

SURPLUS SCHOOL AND MARX
ON GAREGNANI'S MARX READING

A Provisional Text

Paresh Chattopadhyay

Among the adherents of what has been called in recent years, the 'surplus approach' in economics, Pierangelo Garegnani is perhaps the most eminent. Profoundly sympathetic to Marx, Garegnani, following a tradition earlier established by some economists, non-Marxist as well as Marxist, has placed Marx squarely in the surplus tradition of the classical political economy (in the sense of Marx) and, more particularly, has interpreted Marx as basically a follower of Ricardo's theory of value, albeit a critical follower. In the present paper we try to discuss Garegnani's approach to Marx as a surplus theorist and as a critical follower of the Ricardian theory of value. We are particularly interested in seeing to what extent Marx's own texts sustain Garegnani's position which he defends mostly on the basis of his own reading of Marx. In what follows the first section deals with the question of Marx as a surplus theorist, the second discusses the role of value theory in Marx while the remaining three sections analyze the different aspects of this theory namely, value and exploitation, commodity fetishism and abstract labor.

I. SURPLUS APPROACH AND MARX

Garegnani states that the 'surplus' approach to the theory of distribution and prices began with Petty and continued through Quesnay, Smith and Ricardo and was then "taken over and developed by Marx" (1960: VII, 1984: 292; 1987: 560). We find the statement too sweeping and too general which particularly obliterates Marx's qualitative difference with his bourgeois predecessors on this question.

First, whereas the concept of 'surplus,' formally speaking (leaving aside the material differences), is similar in Petty, Quesnay and Ricardo, it is quite different in Smith. Put briefly, in the case of the first three, laborers' subsistence is excluded from the surplus — called respectively by the three authors, "true rent of the land," "net product," and "net income" or "net produce" — while laborers' subsistence is included along with "conveniences and amusements" in Smith's "net revenue." And contrary to the disappearance of the 'surplus' approach of Petty, Quesnay and Ricardo from the mainstream economics with the rise of the 'marginalist' school — correctly noted by Garegnani — the Smithian approach to 'surplus' has persisted in the national income analysis within the 'mainstream' economics. We should note that Sraffa's concept of surplus is also not in the main Ricardian but Smithian. On the other hand, and what is much more important, Marx's concept of 'surplus' is, in a fundamental sense, qualitatively different from that of all his classical bourgeois predecessors, as well as the present day

protagonists of the 'surplus' approach. True, as Marx observes, "the real science of political economy" began only when the (classical) economists, in order to explain the origin of surplus, turned their theoretical reflections on the production process away from the circulation process in which the "first interpreters of capital" — the mercantilists and the monetarists — thought its origin lay (1962a: 170; 1964: 349; 1992: 410). However, even though the classics correctly thought that surplus originates in the production process, the real creator of surplus, that is surplus labor, is absent in their presentation. Marx remarks that the "notion of surplus labor is not explicitly found in bourgeois political economy" (1965: 1024; the sentence was added in the French version). Affirming that "it is always surplus labor" which is the "cause of surplus value," Marx observes that "Ricardo never bothers about the origin of surplus value," and that Ricardo "treats it as a thing inherent in the capitalist mode of production which, in his eyes is the natural form of social production" (1962a: 539; 1965: 1009; the first part of Marx's statement appears only in the French version). Even if we assume that the idea of surplus labor is at least implicit in the classics, their whole 'surplus' approach is basically a-historical. We know that "capital has not discovered surplus labor. Wherever a part of society possesses the monopoly of the means of production, the laborer has to add surplus labor time to the labor time necessary for their self-sustenance in order to create surplus toward the subsistence for the possessor of the means of production" (Marx 1962a: 249; 1965: 791). Hence "social surplus" in general, as it appears in the classical writings, does not indicate which specific society it is referring to. "It is only the form in which the surplus labor is extorted from the immediate producer, the laborer, that distinguishes the economic social formations (from one another)" (Marx 1962a: 231).¹ After having placed Marx in the classical "surplus approach" tradition, Garegnani, referring to the "classical theory of distribution," paraphrases Ricardo and says that "the magnitude of surplus is determined by the difference between product and necessary consumption (going to the laborers)" (1960: 3-4). We submit that the statement, applicable to any (class) society and lacking any historical specificity, does not tally with Marx's very specific concept of "surplus value," unique to bourgeois society. Marx, criticising Ricardo for "not understanding the nature of either profit or of surplus value," remarks that Ricardo already supposes a definite quantity of objective labor time and asks himself how it is divided, "whereas the question is rather how it is created." Marx adds that it is precisely the specific nature of the relation between capital and labor, or the *differentia specifica* of capital, which explains this. In this connection, approvingly citing Quincy that in modern political economy (Ricardo) it is only a question of dividends while the total product is assumed as fixed, determined by the quantity of labour employed there, Marx observes that "this is why Ricardo is reproached for not understanding surplus value (though his adversaries understand it even less)" (1953: 450-451).

The classics' a-historical approach to social surplus is in conformity with their approach to capital itself which is considered simply as "a certain quantity of labor stocked or stored up," as "machines and instruments" (Smith 1937: 314, 325) as "accumulated labor" or "that part of the wealth of a country which is employed with a view to future production" (Ricardo 1951: 186, 410). As Marx observes, the classics conceived as capital

"the elements of labor process in general appearing in capitalist production independently of their social form, making thereby the capitalist mode of production an eternal, natural form of production" (1956: 10). By treating capital as a thing and capitalist production as natural and eternal, the classics could only show how production is carried on within capitalist relations but "not how these relations are themselves produced." Stressing his own "conception (as) essentially different from that of the bourgeois economists, prisoners of capitalist ideas," Marx claims that, contrary to those economists, he knows "not only how capital produces, but also how it is itself produced" (1988: 129; our emphasis). It is not `surplus' in general but a specific, historically determined form of `surplus,' taking the form of surplus value, which produces capital. As Marx emphasizes, "that the production process creates capital is only another expression (for saying) that it has created surplus value" (1988: 126).

