

**The Eleventh Mini-conference of the International Working Group on Value Theory (IWGVT)**  
**Eastern Economic Association (EEA) 30th Annual Conference**  
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## **An Alternative Interpretation of Marx's Value Theory**

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(Visiting scholar of UMASS, Amherst, Aug 2003-Aug 2004)

### **Abstract**

Differing from the traditional understanding of Marx's value theory, which is restricted to *Capital*, this paper presents an alternative interpretation of Marx's value theory, by connecting his value theory with his study on money and capital in his early economics works and Manuscripts, including *Grundrisse* (Economic Manuscripts of 1857-58), *A Contribution to the Critique of Political Economy* and *Theories of Surplus-Value*. This paper argues that Marx's early study on money and capital has a very close relation to his mature value theory and that his value theory is ultimately fulfilled by his theory of money and capital.

The basic logic of this paper is following: in order to be a real presence rather than a theatrical abstract, value is connected with money; money is the representative or the objective existence of direct social labor, money is a practical tool and device to solve the problem of the exchange of social labor; money inevitably transforms into capital. It is the consistent and universal exchange relations created by capital that can develop a kind of real social labor exchange system and relatively stable price level, which explains value's character and magnitude.

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**I. The traditional understanding of Marx's value theory had a great limitation because it was mainly derived from *Capital*. The presentation method of *Capital* is different from the inquiry method. In order to get the whole ideas of Marx's value theory, it is necessary to connect it with his earlier study of money and capital.**

When talking about Marx's value theory, some simple and abstract concepts or ideas often emerge: value is created by labor, the quantity of labor expended in the commodity, i.e. the labor time determines the magnitude of value. Value determines price, and price fluctuates around value. In general, people might think these concepts or ideas come from the definitions of value and socially necessary labor time in the beginning of *Capital*.

But, if we want to use this theory to explain the determination of real price and the actual exchange processes, it is not persuasive. This is because no one knows what the socially necessary labor time spent in a commodity should be. The possible result is that "a kind of feeling of the real labor time" substitutes for it, and this kind of feeling about value is often used to determine the price. But the price is always there obviously before us, so the differences between the real price and the "value in feeling" often led to all kind of critiques and debates on Marx's value theory.

This paper will study Marx's study on money and capital in his earlier economics works, such as *Grundrisse* (Economic Manuscripts of 1857-58,) *A Contribution to the Critique of Political Economy* (1859), and *Theories of Surplus-Value* (1863), and provide an alternative interpretation of Marx's value theory by connecting these works with his value theory.

1. Expanding the study on value theory from *Capital* to Marx's economics manuscripts

(1) *Grundrisse* and *Contribution*, important economics works in his prime of life, played significant roles on the formation of Marx economic theory.

From the 1850s, when Marx started to research economics, to 1867, when volume 1 of *Capital* was published in Germany, he wrote a large quantity of economic manuscripts, including *Grundrisse*, the published *Contribution*, *Marx's Economic Manuscripts of 1861-63*, and *Marx's Economic Manuscripts of 1863-65*. Based on these manuscripts, Engels edited and published

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<sup>1</sup> I would like to acknowledge editorial assistance of Albert Sargis.

volume 2 and 3 of *Capital*, and K. Kautsky edited and published volume 4 of *Capital*, also called *Theories of Surplus-Value*. These manuscripts are pre-research and the basis of *Capital*. To study Marx's economics theory one has to study these manuscripts.

For example, for *Grundrisse*, Marx said: "1. It is the product of 15 years of research, i.e. the best years of my life. 2. In it an important view of social relations is scientifically expounded for the first time." (Marx, 1858, p354); as for *Contribution*, Marx said that it "forms the continuation" of *Capital*, "many points only hinted at in the earlier book are here worked out more fully, whilst, conversely, points worked out fully there are only touched upon in this volume." (Marx, 1867) Compared with the related contents, the biggest difference of the two works is that the study on money is more sufficient in *Contribution* than in *Capital*. The most important conclusion is relevant to value theory.

