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An Analysis of Marx's Theory of Value

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Introduction- Marx's theory of value arose out of the bid to understand the basis on which goods were exchanged. What is it that determines the quantity of a product that is exchanged with another? How is it that a bag of rice can be exchanged with two bales of cloth or why is it that both products share the same monetary value? Marx's theory was a build-up on the theories of bourgeois classical political economists, notably, Adam Smith, David Ricardo, et al. who laid down the foundation for modern day economic theory economic theory from their investigations of what exactly determined the value of a commodity. For Barbon (1696:2) "things have an intrinsic value and that the greatest number of things have their value from supplying the wants of the mind". Others like Ricardo and Smith posited that the reward for labour (wage) determined price of value of the commodity. Locke (1777:280), studying the issue of the consequences of lowering interest rates posited that "the natural value of anything consists in its fitness to supply the necessities or serve the convenience of human life". Also, some thought that this 'value' seen in exchange was a result of the importance of products, what is regarded as its usevalue. 'but that 'this property of a community is independent of the amount of labour required to appropriate its useful qualities.

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An Analysis of Marx's Theory of Value

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I. Introduction

Marx's theory of value arose out of the bid to understand the basis on which goods were exchanged. What is it that determines the quantity of a product that is exchanged with another? How is it that a bag of rice can be exchanged with two bales of cloth or why is it that both products share the same monetary value? Marx's theory was a build-up on the theories of bourgeois classical political economists, notably, Adam Smith, David Ricardo, et al. who laid down the foundation for modern day economic theory economic theory from their investigations of what exactly determined the value of a commodity. For Barbon (1696:2) "things have an intrinsic value and that the greatest number of things have their value from supplying the wants of the mind". Others like Ricardo and Smith posited that the reward for labour (wage) determined price of value of the commodity. Locke (1777:280), studying the issue of the consequences of lowering interest rates posited that "the natural value of anything consists in its fitness to supply the necessities or serve the convenience of human life". Also, some thought that this 'value' seen in exchange was a result of the importance of products, what is regarded as its use-value. 'but that 'this property of a community is independent of the amount of labour required to appropriate its useful qualities.

The classical theory of value, therefore, appeared incoherent, contradictory and somewhat confusing, which is why Marx continued on the work of the classical political economists in order to provide proof of the theory and stated that, the value of every commodity is determined by level of labour contained in it', that is quantity of socially necessary labour time in the production of the commodity.

The subject matter of the theory of value, therefore, is the interrelations of various forms of labor in the process of their distribution, which is established through the relation of exchange among things nor the relations of people with things, but relations among people who are connected to each other through things what things?- Commodities.

This all shows that a thing can have use-value without having 'value'. The is the case when its utility to man is not due to labour such as air, virgin soil, natural meadows, etc.

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As use–values, commodities are, above all, of different qualities, but as exchange values they are merely different quantities, and consequently do not contain an atom of use-value. If then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour.

II. Definition and Explanation of Concepts

Use-Value: The capacity of a product or thing to satisfy the wants or demands of man, that is, having utility. As such, it must have definite qualities, it constitutes a substance of all wealth despite the social form of wealth and its value only becomes real by its use or consumption. Thus, something can possess use-value whether it is a commodity or not.

Commodity: A product possessing use-value produced expressly for gain or profit through exchange. Human labour is also a commodity since it has utility and can be exchanged for another commodity and for profit.

Surplus Social Product: The product produced in excess of what is needed or required for subsistence. The labour expended in the production of this is referred to as surplus labour.

III. Source of Value

By source of value, we mean or refer to what makes for value and it is traceable to the production of commodity, which is when goods and or services are made or given expressly for sale at a 'profit'. Thus, 'a commodity is, in the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another ...whether, for instance, they spring from the stomach or from fancy... as a means of subsistence, or indirectly as a means of production' (Marx, op cit). By this, a man's labour also, is a commodity if it is exchangeable for benefit, as well as for any other thing. This is why Hobbes (Marx, 1887) says about labour power: the value or worth of a man is as of all other things, his price: that is to say, so much as would be given for the use of his power.