Let us observe that reading Garegnani one would have virtually no idea about Marx's specificity in relation to Ricardo on the subject of capital excepting on one point. While Ricardo resolved all capital into annual advances in wages, Marx "corrected" Ricardo's "error" by taking account of `constant' as well as `variable' capital, thereby "clearing up a confusion inherited from Smith" with the consequence that Ricardo's formula for the rate of profit as the value of surplus divided by the value of "wage goods" was replaced by Marx with the formula of the rate of profit as the value of surplus divided by the values of "wage goods" and "capital goods" (Garegnani 1960: 43; 1984: 305). Now Marx was not the first to take account of constant capital besides variable capital. He, in fact, shows that this particular defect of Ricardo (taken over from Smith) — that is, neglecting the constant part of the total capital — was not shared by the physiocrats. Particularly in Quesnay the "reappearance of the value of constant capital in a new form," according to Marx, constitutes an "important moment of the reproduction of capital." Marx notes in this connection Smith's "regression in the analysis of the reproduction process." Similarly Marx credits Ramsay — who would still be considered as working "in the line of (classical) political economy" — for having emphasized the "constant" part of capital (1956: 70; 1962b: 323, 324; 1973b: 389). Thus Marx's criticism of Ricardo (and Smith) on the question under consideration would still not show Marx's specificity in relation to the classical (and vulgar) political economy (including Ricardo) on the subject of capital — that capital is not a thing, "measured" as Garegnani says, in terms of "quantity of labor embodied in it" (1960: 43), but a historically specific social relation of production based on the separation of the immediate producers from the conditions of production.

The basic distinction between the two approaches to "social surplus" — even as regards the capitalist production — is clearly stated by Marx in his formal presentation of the rate of surplus value in Capital I, Chapter 16 (Chapter 18 in the French version). There Marx compares his own formulae with the formulae "unconsciously worked out" by the classics. Here they are:

$$\text{Marx's formulae: } \frac{\text{Surplus value}}{\text{Variable Capital}} = \frac{\text{Surplus value}}{\text{Value of Labour Power}} = \frac{\text{Surplus value}}{\text{Necessary Labour}}$$

$$\text{Classical formulae: } \frac{\text{Surplus value}}{\text{(Working day)}} = \frac{\text{Surplus value}}{\text{Value of the product}} = \frac{\text{Surplus value}}{\text{Total product}}$$

(Regarding the classical formulae Marx adds that he has put the first version within parenthesis, because the concept of surplus labor is not expressly stated by the classical writers). Marx remarks that in the classical formulae the "real degree of exploitation of labor or the rate of surplus value is falsely expressed" (1962a: 553). The reason is that the classical formulae really express the proportion in which the working day or its value product is divided between the capitalist and the laborer, which signifies that if they are held to be the expressions of the degree of capital's self-valorization "it would mean the false law: surplus labor or surplus value can never attain 100 percent." Indeed, "the representation of surplus value and value of labor power as fractions of the value of the product hides the specific character of the capitalist relation, notably the exchange of variable capital with the living labour power implying the exclusion of the laborer from the product. In its place enters the false appearance of the relation of an association where the laborer and the capitalist divide the product in proportion to the different elements which they contribute to its formation" (1962a: 554, 555; our emphasis).

II. ROLE OF VALUE THEORY

Garegnani writes that the "analytical schema at the basis of Marx's theory remained Ricardian." In other words: "the theory of labor value played the same analytical role in Ricardo and Marx; this role was to determine the rate of profit and, following it, the relative prices" (1960: 42; 1985: 324). The statement, we submit, is a gross over-simplification of Marx's position, to say the least. We think that the role of value theory in Marx is governed by the central concern of his entire theoretical work — to "reveal the economic law of motion" of the capitalist society (that is, its genesis, development, decay and disappearance giving place to a higher social formation). To accomplish this task it was necessary to develop the concept of capital. As Marx emphasizes: "The exact development of the concept of capital is necessary inasmuch as it is the fundamental concept of the modern economy, just as capital itself is the foundation of the bourgeois society. From a rigorous conception of the fundamental presupposition of the (bourgeois) relation must result all the contradictions of the bourgeois production as well as the limit where this relation is driven to supersede itself" (1953: 237). Of course capital is capital only in relation to its opposite — labor. However, as Marx observes in an important methodological note, identically appearing in two manuscripts, "in order to develop the concept of capital it is necessary to start not from labor but from value, and particularly from exchange value already developed in circulation. It is impossible to pass directly from labor to capital as it is to pass from different human races to the banker or from nature to the steam engine" (1953: 170; 1976:28). Hence the starting point for the development of the concept of capital is the commodity, the material medium of value relation, whose substance is (abstract) labor and which, appearing as exchange value, is measured by the

magnitude of (socially necessary) labor time contained in the commodity.

Already in his 1847 (1849) lecture to the workers Marx, after holding that all the products constituting capital are commodities and that the definite relation in which they exchange constitute their exchange values, poses the question as to how a sum of commodities, that is exchange values, are transformed into capital (1973a: 408-409). The principal role of Marx's value theory is precisely to show the genesis of capital on the basis of the development of exchange value. It enables him to trace the trajectory of this transformation. Marx's value theory enables him to start with the simplest value form of the commodity, "the first category in which the bourgeois wealth is represented," "the economic cell-form of the bourgeois society" (1953: 763; 1962a: 12). The principal role of this value theory is to "develop the expression of value contained in the value relation of commodities from its simplest and the least apparent form to its dazzling money form" — something which "bourgeois economy had never tried" ⁱⁱ — the money form being the "first phenomenal form of capital" which is "value in process" and where "the independent existence of value appears in a much higher power than in money" (1962a: 61, 161; 1962b: 129).ⁱⁱⁱ In a letter to Engels (June 22, 1867), Marx elaborates: "Till now the economists have overlooked the simplest thing . . . that the simplest commodity form where its value is not yet related to that of the other commodities but is expressed only as something different from its own natural form, contains the whole secret of the money form and therewith in germ that of all the bourgeois forms of the product of labor" (1972: 137; emphasis in text).^{iv}

Similarly it is on the basis of his value theory that Marx could show — what the classics including Ricardo was incapable of showing — how on the basis of a relation of equivalent exchange between capital and labor the employment of the specific form of use value of the commodity labor power allows the capitalist to extort surplus value from the laborer.^v The explanation of the rate of profit and relative prices appearing on the surface of the capitalist society — in the competition of capitals — comes only after the development of the concept of capital on the basis of value and only on the basis of the demonstration of the extortion of the total surplus value by the total social capital from the laboring class. "Profit is only a secondary, derived and transformed form of surplus value, the bourgeois form wherein all traces of its origin are lost," underlines Marx, adding that "this was never grasped by Ricardo" (1953: 489).

