

Marx's Concept of Service and the Criticism of Say's Law: The Japanese Controversy Regarding Productive and Unproductive Labour

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1. Japanese Controversy

(1) First Stage

In Japan, there has been a long controversy regarding productive and unproductive labour. Recently, this controversy is concerned with labour that produces services and value of those services rather than labour that is allocated in the sphere of circulation.¹

In the first stage of this controversy, Marx's concept of productive and unproductive labour was considered to be the theoretical basis for determining what kinds of labour produce value and surplus value. The most acknowledged conclusion in this stage was that only labour which satisfies 'two' definitions of productive labour at a time can create value and surplus value; the one is 'the original definition of productive labour', the other is 'the social or historical definition of productive labour', named by many discussants. The former, which is 'deduced from the very nature of the production of material objects' (Capital ,p.510), means that only labour producing material products is productive. The latter, which is given from the standpoint of capitalist production, means only labour exchanged with capital is productive. Therefore, labour employed by capital in the sphere of material production can value and surplus-value, in other hand, labour in the sphere of immaterial production or of circulation cannot create value nor surplus value, even though it is employed capital.

However, since the start of the second stage of this controversy, which began in to 1970s, it has been agreed upon that using that concept in order to make such a determination is misleading. Because, whether or not labour can create value must not depends on whether the labour can create surplus value or not. Rather, the latter must presuppose the former.

(2) Second Stage

In this stage, the controversy has focused on service as a commodity and how one views it as an object of exchange. Some authors argue that service is one form of a product of labour, and it has been called an 'immaterial product', a 'non-shape product', a 'useful effect', and so on. as such, labour producing services is seen as producing value because it is embodied or materialized in products as well as labour producing material objects.

Others claims that service is the utility of or a useful function of labour. This means that service cannot be a product, but is rather labour itself. As such, because it cannot be embodied or materialized in any products, it is argued, it cannot produce value.

I believe that there are two theoretical problems in this debate. First, while it is assumed that the determination of whether a particular type of labour can produce value or not depends on whether it can be embodied or materialized in a product or commodity, there is little discussion of the term of 'embody' or 'materialize'.

¹ Needless to say, this dose not mean that there is agreement on whether circulation labour is productive or unproductive.

Second, Marx's concept of service ('Dienst' in German) is often applied to theories expounded by researchers in this debate, and this is regarded as a concept that refer to a 'useful effect of use value of labour' or an 'immaterial product'. My argument is that it is incorrect to apply this concept to present day service theory.

In this paper, I will focus on the second of these problems in particular, and will make it clear that this concept is not only utilized in critiques of J.B.Say's theory, but that Marx himself was opposed to using this term in such a fashion as this controversy. I will also show how application of this concept can actually lead to the acceptance of Say's Law, Say's value theory and the quantity theory of money.

Furthermore, I believe, instead of 'service', it is useful to think over the relationship between Marx's category of immaterial production and labour theory of value, for the development of service theory.

2. Two senses of Service (Dienst) ?

It has been often understood that Marx's concept of service('Dienst')have two different meanings.

Prof. Haruo Kaneko, who is the most well-known researcher of 'service theory' in Japan, have claimed that labour providing services cannot produce any value. And he says that:

The general definition of service is, in short, a useful function as concrete labour ,which is provided to consumers in the form of activity.(Kaenko1987,p.28,in Japanese)

In other hands, The formal definition of service in the capitalistic sense is a useful function of labour exchanged with revenue. Such labour is distinguished from and opposite to labour exchanged with capital.
(ibid.p.30)

On the contrary to Kaneko, Prof. Nobuo Isagai claims that labour producing services can create value. However, he agrees with Kaneko on the point that Marx's concept of service can be divided two different meanings, as follows.

It is true that Marx's definition of service means 'service labour' (labour of personal servant), which is opposite to 'labour exchanged with capital'. But this kind of labour disappears with the development of capitalism. The definition of 'service' must be an 'immaterial product', and the 'service sector' must be regarded as an 'immaterial production sector', in order to analyze present day service industry which is subsumed under the relation of commodity production or of capitalistic production .(Isagai1990,p.28,in Japanese)

They consider that they can apply Marx's concept of service to present day service theory in so far as the concept is regarded as an 'immaterial products' or a 'use value in the form of activity' not as labour exchanged revenue. David Leadbeater says similarly,

In one sense, service refers to unproductive labour, to labour purchased from the revenue—"where the direct change of money for labour takes place without the latter producing capital"[*Theories* ,p.391]--as is the case with most domestic servants and 'civil servant'. In this sense, the labour can be manual or mental

and the product material or immaterial. In the second sense, and the used here, service refers to a use value not “in the form of a thing ,but in the form of an activity“ [ibid.](Leadbeater1985,p.595) ²

I will argue that this ‘two’ senses can not be apart from each other in Marx’s context, therefore, it is incorrect to apply only the one sense of this concept, which is a ‘use value in the form of an activity’ or an ‘immaterial product’ ,to the analysis for present service industry subsumed under the capitalistic production, as Japanese authors often do. Here, I recite the sentences from *Theories of Surplus Value* and “Results of the Direct Production Process”, on which those authors based their own interpretation that the concept of ‘service’ has two senses, particularly the sense of ‘a use value in the form of an activity’.