Our argument, however, is that the mere fact of exchange cannot give something value, and this is so because a commodity must have value which makes it necessary or possible for someone to want to exchange it with something he has, which he feels is of the same value. Therefore, exchange value would cease as soon as exchange ceases.

To become a commodity, a product must be transferred to another, by means of an exchange for the purpose of making profit because it will serve as a use-value. This is so because nothing can have value, without being an object of utility gotten from labour. It the things is useless, so is the labour contained in it. The labour does not count as labour, and therefore creates no value.

It is because of the confusion associated with this, that Marx making reference to the physiocrats posits that, as we have seen, "the basis for the development of capitalist production is, in general, that labour power as the commodity belonging to the workers, confronts the conditions of labour as a commodity maintained in the form of capital and existing independently of workers. The determination of the value of labour –power, as a commodity is of vital importance'. 'Therefore the foundation of modern political economy, whose business is the analysis of capitalist production, is the conception of the value of labour-power as something fixed, as a given magnitude. 'The minimum of wages therefore correctly forms the pivotal point of physiocratic theory". Having seen that the production of commodity is the source of value, the next problematic is the search for what value is.

IV. What is Value?

There are varied perspectives on what constitutes value. For Mandel (1970) "the simple, abstract, total mass of living human labour expended at average intensity in the course of production determines the total mass of value newly made in society".

For Adam Smith (Marx, 1863:78), "it is the labour time necessary to produce different commodities that determines the proportion in which they exchange for another, or their exchange value" or as Malthus says, it is "the estimation in which a commodity is held, founded upon its cost to the purchaser or the sacrifice which he must make in order to acquire it, which sacrifice is measured by the quantity of labour that he gives in exchange for it, or what comes to the same thing, by the labour which it will command"

Form these definitions, we find a central thread running through: that of labour. The problem then is that they look at labour only in terms of how it is exchanged and not for what it is, for value is a representation, or expression, of labour, not necessarily that value is labour. Or as Mclellan (1976) would have us believe that "as soon as labour, in its direct form, has ceased to be the main source of wealth, then labour time ceases and must cease to be its standard of measurement and thus, exchange value must cease to be the measurement of use-value".

Marx further states that "quite correctly they "(the physiocrats)" lay down the fundamental principle that only that labour is productive which creates a surplus-value, in whose product therefore a higher value is contained than the sum of values consumed during the production of this product 'but the actual meaning of value does not appear to the physiocrats because' they have not yet reduced value in general to its simple substance- the quantity –the quantity of labour or labour –time and even when they do talk of labour, they erroneously regard, agricultural labour, as the only productive labour, saying it is only this kind of labour that produces surplus-value, and then, that rent is the only form of surplus-value which they recognize. This view is hinged on their reasoning that the worker does not consume all that he produces and also that industry does create value but only transforms that already created by agricultural labour.

If we are to follow the above argument how do we account for the quantity of labour expended in the transformation of value created by agricultural labour, by those working in the industry? We therefore reiterated that value is the representation or expression of labour. It is the socially necessary quantity of labour or labour time used in the production of a commodity and labour is its substance. The validity of this labour theory of value is based on

1. Analytical proof. Which is that extended far enough, everything is reducible to labour
2. Logical proof. That, the binding quality of commonness, comparability and interchangeability of all productions is their quality of being products of human labour- abstract or physical human labour
3. Proof by reduction to the absurd: to wit, no human labour, no production, no value, no exchange.

The law of value operating in the commodity economy through the mechanism of competition therefore fulfils three functions

i. it acts as a regulator in the distribution of labour power and means of production between the various branches of production,
ii. it leads to the development of capitalist relations, thereby sending small commodity producers to destruction and
iii. it acts as a motive force of technical progress.