Trying to establish identical analytical roles of the theory of value in Ricardo and Marx, Garegnani juxtaposes two different phrases from Marx's two different texts and observes, citing Marx, that the "role of the theory of value was to `reveal the inner relations of the bourgeois system,' particularly the `inverse relation between wage and profit.'" (1985: 323, 330). True, rejecting the `exoteric' aspects of Smith's value analysis and building on its `esoteric' aspects, where Smith "tried to penetrate the inner relations of the bourgeois economy," Ricardo's "great historical significance," as Marx observes, was that he started from the determination of value by labor time — the "point of departure of the physiology of the bourgeois system" — and revealed the "economic antagonism of classes" (1959: 156,

157) even though "he conceived this antagonism naively as the natural law of society" (1962a: 20). However, while Ricardo's achievement in revealing the "physiology of the bourgeois system" through his value analysis was indeed great, there were aspects of the "inner relations" of the system which Ricardo, like the rest of the classical (political) economy, was incapable of revealing. Marx discusses this particularity in connection with the process of establishment of the average profit of the individual capitalist. Marx underlines that the individual capitalist's "inability to penetrate the phenomena and recognize beyond the appearances the inner essence, and the inner form of the process" is shared by the "hitherto existing political) economy" (1964: 178; 1992: 245). "To what extent," adds Marx, "The average profit (of the individual capitalist) is mediated by and connected with the total exploitation of labor by total capital, by all his capitalist brothers is a complete enigma (mystery) to him, the more so since the bourgeois theorists, the political economists themselves, have not solved it" (1964: 180; 1992: 246). In Engels's edition "capitalist companions" replaces "frères capitalistes," "revealed" (enthüllt) replaces "solved" (gelöst), and the term "enigma" (Rätsel) is left out.^{vi} Marx claims that it is he who "for the first time has revealed this inner connection" (1964: 178; 1992: 245). No wonder that already in a letter to Engels (January 14, 1858), Marx emphasizes that he has "thrown overboard the hitherto existing theory of profit" (in the "method of elaboration" of which his reglancing through Hegel's Logic has rendered him a "great service") (1972: 79). Commenting on the "average rate of profit already given" as the "point of departure of Ricardo's theory," Marx observes that the "general rate of profit is obtained by calculating the total surplus value or society's total capital (class of capitalists)." Instead of assuming the general rate of profit as given, Ricardo should have first analyzed how this general rate is established. Thus Ricardo could not see that "this latter operation already . . . presupposes the partition of the whole social capital between its different spheres of employment determined by competition" (1959: 200; emphasis in text. The whole emphasized portion appears in English).^{vii} In Ricardo capital is presented as appropriating a definite portion of the existing value of labor (of the product). The creation of this value which it appropriates beyond the reproduced capital is not presented as the source of surplus value. "This creation coincides with the appropriation of the alien labor without exchange and can, therefore, never be clearly understood by the bourgeois economists" (1953: 451).

A particular aspect, of what Marx calls the "economic antagonism of classes" is of course the inverse relation between wage and profit emphasized by Ricardo. However, this inverse relation — to which alone the economic antagonism in question can certainly not be reduced — is valid, as Marx shows, only under Ricardo's special assumption of the fixity of the length of the working day (and a given labor intensity) producing a fixed magnitude of value. The "defect of Ricardo's presentation," observes Marx, "is that he takes the special conditions under which this law holds as the general and exclusive conditions for capitalist production" (1962a: 546), "a hypothesis from which false consequences follow directly" (1959: 403). With this assumption, the increase or decrease in surplus value can be explained only through the increase or decrease in the productivity of labor. In other words, Ricardo considers only the case of relative surplus value. By

assuming the fixity of the working day (with a given labor intensity) and thereby excluding capital's exercise of "force toward absolute surplus value" as well as "capital's inner drive for shortening necessary labor," Ricardo fails to "develop the historical justification of capital" (1959: 403; emphasis in text). (Marx credits Smith for his correct position on this question). Ricardo's proposition of "proportionate profits and wages applies only to the fact that if a definite totality of value is divided into two portions the magnitude of the two portions stand necessarily in inverse relation." Interested uniquely in establishing proportionate wages and profits and not in knowing how surplus value is created, Ricardo starts with the assumption that "a given value is divided into wage and profit," and he supposes "this division as obvious" (Marx 1953: 490).

However, when the length of the working day is not fixed but is increasing, Ricardo's law does not hold (without of course diminishing in any way the "economic antagonism of classes"). In the latter situation "the two parts (of value) can both increase either equally or unequally. The increase of the one is not conditioned by the decrease of the other and vice versa." In other words, wage and surplus value can both increase at the same time. Looking neither for the origin of surplus value nor for absolute surplus value, Ricardo does not at all consider this case assuming always that the length of the working day is fixed. Thus for the case of the changing length of the working day "his law is false that surplus value and wage (which he calls wrongly profit and wage), considered as exchange value, can only rise and fall in inverse relation" (Marx 1959: 405-406; emphasis in text). In order to show Marx as a follower of Ricardo, Garegnani has completely left aside this significant aspect of Marx's Ricardo-critique concerning precisely the wage-profit relation showing how Ricardo failed to take account of the "historical justification of capital."^{viii}