(2) Because of the necessity of presentation and expression, there are differences between presentation and inquiry, so it is necessary to study Marx's economics manuscripts.

After long research, Marx formed his systemic and complex theory. But when it was published, it had to be made clear and easy to understand and to be spread. This causes the differences between the simplicity of expression and the completeness of inquiry. Marx knew this very well and illustrated it with his comments: "Of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyze its different forms of development, to trace out their inner connexion. Only after this work is done, can the actual movement be adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected as in a mirror, then it may appear as if we had before us a mere a priori construction." (Marx, Afterward to the Second German Edition, 1873)

Volume 1 of *Capital* is the mature and repetitive revised edition for publication after Marx had finished most of his manuscripts of volume 2 and 3 of *Capital*. i.e. millions of words of *Marx's Economic Manuscripts of 1861-63*, and *Marx's Economic Manuscripts of 1863-65*. Its expression, especially for some basic principles, had to be conclusive and even appear as "a mere a priori construction." In order to know them really, one should know its "cause and effect."

As for the value theory, most of Marx's economics manuscripts, especially *Grundrisse* and *Contribution*, provide abundant materials and important theoretical background, such as, why the society and the economy need "value;" by what form does it exist; how the attribute of value--determined by socially necessary labor time--is realized in reality; Is so-called socially necessary labor time an "a priori" labor quantity or an "ex post facto" theoretical abstract? Or is it just a methodological approach?

## 2. Expanding the study on value theory alone to the study on money and capital together

In *Capital*, Marx places commodity and value before the money and capital, but in fact, raising the concepts of commodity and value are closely connected with his understanding of money and capital. It can be said that without the theory of money and capital, the concept of value will not come into being, its character can't be illuminated, and its magnitude can't be determined, let alone the usage and the actual significance of value theory. This paper is trying to study Marx's theory of money and capital to explain the character and magnitude of value.

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**II. The character of value—the labor exchange relations between persons—is a kind of socially labor exchange relations under the concept of “social labor”. Money is the “objective existence of direct social labor.” Money provides a practical tool and device for the exchange of social labor. Value utilizes money to present the relations of social labor exchange.**

1. In order to become a “reality” from a “theoretical abstract” money is connected with value. Money is the expression form of value. Money is also the value form of commodity. This is Marx’s conclusion from his earlier economics research in *Capital*.

For the regular value theory, value and socially necessary labor time are defined in the beginning of *Capital*. But Marx knew very well that this was only the starting point. This is only a “presentation.” It “exists only as an ideal.” (Marx, 1857-58) It is a long distance from the reality. Marx described its elusiveness as follows: “The reality of the value of commodities differs in this respect from Dame Quickly, that we don’t know ‘where to have it.’ The value of commodities is the very opposite of the coarse materiality of their substance, not an atom of matter enters into its composition. Turn and examine a single commodity, by itself, as we will, yet in so far as it remains an object of value, it seems impossible to grasp it.”

In order to verify his theory, Marx needed to seek an empirical support for value. It seemed that the seeking is not very difficult: “Every one knows, if he knows nothing else, that commodities have a value-form common to them all, and presenting a marked contrast with the varied bodily forms of their use-values. I mean their **money-form.**” “Commodities find their own value already completely represented, without any initiative on their part, in another commodity existing in company with them. These objects, gold and silver, just as they come out of the bowels of the earth, are forthwith the direct incarnation of all human labor,” or “the immediate social incarnation of all human labor.” (Marx, 1867)

This is the relation between value and money set up by *Capital*, when it tried to look for an “actual carrier” or an “objective existence.” Money is the “direct incarnation of all human labor.” Money is the “objective existence of direct social labor.” Money is the expression form of value. Not contradictory to this, Marx also said: “it was the analysis of the prices of commodities that alone led to the determination of the magnitude of value, and it was the common expression of all commodities in money that alone led to the establishment of their characters as values.” (Marx, 1867) So how did Marx analyze the prices of commodities and the common expression of all commodities in money to derive the character and the magnitude of value? Let us go back to the *Grundrisse* and *Contribution* to appreciate Marx’s concept of “social labor” and his research on money. This derived from his analysis of the development phrases of different forms of social economy and their basic characteristics.