Where the direct exchange of money for labour takes place without the latter producing capital, where it is therefore productive labour, it is bought as service, which in general is nothing but a term for the particular use-value which labour provides, like any other commodity; it is however a specific term for the particular use-value of labour in so far as it dose not render service in the form of a thing, but in the form of an activity, which however in no way distinguish it for example of a machine, for instance a clock.(*Theories.* ,p.391)

Service is in general only an expression for the particular use value of labour ,in so far as this is useful not as material object but as an activity.(*Result.,CW.34,p.451*)

It may be possible, from these sentences, to claim that Marx’s ‘service’ means a use value of labour as an activity, or labour producing immaterial products. However, we must pay attention to this sentence being followed critical reference to J.B.Say or Bastiat, that is ;

Because therefore in the purchase of service the specific relation between labour and capital is in no way involved, being either completely obliterated or altogether absent, it is naturally the favorite form used by Say, Bastiat and their consorts to express the relation between capital and labour.(ibid.)

It is important to think over the implication of the last sentence. I will argue that Marx denied the concept of service through his critique of Say’s Law.

3. Marx’s concept of service and critique of Say’s Law

(1) A brief explanation of Say’s value theory and Say’s Law

J.B.Say’s value theory is connected with his unique production theory. He regarded the concept of production as a kind of exchange.

The immediate result of these sources is not, strictly speaking, a product, but a productive service that helps us to a product. Productions should ,therefore ,be considered as the result of an interchange of productive

² I note, it is true that Leadbeater also consider the concept has two meanings, but his dose not apply it to present day service theory, contrary to above Japanese authors.

service on the one hand, and the actual products on the other, subsequently to which, revenue appears for the first time in the shape of products; and these again may be exchanged for other products, into which latter form the same revenue will then be converted.(Say1971,p.294)

Here, a productive service is a useful effect of the sources of production, that is ,human industry, capital, land, and so on. A productive service gives utility to a product, and such utility gives value to the product, which is produced by co-operation of these productive services on the one hand. These productive services are the sources of revenues on the other hand. Therefore, the aggregate value of social gross products and the aggregate value of social revenues are equal at the level of total value of productive services used for the products. This is one of the theoretical basis of Say's Law. That is to say, if all savings are soon spent, these two aggregation ought to be actually equal, in other words the total demand for products ought to be actually equal to the total supply of products.

(2) Marx's first critique of Say's Law; To the one aspect of 'service' which produce value

Marx criticize this basis, compared with A.Smith's.

Adam Smith opposed the necessary conclusion of his resolution of the value of commodities, and therefore also of value of the annual product into wages and surplus value and therefore into mere revenue—the conclusion that in this event the entire annual product might be consumed. It is never the original thinkers that draw the absurd conclusions. They leave that to the Says and MacCullochs.(*Capital* ,p.389)

According to Marx, both Smith and Say consider that the total value of products resolves into mere revenue, but only Say concluded that the entire annual product ought to be consumed by revenue, that is to say ' Say's Law'. So, Marx's first point of critique of Say's Law is to make it clear that the productive service cannot produce any value.

For Ricardo the problem only exists because value is determined by labour time. With those fellows this is not the case.....

With these fellows, the phrase 'production costs' is meaningless. We see this with Say. The value of the commodity is determined by the production costs, capital, land, labour. But these are determined by demand and supply. In other words, no determination is taken place. Since the land performs 'productive services', why should not the price of these 'services' be determined by demand and supply, just as the services performed by labour or capital? And since the 'land service' are in the possession of certain sellers, why should their article not have a market price, in other words why should not rent exit as an element of price?(*CW*,31.p.361-362)

For Marx, a service cannot produce any value because it is a mere concept concerned with use value and it is a useful effect found not only with labour but also with other things ,capital, product, nature, land and so on, as follows.

A service is nothing more than the useful effect of a use value, be it of a commodity, or be it of labour.(*Capital* ,p.203)

This sentence has been often quoted in Japanese present day service theories in a positive meaning, but this is really the critique and denial of Say's concept of 'service'.