III. VALUE AND EXPLOITATION

"The basic analytical role of the labor theory of value," writes Garegnani, "leaves no room for its use in expressing exploitation" and he emphasizes the "independence of exploitation in relation to labor values in Marx" (1984: 323; 1985: 339). In order to delink the idea of exploitation of labor under capitalism and the theory of labor-value in Marx, Garegnani asserts that Marx himself had "explicitly denied" any such relation (1985: 337). What textual evidence from Marx does he offer here? He refers to the second problem (among the four) formulated in the Contribution to the Critique of Political Economy (1859) concerning Ricardo's theory of value which had given rise to the objections to this theory by the bourgeois economists as well as by the so-called utopian socialists, and cites the following lines: "If the exchange value of a product is equal to the labor time contained in it, the exchange value of a laboring day is equal to the exchange value of the product of that labor." He then adds that these lines represented Marx's criticism of the utopian position that the bourgeois society had failed to draw the necessary consequences from its own theoretical principle. True, Marx criticised the utopians' conclusion toward some kind of an egalitarian capitalism drawn from Ricardo's theory of value. But in Marx's formulation of the problem there is much more involved than what

Garegnani, in his attempt to make Marx into a follower of Ricardo, wants us to believe. First of all, anyone going back to Marx's full text from which Garegnani cites these lines could see that there is absolutely no trace there of Marx's alleged "explicit denial" of the value-exploitation connection. Secondly, Marx, in fact, focuses in the text in question on a profound contradiction in the Smith-Ricardo theory of labor-value.

Before we discuss this let us note that though Garegnani correctly asserts the necessity of "defining what the expression 'exploitation of labor' means to us" (1985: 339), curiously he himself nowhere tries to define it. In a rather descriptive way he refers instead to "exploitation" in feudal and capitalist societies in the sense of unequal distribution of the product between the serf and the lord or between the wage laborer and the capitalist simply explaining the phenomenon by saying that the particular "social order does not allow the laborer to appropriate the whole product" or, in other words, exploitation would simply "show that the workers do not get the entire product" (1984: 321; 1985: 340). This of course amounts to no more than begging the question. Following the classics, Garegnani does not bother about the specific way the surplus arises and is appropriated by the lord or the capitalist. Now Marx, on the contrary, does make the meaning of laborer's exploitation precise. He holds that the "rate of surplus value is the exact expression of the degree of exploitation of labor power by capital or of the laborer by the capitalist" (1962a: 232).^{ix} "Exploitation" is simply the "appropriation of surplus labor" (1956: 355). Or, again, as Marx says very clearly in the first manuscript of Capital II, "exploitation" means "appropriation of surplus labor" that is, "production of surplus value" (1988: 184. This manuscript was not included in Engels's edition). Now, within the Marxian framework it is the labor time beyond the necessary labor time — that is, surplus labor time — which creates (under capitalism) surplus value (1962a: 231).^x Naturally, the "determination of surplus value depends on the determination of value" or the "determination of surplus value results from the determination of value by labor time" (1956: 319; 1959: 182; emphasis in the text. The term "surplus value" in the first quotation is in English in the manuscript). It should be clear that far from "denying" any relation between laborer's exploitation and the creation of value by labor time (under capitalism). Marx, on the contrary, clearly emphasizes this relation — completely contradicting Garegnani's assertion.

Now, the problem formulated by Marx, from which Garegnani cites the lines, mentioned at the beginning of this section, arose from the unsolved contradictions in the Smith-Ricardo theory of labor-value (even allowing for the Smith-Ricardo differences), particularly in its Ricardian version which had provoked the utopian socialists into drawing egalitarian conclusions justly criticized by Marx. As Marx puts it succinctly: "The (classical) economists have never been able to reconcile surplus value with the law of equivalence which they themselves had established. The socialists have always held fast to this contradiction and harped on it (um herumgeritten) without understanding the specific nature of the commodity labor power whose use value itself is the activity which creates exchange value" (1976: 79). Marx lucidly explains the contradictions in the Smith-Ricardo approach in his 1861-63 manuscripts. Marx observes that Smith was right in starting with commodities and exchange of commodities where those who exchange commodities are

also their producers. The value of these commodities are determined by the quantity of necessary labor time contained in them. In the commodities there is first exchange of equal quantities of objectified labor. Secondly, there is exchange of definite quantity of living labor against the same quantity of objectified labor inasmuch as first, the living labor is objectified in a product, a commodity, which belongs to the laborer, and secondly, this commodity is exchanged with another commodity containing the same quantity of labor. Thus, as a matter of fact, "a definite quantity of living labor is exchanged against the same quantity of objectified labor." Consequently, it is not only commodity that is exchanged against commodity in proportion to the equal objectified labor time they represent, but a quantity of living labor is also exchanged against commodity which represents the same quantity of objectified labor. However, "in all modes of production — and particularly in the capitalist mode of production — where the objective conditions of labor belong to one or more classes and, contrariwise, the simple labor power belongs to another class, the laboring class, we see the opposite. The product or the value of the product does not belong to the laborer. A definite quantity of living labor does not command the same quantity of objectified labor, a definite quantity of labor objectified in commodity commands a bigger quantity of living labor than the quantity contained in the commodity itself" (Marx 1956: 38). After having correctly started from the equivalent exchange relation of commodities following the law of value, Smith finds that as regards the exchange between capital and wage labor, "the law is in fact abolished with respect to the result, that more labor is exchanged against less labor from the standpoint of the laborer and less labor is exchanged against more labor from the standpoint of the capitalist" (1956: 53). Smith concludes that in this situation labor time is no longer the immanent measure which regulates the exchange of commodities.