2. As “the direct incarnation of all human labor”—as the “objective existence of direct social labor”—money provides a practical tool and device for the exchange of social labor, and promotes the division of labor.

In Marx’s era capitalism was emerging and developing. To understand the characteristics and nature of this new economic mode of production was a historical project. And Marx was one of the greatest explorers. In *Grundrisse*, he spent a lot of efforts thinking about the formation and the characteristics of capitalism, and the consequent changing social relations. He found that one of the

significant differences between capitalist and the pre-capitalist economy was that the latter was a kind of self-contained economy, in which persons satisfy their existent demands by autarky. On the other hand, the former had a developed social division of labor, and it was a socialized production mode. In such a society, persons do not produce their own consumables by themselves; every one works for others, and they satisfy their demands by exchanging their products. This production mode is complex and promotes a diversified supply and demand.

Although this new production mode developed rapidly and showed great advantages, it also raised a new question: how are the social resources allocated and how the labor products exchanged in a scope of society. i.e. how to improve the structure and the efficiency of production and consumption in this complex production exchange system.

As an approach of studying and understanding the economics of this mode of production, Marx's theory developed the new concept of "social labor." This idea involved researching the relation between money and social labor exchange, and provided an interpretation of the question.

(1) "Social labor" indicates the essence of production and exchange in modern society.

"Social labor" is often understood together with "individual labor." "Social labor" means that in modern society, everyone's labor is an organic part of the social system's division of labor. Production and consumption have been connected together so that everyone produces and consumes each other's products. "Individual labor" indicates that although everyone works for others i.e. for the society, and although the labor is useless for one's direct demands, the starting point of one's labor is the individual. Before this labor is socially accepted i.e. prior to its exchange, nobody can know for whom one works, and who compensates it. Therefore, the selection of production plans and techniques are made by the producers separately and the consequences also fall upon the producers. If the labor can't be exchanged and compensated, they will be useless. The socialization of production means that producers can't satisfy their demand by their own labor.

From Marx's viewpoint, commodity and value result from the contradiction between "social labor" and "individual labor." Marx described this relation in *Capital*: "As a general rule, articles of utility become commodities, only because they are products of the labor of private individuals or groups of individuals who carry on their work independently of each other. The sum total of the labor of all these private individuals forms the aggregate labor of society. Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each producer's labor does not show itself except in the act of exchange. In other words, the labor of the individual asserts itself as a part of the labor of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them, between the producers. To the latter, therefore, the relations connecting the labor of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things." (Marx, 1867)

Then how can "individual labor" transform into "social labor?" How do the labor exchange relations between persons change into material relations? What is this material objective? This question of social labor exchange is a difficult and longstanding question in modern society. In the language of western economics, the question involves what, how and for whom to produce. It is relevant to the problem of how to improve the structure and the efficiency of social production.

Marx thought this material objective was money. Money is the “objective existence of direct social labor” developed from the commodity exchange relations.

(2) As the “objective existence of direct social labor” and a practical tool and device, money solves the problem of social labor exchange. It transforms “social labor” from an abstract concept into a material entity.

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Marx’s original purpose for writing *Grundrisse* was to criticize Alfred Darimon's theory of “labor money” and his plan to reform society. Marx thought there was some kind of internal relation between money and the social production mode. He asked: “Does not the bourgeois system of exchange itself necessitate a specific instrument of exchange? Does it not necessarily create a specific equivalent for all values?” (Marx, 1857-58) The answer was “yes” and soon thereafter he dropped the critique of Darimon to begin the project which resulted in the establishment of his money theory.

