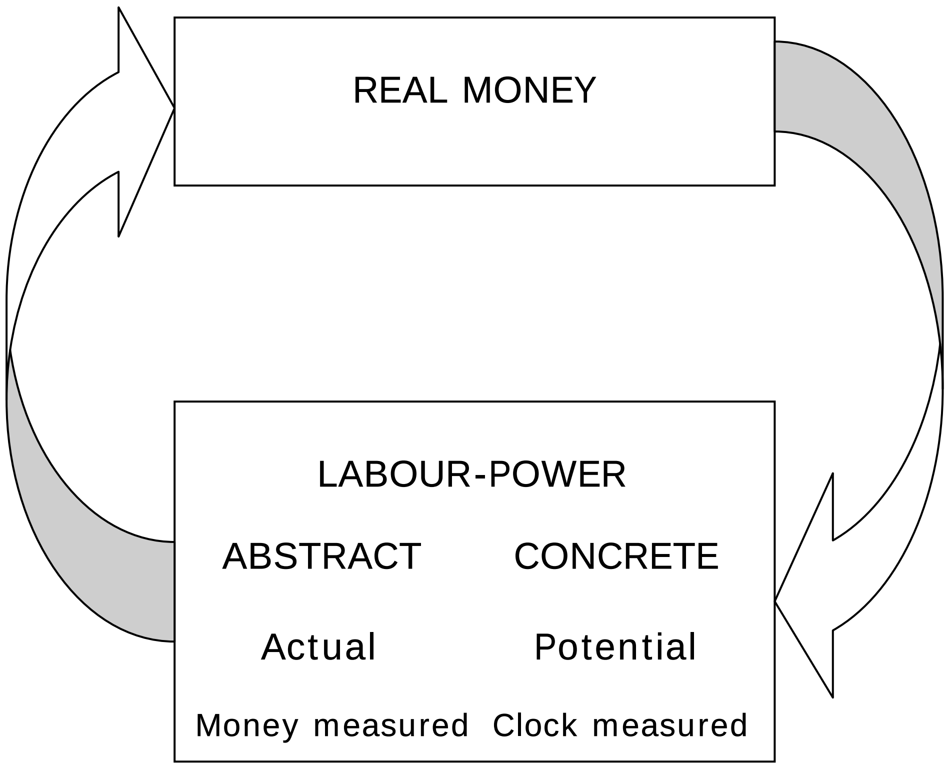

Figure 3 Producer commodity in relative and equivalent positions

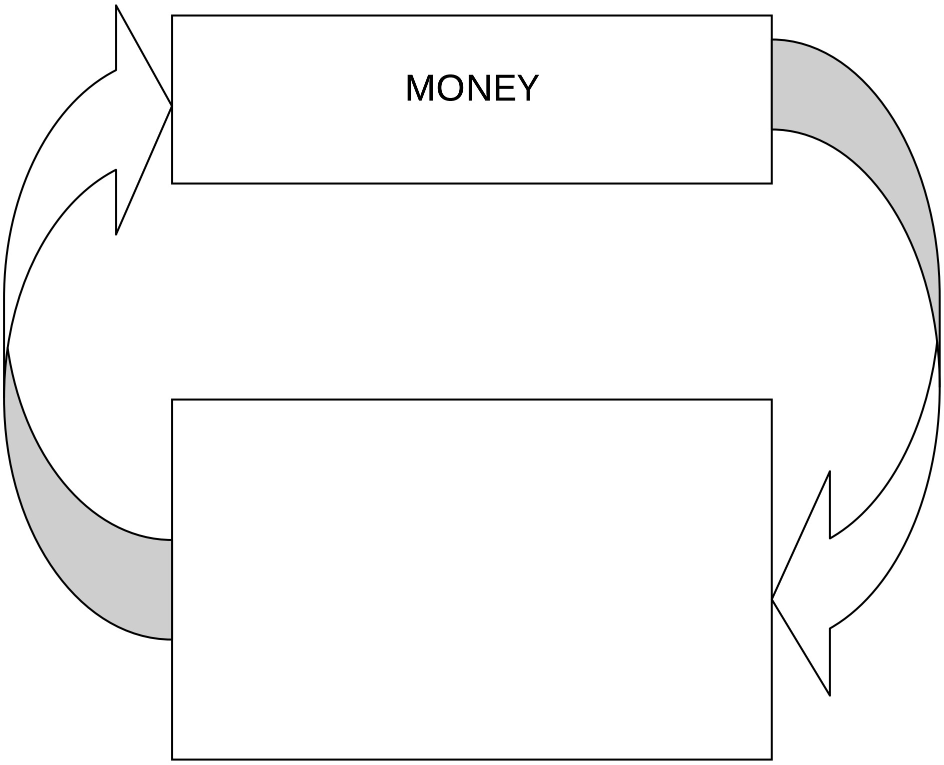

Figure 3 Producer commodity in relative and equivalent positions

Real Value of Money:

total clock-measured labour-time over total nominal wage-bill.

Absolute Value of Money:

total clock-measured labour-time over total nominal value-added.

Potential Real Wage:

equals the quantity of clock-measured labour-power sold.

Potential Absolute Price:

equals expired cost plus clock-measured labour-power bought.

Potential Absolute Value:

equals expired cost plus money-measured labour-power bought.

Actual Absolute Value equals Absolute Price.

Actual Real Value equals Real Wage.

Price ratio (P): actual price over potential price.
Valorisation ratio (J): absolute value added over real wage-bill.
Exploitation ratio (X): absolute money value added over absolute wage-bill, less 1.
Ratio of real to absolute prices (f).

$$X = f\,J - 1$$

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