Having known what value is and that labour is the common substance of all commodities let us look at the types of value.

a) Exchange Value

For there to be exchange value, there must of a necessity be division of labour. This is so because no two persons will exchange things, which are the same. It would be idiotic. The fact of division of labour makes it possible for people to be engaged in production for different products which because they have utility can be exchanged.

Exchange value therefore is the capacity of a commodity to be exchanged for another commodity. Such exchange is predicated on the sharing of

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commonness between the commodities, which allows for comparison. The basis of simple measurement of comparison is however, not in terms of weight, volume or form.

According to Marx ( ), "exchange value is the proportion in which values of one sort are-exchanged for those of another sort". This is referred to as commodity relations and it constantly changes with time and place. Thus the regular system of exchange give rise to the establishment of standard equivalents.'

From the above we can assert that exchanged value is accidental and purely relative. Relative in the sense that commodities exchanged must have commonness and also, have the capacity for exchange by having a valid exchange value which must be equal to that of the other commodity. Balley (1821:165) in this regard accuses Ricardo of converting exchange value from something relative to something relative to something absolute. The more generalized commodity production becomes 'therefore' the greater the regulation of labour and the more society becomes organized on the more society becomes organized on the basis of an accounting system founded on labour'. Exchange is therefore governed by equivalence in work hours.

Marx amply illustrated this with an historical record in India where a farmer supplies the blacksmith with raw materials to make farm implements and also tills the blacksmith's land for him during the period the blacksmith engages in forging the implements. This demonstrates that exchange is governed by equivalence in work hours. Also, Marx gives an illustration of how an ell of cloth 927-28 inches) would be exchanged for ten pound of buffer (on the basis of the approximate labour-time needed to produce a given quantity of cloth.

Exchange value is therefore only a mode of expression through which the values of commodities are made manifest. It 'reflects' the quantative relationship of exchange in which the value of a commodity appears (Dutt 1879:263).

V. Determinants of the Exchange Value of Commodities

Three factors basically determine the level of a commodity's exchange value, and they are (a) the fact of its being a commodity (b) its use-value (c) the amount of labour deposited in it

a) Commodity

It is simple fact that a product can not have exchange value except it is produced for exchange and not for immediate consumption or subsistence, in which it would not be brought for exchange.

b) Use-value

A commodity must be a use value, that is have utility before it can be exchanged because it is its usefulness and ability to satisfy wants or need that makes it desirable and facilitates.

c) Labour

The amount of labour deposited in a commodity is also a major determinant as to the level of that commodity's exchange value. The is the real value of the commodity.

Since the above hold true, exchange value becomes an objective bond set up between independent producers in order to equalize the various crafts in society based on division of labour and an economy.

In summary, exchange value can best be understood in relation to commodity production. Thus Marx in 'DA KAPITASL' (1887:)

Critically analyzed capitalism with special reference to commodities. He further disclosed when predicting the fall of capitalism, that the embryonic contradiction of capitalism lay hidden in the commodity and their exchange value =. Lenin, in support of Marx sees the exchange of commodities as the simplest, most ordinary, fundamental, most common and every day relation of bourgeois society. It would be pertinent to note that exchange before economics were monetized was not regulated and was by chance. Barter was the order of the day (that is direct exchange of products. However, owing to contradictions in the barter system, a commodity money, has become highly marketable and has gradually assumed the role of universal equivalent for any product or commodity.

Surplus Value: As long as the productivity of labour remains at a level where one man can produce only enough for his subsistence, social division does not take place and any social differentiation within society is impossible. Under these conditions, all men are producers and they are all on the same economic level. Any small increase in the productivity of labour beyond this low point makes a small surplus possible, and once there is a surplus of products, once man's two hands can produce more than is needed for his own subsistence, then the conditions have been set for a struggle over how this surplus will ne shared.