The core idea of his theory is to regard money as “**an independent existence**,” “the result of the process of exchange,” through which “the definite, particular labor of the private individual must manifest itself as its opposite, as equal, necessary, general labor and, in this form, social labor.” (Marx, 1863). He regarded money as “the realization of a *specific quantity* of labor in general, of social labor time.” It is “the equivalent of every other product,” which “presupposes social labor as the substance of all products.” (Marx, 1857-58) In the final analysis, it is the “objective existence of direct social labor.”

Thus, the problem of social labor exchange becomes clearer. For any particular labor to be identified social labor, it merely requires exchange for money. Whether or not it can exchange, and for how much, will indicate the extent of its transforms into social labor. The character of money as the “direct social labor” assures that its holder can exchange it for any commodity to satisfy one’s demand.

It becomes unnecessary for any person to produce his own consumables. One can realize one’s goals just by doing one kind of job that can exchange for money. “Money provides the possibility of an absolute division of labor” and improves the labor efficiency, and liberates person from the traditional mode of production and living completely. (Marx, 1857) Because of its inclusiveness and the simplicity of the concept of social labor, Marx said: “value-form, whose fully developed shape is the money-form, is very elementary and simple.” (Marx, 1867)

Historical experience demonstrates that the solution to social labor exchange by money is easy, practical, necessary and has a wide impact. The more “many-sided” “needs of each person” become, the more “one-sided” “his product has become,” i.e. “The further the division of labor develops”, “the greater the necessity for a general medium of exchange,” for “money,” (Marx, 1857) the easier and more practical it operates. It explains and endows the powerful social privilege of money, which has been everywhere, longstanding and transcendental. It also explains why persons could not abolish it although it produced countless abuses and alienation. Because “the need for exchange and for the transformation of the product into a pure exchange value progresses in step with the division of labor, i.e. with the increasingly social character of production. But as the latter grows, so grows the power of **money**.” (Marx, 1857-58)

3. Value and Price: does price fluctuate around value? Or does the trend and result of the fluctuation of price indicate the existence of value?

Money leads to price, which is the value that is expressed in the form of money. How is price determined? What does it indicate? What is the relation between value and price?

We have said in this paper, that the traditional understanding about price and value, i.e. price is determined by value and fluctuates according to value, is not persuasive. But the fact is that this is not Marx's original intention. His real point of view is following: at first, he respected the role and the result of market, and argued that all prices were determined by actual exchange processes. Secondly, when he discussed value, whose core factor is real "socially necessary labor," what he really meant is "**price,**" with the "variable" price derived from the market movement. At the same time when he discussed price and its change, what he really meant was value and its change. The follows are two proofs from *Capital*.

**Proof 1.** When Marx discussed socially necessary labor-time in *chapter 1 Section 2 of Capital*, he talked about "a given quantity of skilled (labor) being considered equal to a greater quantity of simple labor," and "the different proportions in which different sorts of labor are reduced to unskilled labor," and how the calculations should be done. Marx said that they "are established by a social process that goes on behind the backs of the producers." (Marx, 1867) What is the "social process that goes on behind the backs of the producers?" Obviously, it is not the measurable actual labor time; nor is it the intelligent human brain. It is the market.

**Proof 2.** When talking about how much money a commodity will exchange for in *chapter 3 Section 2 of Capital*, Marx said: "No doubt the answer is already anticipated in the price of the article, in the exponent of the magnitude of its value." Can a producer estimate the socially necessary labor-time or value of his products according to the labor he expended? Marx said: this might cause "accidental miscalculation" or "a mistake," and it should be "rectified in the market."

Continuing, Marx talked about the roles of "production condition" and the "supply and demand" on value, which was completely different from the traditional understanding, which regarded value as only determined by labor.

**(1) "Production condition" affects the value.** Marx said: "without the leave, and behind the back, of our weaver, the old-fashioned mode of weaving undergoes a change. The labor-time that yesterday was without doubt socially necessary to the production of a yard of linen ceases to be so to-day." This indicates that such non-labor factors as "production condition" can be abstracted into a component of value, a kind of "social labor," just as the real labor time spent by the producer can be abstracted into a different "social labor," which are expressed by price and money.