Marx observes that it is the "great merit" of Smith that he feels that here there is a contradiction, that "with capital accumulation and landed property — thus with the autonomous existence of the conditions of labor in opposition to labor itself — there is a new turn apparently and, as regards the outcome, in fact, an inversion (Umschlag) of the law of value into its opposite." Smith's theoretical weakness was of course that this phenomenon makes him "doubt (irrmacht) the validity of the general law even for simple commodity exchange" (1956: 53). While Ricardo shows his superiority over Smith in not being misled by these apparent and, as regard the result, real contradictions, he is inferior to Smith in "not suspecting even once that here there is a problem, and thus the specific development which the law of value undergoes (annimmt) with the formation of capital does neither perplex him for a moment nor preoccupies him" (1956: 54). Precisely this is the contradiction (not even once mentioned by Garegnani) which the utopian socialists — derisively dismissed by Garegnani — representing the proletarian opposition to the bourgeois political economy pinpointed, however wrong might have been the conclusions that they drew from this correct premise.^{xi} It is remarkable that in course of his attempt to delink exploitation from value and, in the process, to enlist Marx on his side — without any basis whatsoever in Marx's own texts — Garegnani never for a single moment refers to the classical political economy where precisely the problem occurs, namely how to explain laborer's exploitation on the basis of the law of value, that is "how does production on the

basis of exchange value, determined purely and simply (bloss) by labor time, lead to the result that the exchange value of labor is less than the exchange value of its product" (Marx 1958: 360-61). As we mentioned earlier, while Smith was at least aware of this contradiction, Ricardo was completely oblivious to it. In his 1957-58 manuscripts Marx's presentation of the Ricardian position on the question of the law of value and the origin of surplus value is prefaced by his remark that he wants thereby to "put into sharper relief the difference between our conception and his (Ricardo's) conception" on the question. Then Marx observes that the question of "how from value as equivalent, determined by labor, one passes on to non-equivalent or to value which posits surplus value in exchange, that is, how, one passes from value to capital, from one determination to its opposite in appearance, does not interest Ricardo." In Ricardo's system the "insoluble antinomy" lies in that a definite quantity of living labor is not equal to the commodity which it creates, in which it is objectified, though the value of the commodity is equal to the quantity of labor contained in it. Indeed, "since the creation of surplus value coincides with the appropriation of the labor of others without exchange, it can never be clearly understood by the bourgeois economists" (1953: 451, 455, 456).

Not a word about all this in Garegnani who, on the contrary, writes: "the thesis of the existence of exploitation in a capitalist society does in no way depend on the validity of the theory of labor-value. This thesis rather depends on the validity of the theoretical approach based on surplus from which follows the idea that profits have no other systematic explanation than the fact that the existing social order does not allow the laborers to appropriate the integrality of the product (1985: 340)."^{xii} The statement typically represents Garegnani's a-historical approach to (capitalist) exploitation inasmuch as the "non-appropriation of the integrality of the product by the laborers" as representing exploitation applies to all class societies and not simply to the capitalist society (which is Marx's basic object of investigation and critique). Needless to add, Marx's approach is completely different. Conforming to the principle laid down in his famous 1857 text on method, namely, "when we speak of production we speak of production at a historically determined stage of social development" (1953: 6), when Marx speaks of exploitation (of labor) he speaks of the specific type of exploitation in a specific class of society. "The specific economic form in which the unpaid surplus labor is pumped out from the immediate producers determines the relation of domination and subjection as it arises from the production itself and in its turn appears as determining it" (Marx 1964: 799: 1992: 732, emphasis in the manuscript, not in Engels's edition). The relation between necessary labor and surplus labor defining exploitation (and its degree) is distinct for each mode of production. Precisely in the capitalist mode of production, the basis of the "existing social order," where the product of labor takes value form (category unknown to the classics) surplus labor and necessary labor take, respectively, the specific forms of surplus value and the value of labor power (variable capital). And Marx has no difficulty in offering a "systematic explanation of profits" on the basis of these categories — which themselves are derived from the law of labor-value." Particular profit rates of the different spheres can only be derived (entwickelt) from the values of commodities. Without this derivation the general rate of profit (therefore also the price of production of commodities) remains a

senseless, irrational idea" (Marx 1964: 167; 1992: 234. The term 'only' is absent in Engels's edition as well as the emphasis on 'values,' found in the manuscript.)

IV. COMMODITY FETISHISM AND THE THEORY OF VALUE

Garegnani emphasizes: "to clarify the characteristics of the economic system to which Marx referred by his concept of 'commodity fetishism' basically amounts to explaining the phenomena of the system in a coherent way. This is not the special task of the theory of labor-value as such" (1985: 336). The "economic system" under consideration here is of course the commodity-capitalist system. So Garegnani's assertion amounts to "explaining the phenomena" of this "system" without any reference to value and its forms of expression as explanatory categories. However, Marx's discussion of commodity fetishism directly contradicts such an assertion. In fact, Marx shows how commodity fetishism arises from the value form of the product of labor, which is an integral part of Marx's theory of value.^{xiii} Value form and commodity fetishism associated with it clearly distinguish Marx's theory from the classical theory of value which completely ignored this dimension of (labor) value. Lacking this dimension and preoccupied with value as quantity, the classical (Ricardian) theory of value had no idea of commodity fetishism. In this sense Garegnani's statement is correct (as applied to the Ricardian value theory). It is precisely Marx's (and not the classical) theory of labor value, neatly distinguishing between use value creating concrete labor and value creating abstract labor, which clearly shows how commodity fetishism is inextricably associated with the specific form of the product of labor — that is, value or commodity form — in a specific type of society.

There is nothing mysterious about the products as use values created by concrete labor. The enigmatic character of the products of labor arises from their value or commodity form. The "mysteriousness (das Geheimnisvolle) of the commodity form" lies simply in that the "social character of the human beings' own labor appears to them as the objective character of the products of labor themselves, as the natural attributes of these things and thus also the social relation of the producers to the totality of labor appears to them as social relation of objects existing outside of them" (Marx 1962a: 86). This is the situation where a definite social relation of the human beings themselves assumes in their eyes the "phantasmagoric form" of a relation between things. This inversion of relation between persons and things — this "fetishism" — is "glued on (anklebt) the products of labor as soon as they are produced as commodities and is inseparable from commodity production" (1962a: 87). This inversion — "fetishism" — is not confined only to simple commodity production. All social forms, to the extent that they involve commodity production and monetary circulation, participate in this inversion. However "in the capitalist mode of production and in capital which is its dominant category and which forms its determining relation of production this enchanted and inverted world develops much further" (1964: 835; 1992: 845).