(3) Marx's second critique of Say's Law; To the other aspect of 'service' which is non-capitalistic wage labour

As I have already said in part(1), in Say's theory, the aggregate value of the products and of the revenues are equal by 'service', which produce the value of the products on the one hand, and its own value constitute the value of revenues on the other hand. However this equality is not sufficient for Say's Law. Because it is clear that some parts of products cannot be sold unless revenues are spent out. That is, it is necessary for Say's Law that all savings must be invested sooner or later. In other words, the equality of the aggregate value of products and of revenues is only potential equality of aggregate supply of products and demand for products.

So, Say argues that "it is products that you want, and not money"(Say 1971, p. 133), that is, money is not purpose but means of circulation. Therefore, people will not hoard money which they have earned by selling their commodities, but will always spend it for other commodities. Thus, "it is production which opens a demand for products".(ibid.) Marx criticized this point, too, as follows.

Following Say, Ricardo writes: "productions are always bought by productions, or by services ;money is only the medium by which the exchange is effected".(*Theories* ,p.501)

Marx said that "therefore, firstly commodity, in which the contradiction between exchange-value and use value exists, becomes mere product (use-value) and therefore the exchange of commodities is transformed into mere barter of products, of simple use-value"(ibid.). This is known as 'the possibility of crises' within the circulation of commodities(*Capital* ,p.124). That is, "the product must be a commodity and therefore express itself as money and undergo the process of metamorphosis" (op.cit.).

And, the following critique of a concept of 'service' is more important for my argument.

Instead of speaking of wage-labour, the term "services" is used. This word again omits the specific characteristic of wage-labour and of its use—namely, that it increases the value of the commodities against which it is exchanged, that it creates surplus-value—and in doing so, it disregards the specific relationship through which money and commodities are transformed into capital. "Service" is labour seen only as use-value (which is a side issue in capitalist production) just as the term "productions" fails to express the essence of commodity and its inherent contradiction. It is quite consistent that money is then regarded merely as an intermediary in the exchange of products, and...(ibid.)

As we can see in these passages, Marx's critique of 'service' is concerned with his critique of the quantity theory of money. That is, from the standpoint of capitalist mode of production, labour must be considered as wage-labour not 'service', at the same time, money must be regarded as capital, not as means of circulation. These two points are consistent with each other. Because labour exchanged with not 'means of circulation' but 'money as capital' is not labour "seen only as use-value" but labour which can increase value of capital. While in formula C-M-C(=L), M is only means of circulation and L is only service (labour seen as use-value), in formula M-C(=L)=M', M becomes capital and L becomes capitalistic wage labour.

Therefore, if we regard or define wage labour subsumed under capital as 'service', we will necessarily "fail to express the essence of" capitalistic mode of production, whether in the sphere of material production, immaterial production or even circulation.

(4) Two expressions but one meaning of 'Service'

From the above description, I can reinterpret the sentence ;"Service is ...only an expression for the particular use value of labour ,in so far as this is useful not as material object but as an activity"("Result"). In this sentence, Marx merely named a 'use value of labour, in so far as an activity' as 'Service' distinguished from a 'use value of product(commodity)'. And the implication of the following critical mention to Say is that, 'Service' must not be a determinant of value of product nor sources of revenue, at the same time ,if we use 'service' for the analysis wage labour, we will "fail to express the essence of" capitalistic mode of production, because "'Service' is labour as seen only as use-value".

Therefore, "use-value of labour as an activity" and "an labour seen only as use-value" is not two different meanings of one concept but two expression of the same labour. It is impossible to understand that there are 'two' concepts apart from each other. And these 'two' concepts of service must be denied together in Marx's critique of political economy, particular of Say's political economy.

4. Marx's categories of immaterial production and his value theory

(1) Distinction between material products and immaterial products

I made it clear that 'service' is a concept concerned with an only use-value of labour or product, therefore with this concept we are only able to grasp an use-value of labour, which is one aspect of labour. So, we cannot use it for analysis of capitalistic mode of production of the present day 'service industry'. An application of this concept leads to an incorrect emphasis on a side issue in capitalist production.

This argument can be applied to every labour which is subsumed under capital ,without distinction between material and immaterial production , or between production and circulation.³

In other words, every labour can be defined as 'service' ,if we see it only as use-value, though it is employed by capital. However, this is no more useful than defining every commodity as only use-value is. Instead of such 'service', in this section, my argument will focus on Marx's categories of a material and immaterial (non-material) production, and I will give my view on the relation between these categories and value theory.

Marx divided the categories of immaterial production into two parts ,as below.