**(2) The change of socially necessary labor time is reflected by the change of price.** What is "socially necessary labor time" has always been difficult to understand. Because it is not individual labor time, it can't be calculated. But at this point Marx used vivid language to point out the exact way to understand "socially necessary labor time": "the owner of the money is only too eager to prove from the prices quoted by our friend's competitors." In Marx's views, value is the accepted price in the market.

**(3) The increase or decrease of aggregate supply or demand can influence the value.** Can the

supply and demand influence the value? Marx said: “suppose that every piece of linen in the market contains no more labor-time than is socially necessary. In spite of this, all these pieces taken as a whole may have had superfluous labor-time spent upon them. If the market cannot stomach the whole quantity at the normal price of 2 shillings a yard, this proves that too great a portion of the total labor of the community has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labor-time upon his particular product than is socially necessary. Here we may say, with the German proverb: caught together, hung together.” (Marx, 1867) That is, the value of the commodity of every producer will have to be determined by the new lower labor-quantity that is socially necessary. The new decreased socially necessary labor time will measure the value of every product. So, the supply and demand can influence the value.

This shows that Marx’s value changes with the market price which considers all kinds of social and economic, supply and demand determinants. These mutual changes and processes are a kind of automatic way to improve the division of labor and efficiency to allocate social production through the market. Thus, the theory that socially necessary labor time determines value is an analytical approach. We use it precisely because we don’t know how much it is and must therefore adopt money--the objective existence of direct social labor--to express the price of every exchange factor, i.e., to realize the labor exchange in the social scope. Although social labor is called labor, it is far removed from the real concrete human labor.

Here two problems arise: (1) the actual prices are always concrete, various and fluctuating, so what is the price as the basis of value? (2) If we say value is price and the result of market process, then, what is the difference between Marx’s value and the equilibrium price in western economics? The answer to the question leads to Marx’s theory of capital. This paper argues that Marx’s value theory is finally fulfilled by his capital theory.

**III. Money tends to transform into capital. The trend of price made by the endless and universal production and circulation caused by capital can be understood as the general level of value.**

1. Money tends to transform into capital.

In the traditional understanding of the origin of capital, the capitalist’s subjective pursuit for profit was always the focus. “Capital” combined internally together with the “Laws of Capitalist Appropriation.” The capitalist solely appropriated surplus value, expropriated by the economics exploitation of the working-class. This is asserted to be the concept of capital in *Capital*.

The “capital” in this paper is different. The author regards capital as it is conceptualized in *Grundrisse*. Here, capital is understood as a kind of “socialized” mode of production, which organizes “social production” by continuously initiating commodity production and circulation and the endless market exchange. The surplus value is the money form of general surplus products that exist in any society that developed beyond natural economy. The amount of this kind of surplus products is the precondition and symbol of the advance level of a society. The distribution of the surplus value and the class struggle are not the subjects of this paper.

While Marx drew the conclusion that money was the objective existence of direct labor society, he turned to the study of the transformation of money into capital. There were two steps:

(1) Money needs to exist in circulation.

This is money's natural character, because money was created for the purpose of social labor exchange. Without circulation, it is nothing. Money's "continuous function as exchange-value is vouched for by the process of circulation." "If the other riches do not [also] accumulate, then it loses its value in the measure in which it is accumulated. ....Its independence is a mere semblance; its independence of circulation exists only in view of circulation, exists as dependence on it."(Marx, 1857-58)

(2) Money trends to transform into capital.

If money keeps moving in circulation, it should have some kinds of purpose. But, as the independent form of value--as direct social labor--it is "capable of no other motion than a quantitative one; to increase itself." Its only "goal-determining activity" "can only be that of growing wealthier, i.e. of magnification, of increasing itself." At the same time, because money as money could not "go beyond" its "negative aspect," "it is no longer money," "but is **capital**" "**Money, as capital, has lost its rigidity, and from a tangible thing has become a process.**" (Marx, 1857-58)

So, contrary to the traditional view that thought capital derived from wage labor, i.e. that when the labor power transforms into commodity, money will transform into capital, Marx argued that: "To develop the concept of capital it is necessary to begin not with labor but with value... precisely, with exchange value in an already developed movement of circulation." As long as the concept of exchange value developed, capital follows immediately after it, "Hence, within the system of bourgeois society, capital follows immediately after money." (Marx, 1857-58)

(3) The reason why capital can magnify itself is that the developed productivity can provide enough surplus products.