The theory of (labor) value of the classical political economy — including its perfected form in Ricardo — was incapable of understanding commodity fetishism

inasmuch as it did not understand value form of the product of human labor. Even though Marx praises the "epoch making character" of the discovery of the classical political economy that the products of human labor, to the extent that they are values, are simply the objective expressions of human labor spent in their production, Marx stresses at the same time that the classics could not at all dissipate the phantasmagoric character that the products of human labor assume in the value form. In fact "most of the economists" were under the "illusion produced by fetishism inherent in the world of commodities" (1965: 617. "A part of the economists" of the German version was changed into "most of the economists" in the French version).^{xiv} In his manuscript for Capital III Marx observes that though the "great merit of the classical political economy" has been to see through much of the mystification (of commodity production) by reducing the value and surplus value of commodities to labor in the immediate process of production, "even the best of its spokespersons remain prisoners of the phenomenal world, as it could not be otherwise from a bourgeois point of view, and thus all fall more or less into inconsistencies, half-truths and unresolved contradictions" (1964: 838; 1992: 852). It should be emphasized that Marx's analysis of commodity fetishism is an aspect of his critique of the classical theory of value and a clear demonstration that it is Marx's own theory of value which helps decipher the "social hieroglyphic" of the product taking value form, penetrate the veil of fetishism and thereby — in Garegnani's words — "explain the phenomena of the (commodity-capitalist) system." This cannot obviously be the "special task" of the classical theory of labor-value. Marx notes that while the classical political economy has emphasized — "very imperfectly" though — value and its quantity and discovered the hidden content in value, it never asked why this content takes this form, why labor is represented in value and the measure of labor by its duration is represented in the magnitude of value of the product of labor. "That these formulae which palpably (es auf der Stirn geschrieben) belong to a social formation where the process of production dominates human beings instead of being dominated by them, appears to its bourgeois consciousness as a necessity as natural as the productive labor itself" (1962a: 94-95; 1965: 615-16. In the French version "very imperfectly" replaces "imperfectly" of the German version).^{xv} Only Marx's theory could show that the "peculiar inversion characterising capitalist production, this craziness of relation between the dead and the living labor, between value and the value creating power" is not only "reflected in the consciousness of the capitalists" (1962a: 329), but, as Marx underlines, this "inversion between persons and things . . . is also in the imagination of the political economist." In this connection Marx, refers to Ricardo who, when characterising the material elements of capital "uses as self-evident without further thought or remarks the expressions `capital as the means of employing labor,' `quantity of labor employed by capital,' `the fund which is to employ the laborers' etc." (1988: 82. Marx qualifies Ricardo's above cited expressions as "economically correct," which could only mean "correct" from the point of view of capital inasmuch as with such "phrases passed into everyday life" Ricardo "expresses the nature of capital." See Marx 1959: 418). Thus far from being capable of understanding and explaining the "enchanted and inverted world" and thereby (as Garegnani puts it) "explaining the phenomena of the system in a coherent way," the classical political economy itself came under its spell.^{xvi} Garegnani shows little appreciation of this qualitative side of Marx's value theory when he thinks that the role of Marx's value theory (the same

as in Ricardo) was simply, through the "measurement of values" in terms of labor embodied, to "measure the product independently of its division between three classes." No wonder he takes to task some Marxists (Sweezy et al) for trying to differentiate Marx's theory of value from Ricardo's as regards the qualitative aspects (1984: 304). However, contrary to Garegnani, Marx does fault Ricardo precisely for his neglect of the qualitative side of value. Ricardo's exclusive concern with value magnitude — the "measurement of value in terms of labor embodied," as Garegnani calls it — prevented Ricardo from seeing that labor incorporated in commodities "must have to be represented as social labor, as alienated individual labor." The necessity of the embodied labor to be represented as social labor, as money, this "qualitative side of the matter," Marx emphasizes, "Ricardo overlooks" (1962b: 125; emphasis in text).

V. ABSTRACT AND CONCRETE LABOR

Garegnani contends that Marx's distinction between abstract and concrete labor is "really a development of Ricardo's distinction between value and wealth" (1985: 332). This is of course his own inference but which, again, is totally contradicted by Marx's texts. Not only does Marx show that this distinction is his own and was not made by any earlier economist (with the possible sole exception of Sir James Stuart. See Marx 1958: 56), he also demonstrates the contradictions even in Ricardo's distinction between value and wealth which Garegnani claims as the basis of the Marxian distinction in question. Marx's discovery of the double character of labor was indeed a logical outcome of the double character of the commodity. Whereas the latter — as use value and exchange value — was thrown into relief by the long tradition of the classical political economy (and not alone by Ricardo, who simply took it over from Smith), the classics failed to see the double character of the commodity producing labor itself as the logical outcome. "Classical political economy has nowhere distinguished explicitly and with clear consciousness the labor as it is represented in value from the same labor to the extent that it is represented in use value of the product" (Marx 1962a: 94).^{xvii} In a well-known letter to Engels (January 8, 1868) Marx elaborated: "The economists without exception ignored the simple thing that if the commodity has a double character (Doppelte) of use value and exchange value, then the labor represented in the commodity must also possess a double character, whereas the simple analysis of labor sans phrase as in Smith and Ricardo etc. everywhere runs into inexplicable problems. It is in fact the whole secret of the critical conception" (1972: 158).

In the chapter on "value and riches" in Ricardo's Principles, to which Garegnani refers, there is nothing to suggest that Ricardo, while distinguishing, following Smith, between "value in use" and "value in exchange," does correspondingly also distinguish between the two kinds of labor. As in the rest of the book, he only speaks of "labor" sans phrase and refers to the measurement of value of a commodity in terms of the "quantity of labor employed in its product" (Ricardo 1951: 273). In Marx's critical comments on Ricardo-Say polemic on the Smithian distinction between use value (wealth) and exchange value (to which Garegnani also refers to defend his position) there is again nothing that would sustain Garegnani's assertion (See Marx 1962a: 54-95, 633-34).