With non-material production, even when it is conducted purely for exchange, hence produces commodities two things are possible:

1)It results in commodities, use values, which possess an independent shape separate from the producers and consumers; hence may exist in the interval as salable commodities, as in the case of books, paintings,

³In one respect, such a commercial employee is a wage worker like any other. In the first place, his labour is bought with variable capital of the merchant , not with money expended as revenue, and consequently it is not bought for private service ,but for the purpose of expanding the value of the capital advanced for it. In the second place,...(*Capital* ,p.291)

in short all the products of artistic creation, which are distinct from the artistic performance of the executant artist. Here capitalist production is only applicable to a very limited degree.....

2)The product is not separable from the act of producing, as with all executant artists, orators, actors, teachers, doctors, clerics, etc. Here too the capitalist mode of production only occurs to a slight extent, and can in the nature of things only take place in certain spheres.(*CW*.34,p.143)

It should be paid attention to the point that Marx's categories of non-material products include a lot of 'tangible' commodities, such as in the case of above first part. In other hand, 'the transport industry' is defined as 'a fourth sphere of material production' whether it transports human beings or commodities (*CW*,34,p.145), though, in this sphere "the products of the productive process is not a new material product, is not a commodity". This is contrasted with "in the general formula the product of P [process of production] is regarded as a material thing different from the elements of the productive capital, as an object existing apart from the process of production" (*Capital*, p61). For Marx, the determination whether a particular type of production is a material production or immaterial production does not depend on whether or not the result of its producing process can be a tangible use-value, a separable object from process of producing or producer himself. Rather the distinction between material production and immaterial production has a lot to do with whether or not it can be formally and really subsumed under capitalist mode of production. Furthermore, the ability of labour to create value is deeply involved with the development of the mode of production, co-operation, manufacture and machinery system, as follows.

(2) A social necessary labour time in the sphere of immaterial production

In the sphere of material production, as the mode of production is developed more, a social necessary labour time determining the magnitude of value is established more.

Marx said in the chapter of co-operation;

If one workman required considerably more time for the production of a commodity than is socially necessary, the duration of the necessary labour time would, in his case, sensibly deviate from the labour time socially necessary on an average; and consequently his labour would not count as average labour, nor his labour power as average labour power.(*Capital*, p.328)

Within manufacture;

The rule, that the labour time expended on a commodity should not exceed that which is socially necessary for its production, appears, in the production of commodities generally, to be established by mere effect of competition;....in manufacture, on the contrary, the turning out of a given quantum of product in a given time is a technical law of the process of production.(*ibid*.p.350)

And in machinery system, the rule that "the turning out of a given quantum of product in a given time", in other words the rule that a commodity is produced by a socially necessary labour time fully becomes a technical law of the process of production. Because, this system knows "how to control with certainty the general chemical and physical conditions of the process production"(*ibid*.).

It is important to understand that a social necessary labor is established in process of production on the basis of the development of mode of production. Therefore, value is created within process of production under such conditions. Thus, in transport industry, this rule of a social necessary labour, that is, the rule of value, works as in any other material productions, too, because there is the development of mode of production such as handcraft, manufacture and machinery. On the other, immaterial production, as far as Marx referred to, a social labour time hardly established because of lack of development of mode of production, so it is difficult to determine the magnitude of value with a labour time. To this extent, immaterial production is out of value creation sphere.

The important conclusion of this section is that; first, whether the products of production process can be 'tangible' objects, 'separable' from the process or not, has nothing to do with whether labour allocated in such process can create value or not. Therefore, so-called 'embody' or 'materialize' in objects is side issue of creation of value by labour. Second, there is certain development of mode of production in present day service industry, some parts of which are similar to Marx's immaterial production. Therefore, if a social labour time is established on the basis of such development there, we should permit the labour in this sphere as value producing labour, beyond Marx' original viewpoint.

5. Conclusion

Marx's concept of service can not be apply to 'service theory', because it was denied thorough the critique of Say's Law. Instead of service, Marx's categories of immaterial production is useful for analysis for present service industry. In addition, I will to say that the concept of service cannot be same to the category of immaterial production or immaterial products. The former is only a use-value.

Marx might consider that labour in the sphere of the immaterial production cannot create value, but the reason why he considered so was not that the products of immaterial production process is not tangible objects. Rather, the reason was that the mode of production is hardly developed there. According to Marx, rather, if the mode of production develops and social labour time is established in the so-called service industry (the sphere of immaterial production), labour in such sphere must be considered as value creating labour. Needless to say, value creating labour can create surplus-value at a time, when it is subsumed capital, it is productive of not only value but also surplus-value.

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