This is the fundamental reason why money can transform capital. Here the concept of surplus value here is just the money form of surplus products. From this point of view, when talking about the historical conditions of the origin of capital, Marx said: "The productiveness of labor that serves as its foundation and starting-point, is a gift, not of nature, but of a history embracing thousands of centuries." (Marx, 1867)

2. It is capital that creates, retains and realizes the universal and frequent exchange activities in the whole society, which is the real social labor exchange. Only this kind of universal and frequent exchange activities can result in price being a stable trend and level as a whole, which is the general trend and level of value.

The exchange relations and the trend of price caused by capital are essentially different from that caused by simple exchange relation. It is also different from the traditional understanding. Their influences on the range, depth and the result of "social labor exchange" are also different. The purpose of simple exchange is use value. The exchange action is accidental, and so is the determination of price. It cannot even be called "social labor." It also can't be said that value exists. Only the production, exchange and circulation triggered by capital can really be production, exchange and circulation in the social labor system. Only during this kind of social process can the character of value be expressed, and the trend and law of price can be indicated.

It is because that the production of capital aims at value and surplus value that is endless. "Only on the foundation of capital" "can circulation seize hold of all moments of production" (Marx, 1857-58) to

destroy direct production of use value, which need not enter into circulation to exchange, so that “from the first, every product is produced for sale and all wealth produced goes through the sphere of circulation.” (Marx, 1867) Only when all production and consumption activities through circulation are consistent and repetitive and are interconnected together with money can value’s character and magnitude as “social labor” be truly abstracted and indicated by real social exchange process. Only at this time can this kind of price be called a general and stable trend and level of “value,” which is both abstract and objective. Likewise, stable structures and levels of different commodities’ prices can become visible. Therefore, only modern production and circulation organized by capital is real social production; and only real social production can make the most of the functions of money and value.

Precisely because of this, Marx said: “The determination of all commodities as prices -- as measured exchange values -- is a process which takes place only gradually, which presupposes frequent exchange and hence frequent comparison of commodities as exchange values;” (Marx, 1857-58) “It requires a fully developed production of commodities before, from accumulated experience alone, the scientific conviction springs up, that all the different kinds of private labor, which are carried on independently of each other, and yet as spontaneously developed branches of the social division of labor, are continually being reduced to the quantitative proportions in which society requires them.” (Marx, 1867) “But as soon as the existence of commodities as prices has become a precondition -- a precondition which is itself a product of the social process, a result of the process of social production -- then the determination of new prices appears simple, since the elements of production cost are themselves already present in the form of prices, and are hence simply to be added.” And then what people need to do is just “*sale, frequent sale*” to make it “have continuity so that prices achieve a certain regularity.” (Marx, 1857-58) All these are attributes of the nature of capital. So Marx drew the conclusion: “As in the theory the concept of value precedes that of capital, but requires for its pure development a mode of production founded on capital, so the same thing takes place in practice.” Value “can be fully developed only on the foundation of capital.” Hence, “The concept of value is entirely peculiar to the most modern economy, since it is the most abstract expression of capital itself and of the production resting on it.” (Marx, 1857-58)

3. What are the differences between Marx’s value theory and the theory of equilibrium price in western economics?

From the perspective of the process and the mechanism by which price is determined, they are the same; additionally, they are both a kind of theoretical and analytical approach. They both acknowledge the result of the market and reveal long-term trends of the market’s operation. The differences between them concern how to interpret the cause, nature and the trend of price setting by the market.