Without hesitation Garegnani writes (following a fairly widely held view): "For Marx as for Ricardo the commodities are exchanged according to the proportions determined by the quantities of labor incorporated (in them)" (1985: 333). While true for Ricardo, the statement is certainly not true for Marx. For Marx, it is not labor sans phrase, it is abstract labor (in this case "socially necessary labor" in the specific sense of sociality) which determines the exchange value of the commodities, and it is precisely this labor which is absent in Ricardo. "Ricardo," observes Marx, "has not rightly distinguished between the labor insofar as it is represented in use value and the labor insofar as it is represented in exchange value . . . In Ricardo there is a confusion (between these two kinds of labor)" (1962b: 137).^{xviii} As Marx emphasizes, the "double character of labor" represented in a commodity which is the "pivotal point around which the understanding of political economy turns" was "first critically demonstrated by me"(1962a: 56).^{xix} Not a word about all this in Garegnani.

On the other hand, far from taking Ricardo's distinction between value and wealth as the basis of his own concept of double character of labor (in commodity production), Marx shows the contradictions in Ricardo's discussion. As Ricardo takes the "capitalist form of production as natural and absolute form of production" (1988: 376), wage labor-and-capital is considered by him not as a historically determined social form but as a natural form for creating wealth as use value. As a result their form as such is indifferent and is not grasped in their definite relation to the form of wealth, just as wealth itself, in its form as exchange value, appears as a simple formal mediation of its material existence. That is why Ricardo "does not grasp the definite character of bourgeois wealth, precisely because it appears as the adequate form of wealth in general." Therefore even though the exchange value is the point of departure, the "definite economic forms of exchange themselves play absolutely no role in his economic system, with him it is always a question of the distribution of the universal product of labor and land among three classes," as if in the wealth founded on exchange value it is only a question of use value, "with exchange value playing only a ceremonial role." Inasmuch as Ricardo considers exchange value as simply formal, "he contends that in a society based upon the value of exchange, and wealth resulting from such value, the contradictions which this form of wealth is driven to with the development of productive powers etc. do not exist, and that a progress of value is not necessary to secure the progress of wealth, consequently that value as the form of wealth does not at all affect the wealth itself and its development" (1953: 236, 237, 257. The last quotation is in English in the manuscript).^{xx}

Paresh Chattopadhyay
 Université du Québec à Montréal
 e-mail: r25030@nobel.si.uqam.ca

ENDNOTES

- i. Unlike the bourgeois economists of the `surplus school' Marx, indeed, underlines the historical specificity of surplus extraction in each particular case — slavery, serfdom, wage labor. Whereas under serfdom the surplus labor for the land is clearly distinguished from the labor executed for oneself by the laborer, in both slavery and wage system the distinction is obfuscated. On the other hand, while under slavery the laborer's necessary labor also looks like the surplus labor for the master, the inverse is the case with the wage system where even the unpaid surplus labor appears as paid labor. "There the ownership relation hides the slave's labor for oneself, here the money relation hides gratuitous labor of the wage laborer" (1962a: 562).
- ii. "The specific determination of labor as producing exchange value or represented in exchange value — the character of this labor — Ricardo does not analyze. Therefore he does not grasp the connection of this labor with money, or that it must be represented as money. He does not at all grasp the connection between the determination of the exchange value of the commodity by labor time and the necessity for the commodities to pass on to the formation of money. Hence his false theory of money" (Marx 1959: 155; emphasis in text).
- iii. "The development of capital already supposes the full development of the exchange value of the commodity and, consequently, its elevation to a state of independence in money" (Marx 1962b: 129).
- iv. Much earlier he had written: "In the simplest determination of value and money the opposition between wage labor and capital is contained in a latent form" (1953: 159).
- v. "Commodity production, as soon as it presents itself no longer simply as the unity of useful labor and labor creating value, but as the unity of useful labor and labor creating surplus value, it becomes capitalist production, that is, commodity production under the capitalist form" (Marx 1965: 749). The phrase "unity of useful labor and labor creating surplus value" in the French version replaces "labor process and valorization process" of the German version. See 1962a: 211).
- vi. That the insistence on the priority and primacy of the whole over the parts, that it is only from the class point of view and not from the point of view of the individual that the social reality is comprehensible, that to understand the reality of capital as a specific social relation one must start with "total social capital" or "capital as class" (Marx 1973b: 351-52; 1953: 337) before dealing with individual capitals — this specificity of Marx's method sharply distinguishing him from the classical political

economy (particularly after the Physiocrats) has been, by and large, ignored by Marx's commentators with a few notable exceptions like R. Luxemburg (1966: 436) G. Lukács (1970: 94, 96) and R. Rosdolsky (1968: 61-71).

- vii. Referring to the "biggest confusion and mystification" resulting from the fact that "till now the hitherto existing (political) economies have not independently (rein) considered the theory of surplus gain (Mehrgewinn), but have mixed it up with the theory of real profit," Marx notes that "the profit of the capitalists as class or the profit of capital (as such) must exist before it can be distributed" (1953: 576).
- viii. In an important paper N. Georgescu-Roegen reproached "every standard economist" for neglecting the lengthening of the factory working day as a significant factor of economic, growth, and credited Marx for being an exception in this respect (1974).
- ix. As he told the workers in 1865, the rate of surplus value showing the "real ratio between the paid and unpaid labor" is the "real degree of exploitation of labor" (1970: 215; emphasis in text).
- x. "The difference between the labor time which measures the exchange value of the labor power itself and the labor time during which it is used as use value is the labor time accomplished beyond labor time contained in its exchange value, thus beyond the value which it had cost initially, and is as such surplus labor — surplus value" (Marx 1976: 78; emphasis in text).
- xi. In fact Marx himself did not dismiss these socialists out of hand. Along with his just critique of their position, he never failed to appreciate the importance of their work. See particularly his remarks on Bray in his Proudhon-critique (1965: 43-51) and his wider discussion in his 1861-63 manuscripts (1956: 54 and particularly 1962b: Chapter 21).
- xii. Somewhat in the manner of Ricardo who, in order to explain fall in profit rate, had to "quit economy to take refuge in organic chemistry" (Marx 1953: 639), Garegnani here quits economy to take refuge in sociology in order to "systematically explain profits" under capitalism.
- xiii. As a matter of fact, in the first chapter of the first edition of Capital I there is no separate section on "commodity fetishism." It follows immediately the discussion on forms of value as a necessary sequel, and in a supplement to the first chapter entitled "Value Form," "fetishism of the commodity form" was presented as the "fourth characteristic" of the "equivalent form" of value.
- xiv. In his 1957-58 manuscripts Marx faults the "economists" for considering the social

relations of human beings and the determination obtained by the objects, subsumed under them, as natural properties of objects — "a fetishism which imputes to the objects the social relations as being inherent in them." Marx calls this "crude materialism" which is identical with "crude idealism" (1953: 579).