The theory of equilibrium price does not reveal except the phenomenon of exchange and competition. It considers that market as natural and forever. In the viewpoint of western economics, the market has no history and future. Its sophisticated hypothesis, mathematics and models seem helpless in determining the trend of the market.

Based on historical experiences, Marx established a series of new concepts to provide insights into society, history and the market.

(1) “Social labor” and “individual labor” explain the nature of the division of labor, indicate basic characteristics of modern economic movement, and raise the important question of “social labor exchange.”

“Social labor” indicates that because persons divide their labor and exchange for their products and services, social production has integrated into a whole. The society has been a real society. All branches of the division of labor, formations of all kinds of industries, innovations of institutions, and all kinds of markets can be considered as the result of this kind of socialization.

“Individual labor” identifies the problem in social labor exchange of how individual labor can be translated into social labor.

The necessity for transformation of individual into social labor results from a more complex division of labor, and the dissemination and difficulty in accessing preferences, techniques, knowledge and information. The level of society’s development in these conditions made the transformation more difficult, intricate and uncertain.

(2) The definition of money as the “objective existence of direct social labor” provides a market channel to solve the problem of social labor exchange. The transformation of money into capital signifies the objective inevitability and basic characteristics of the socialized mode of production and circulation organized by the form of capital.

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Because money is the “objective existence of direct social labor” -- when individual labor exchanges for money--it also transforms itself into social labor. If money as the medium of social labor exchange keeps moving in the process of social labor exchange, it will transform into capital. This is the mutual and simultaneous sequence of surplus products, which derive from the development of productivity, and the social production organized by the form of capital. The mode of production and circulation organized by the form of capital will promote the development of social labor, making value and money become a real power, which play their roles in the process of social-economic movement.

This process indicates that although commodity, money and capital exist as objective forms and have great power in controlling social relations and human fate, they are eventually the result of labor relations between persons. They did not existed from the beginning of history and neither will they exist forever. As for the problems of social division of labor and the social labor exchange, there maybe are some other solutions rather than money and market. This would provide some theoretical and practical possibilities for persons to grasp their own conditions of life and production, their own social relations, or to implement a socially planned economy.

(3) The concepts of “social labor”, “general human labor” and “abstract labor” indicate the significance of labor in social development. They also reveal Marx’s pursuit and belief of the equal status of human being.

What is the most valuable for the existence and the development of every individual human being? Is it property, firm, land? In Marx’s view, ultimately, it is human labor! It is a kind of homogeneous and abstract labor expended after omitting the concrete forms of labor. It is the equal, inborn and internal human capacity of every person. So, following classical political economy, Marx chose the concepts of “social labor,” “general human labor” and “abstract labor” to define his value, and to reflect the social relations. He was proud of it, and said: “I was the first to point out and to examine critically this two-fold

nature of the labor contained in commodities. As this point is the pivot on which a clear comprehension of Political Economy turns.” (Marx, 1867)<sup>2</sup>

**Conclusion:** Marx’s value theory combines abstract concepts with real economic movement. The important breakthrough is to combine the “expression of value” with money, and to regard money as the “objective existence of direct social labor.” Then, money starts to transform into capital, which engenders consistent and universal exchange activities and relations and develops the real “social labor” exchange system. This process produces the “character” of value. The universal exchange relations will develop a stable price trend which will indicate the “magnitude” of value. Value is not concrete labor time or individual labor; it is not even labor time. It is a theoretical analytical approach to understand the labor exchange relations in the market. It integrates and embodies all possible determinants relative to technology, resources, supply and demand that can’t be calculated by human beings and expresses their results in the form of money and price. Marx defines it as “social labor,” “general human labor” and “abstract labor.” That is, labor value theory.

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<sup>2</sup> Keynes, one of greatest western economists, had the similar understanding on this question. He said: “Human effort and human consumption are the ultimate matters from which alone economics transactions are capable of deriving any significance; and all other forms of expenditure only acquire importance from their having some relationship, sooner or later, to the effort of producers or the expenditure of consumers.” (Keynes, 1930, p134)

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