- xv. Marx particularly mentions Smith and Ricardo, the "best representatives" of the classical political economy, as the ones who "treat the value form as something wholly indifferent or external to the nature of the commodity," adding that it is one of the "basic flaws" of the classics that they "never succeeded in finding out, from the analysis of the commodity, and specially of the value of the commodity, the form of value under which it becomes exchange value" (1962a: 95).
- xvi. In the first edition of Capital I, Marx, indeed, underlined that when treating "capital," the "fetishism of the classical economy becomes palpable" (1966: 245; emphasis in text. In the second edition "modern economy" is substituted for "classical economy." See 1962a: 97).
- xvii. "The analysis of commodity on the basis of `labor' with the earlier economists is incomplete and ambiguous. It is not sufficient to reduce it to `labor,' it is necessary to envisage labor in the double form where it is on the one hand represented as concrete labor in the use value of the products and on the other hand is calculated as socially necessary labor in the exchange value" (Marx 1988: 67; emphasis in the manuscript). Needless to add, here "socially necessary labor" stands for abstract labor.
- xviii. "Neither Ricardo nor any other economist before him has exactly differentiated between the two sides of labor and even less analysed its different roles in the formation of value" (Marx 1962a: 219).
- xix. Ricardo's neglect of the double character of labor had important consequences for his theory. Speaking of Ricardo's suggestion of quantity of labor being the solution to the "false problem of an invariable measure of value," Marx observes that this false appearance arises in Ricardo from the fact that the determination of the magnitude of labor is his decisive concern. "This is why he has not grasped the specific form in which labor is the element of value, particularly that the individual labor must represent itself as abstract social general labor and in this form social labor. Therefore he has not grasped the connection of the formation of money with the essence of value and the determination of value by labor time. The transformation of commodities into money appears to him as something formal, as something not entering deeply in the innermost being of the capitalist production" (1962b: 135-36, 137; emphasis in text).
- xx. In his 1851 `London notebook' on Ricardo's Principles, Marx had already

commented on Ricardo's value-wealth distinction: "The bourgeois wealth and the aim of all bourgeois production is exchange value, not use value (Genuss). In order to increase this exchange value there is no other means than to multiply products, to produce more. To increase production the productive forces have to increase. However, in the same proportion as the productive force of a given quantity of labor is increased, the exchange value of products falls . . . All crises result from the contradiction in the increase of value which is itself transformed in its own movement into increase in products — a contradiction around which the bourgeois industry perpetually turns" (1953: 804).

BIBLIOGRAPHY

Garegnani, P. Il capitale nelle teorie della distribuzione. Milan: Giuffrè 1960.

_____. "Value and Distribution in the Classical Economists and Marx. Oxford Economic Papers 36 (1984).

_____. "La théorie de la valeur-travail chez Marx et dans la tradition marxiste." In B. Chavance (ed) Marx en Perspective. Paris: Éditions de l'École des Hautes Études en Sciences Sociales, 1985.

_____. "Surplus Approach to Value and Distribution." The New Palgrave Dictionary of Economics. London: Macmillan, 1987.

Georgescu-Roegen, N. "Dynamic Equilibrium and Economic Growth." Économie Appliquée 27, No. 4 (1974).

Lukács, G. Geschichte und Klassenbewusstsein. Berlin: Herman Luchterhand, 1970.

Luxemburg, R. Die Akkumulation des Kapitals. Frankfurt: Verlag Neue Kritik, 1966.

Marx, K. Grundrisse der Kritik der politischen Ökonomie. Berlin; Dietz Verlag, 1953.

_____. Theorien über den Mehrwert Vol 1, Berlin: Dietz, 1956.

_____. Zur Kritik der politischen Ökonomie. Berlin: Dietz, 1958.

_____. Theorien über den Mehrwert Vol 2, Berlin: Dietz, 1959.

_____. Das Kapital, Vol 1. Berlin: Dietz, 1962a.

_____. Theorien über den Mehrwert Vol 3, Berlin: Dietz, 1962b.

_____. Das Kapital, Vol 3. Berlin: Dietz, 1964.

_____. "Le Capital." vol. 1 and "Misère de la philosophie" in K. Marx. Oeuvres: Économie. vol. 1. Paris: Gallimard, 1965.

_____. "Wages, Price and Profit." In K. Marx, F. Engels. Selected Works. Moscow: Progress Publishers, 1970.

_____. Briefe über "Das Kapital". Erlangen: Politladen, 1972.

- _____. "Lohnarbeit und Kapital." In Marx-Engels. Werke, vol. 6. Berlin: Dietz, 1973a.
- _____. Das Kapital II, Berlin: Dietz, 1973b.
- _____. Zur Kritik der politischen Ökonomie. (Manuskript 1861-1863)." In K. Marx and F. Engels. Gesamtausgabe (hereafter MEGA), Section 2, vol. 3, Part 1, Berlin: Dietz, 1976.
- _____. "Ökonomische Manuskripte 1863-1867." MEGA, Section 2, vol. 4, Part 1, Berlin: Dietz, 1988.
- _____. "Ökonomische Manuskripte 1863-1867." MEGA, Section 2, vol. 4, Part 2, Berlin: Dietz, 1992.
- Ricardo, David. Principles of Political Economy and Taxation. In Works and Correspondence of David Ricardo, vol. 1. edited by P. Sraffa. Cambridge: Cambridge University Press, 1951.
- Rosdolsky, R. Zur Entstehungsgeschichte des Marxschen `Kapital'. vol. 1. Frankfurt am Main: Europäische Verlagsanstalt, 1968.
- Smith, Adam. An Enquiry into the Nature and Causes of the Wealth of Nations. Edited by Edwin Cannan. New York: The Modern Library, 1937.