From this point, some of the labour output may now be used to release a section of society from having to work for its own subsistence. Whenever this situation arises, a section of society through its economic wherewithal can become the ruling class, whose outstanding characteristic is its emancipation from the need to produce for its own subsistence, by owing and controlling the means of production. The process of exploitation of workers is simple: the capitalist buys a commodity (probably raw-materials) needed for production and sells the products for a greater amount of money than he expended or makes the worker produce in excess of what is required for his subsistence. The money realized is the initial form of capital and capital invested has a self expanding tendency. The fundamental motive of the capitalist is the creation of surplus value sometime referred to as profit.

For instance, during the salve era, the slave had to produce for himself by working on a tiny plot of ground on Sundays and whatever is produced constitutes his food. On the other six days of the week, the salve works on the plantation and received in return, none of the products of his labour. This is the labour which creates social surplus product, surrendered as soon as it is produced. The work on Sunday is the necessary labour, while the work from the six other days constitutes surplus labour.

Social surplus products is that part of the proceeds of social production produced by the labouring class but which is appropriated and expropriated by the ruling class, regardless of the form the surplus product may assume, whether they be natural produce or commodities.

Surplus value, therefore, refers to the monetary form of the social surplus product which is appropriated from the worker, whether gratuitously or no, without compensation. It is the value created by the labour of a worker over and above the value of his labour power. It is therefore, unpaid labour. As such in the capitalist system, the degree of labour productivity is such that the cost of living of the worker are always less than quantity of the newly created value, that is, only a fraction of his day's labour is left for him. It this difference did not exist , of course, employers would not hire workers since such a purchase of labour would bring no profit.

According to Marx, surplus value is created or produced through absolute surplus value and relative surplus value. The absolute surplus value being the process where by the capitalist increase the working day or intensifies labour while the relative surplus value is the process by which the capitalist decreases the necessary labour time.

VI. A Critical Assessment

In reality, prices of all commodities (including labour) are continually changing. They rise and fall as the result of most varied circumstances which often bear no relation whatsoever to the production of the commodities themselves. As such prices (appear as a rule) to be determined by pure chance. Speculation which leads to hoarding, increase in energy which in itself increases the cost of moving goods form one market place to the other or even political decision usurping economic decisions are some of the random factors affecting the prices of a commodity. These illustrations tend to suggest that the value of a commodity may not be identical to its price because the market price often may be a gross exaggeration or concealment of the true cost of production even when the socially necessary labour had been used. It follows too that value may not be constant.

Besides, value is time dependent. If it is akin to utility, preferences change as utilities change hence value attached to commodities and the price one is willing to pay in exchange for the value of such commodity will change. Again and by implication, Marx's theory attributed the capitalist surplus (profit) to the uncompensated labour, the gratuitous labour which the wage worker gives involuntarily to the capitalist as the worker receives no value in exchange. Surplus or profit truly derive from the hidden uncompensated labour, but the impact of management in combining resources, in selecting production process and technologies and in deciding economist still need a law to explain the chance connotation that determine prices of commodities, and indeed to find a central point around which fluctuations and oscillations will have to stabilize.

However, Marx had set himself the task of providing a popular outline of the economic relations firing the materials basis for the class struggle in capitalist society. He has provided a theoretical weapon on the theory of surplus value. Left to be resolved is the identification and definition of what consists the costs of production of the labour –power of the worker. To the classical economist and their mode of production, this is the quantity of the means of subsistence (food et al) such as their prize in money term which on the average is necessary to make him capable of working and to replace him with a new worker after severance.

However, the value of labour or any commodity is ultimately fixed by supply and demand. Supply and demand are the forces that regulate the temporary fluctuation of marker prices. It explains why the market of a commodity rises or sinks below its value itself.

VII. Conclusion

Although Marx's doctrine of surplus value is the cornerstone of Marx's economic theory, yet the kernel of Marxist theory of value is that exchange value of a commodity is determined by the quantity of labour which is socially necessary to produce that commodity'. This is the basis for all Marxist economic theory in general while the theory of social surplus product and surplus labour constitute the basis of Marxist Sociology. It is the bridge connecting Marx's sociological and historical analysis, his theory of classes and the development of society generally to Marxist analysis of all commodity producing societies of a pre-capitalist and post-capitalist character.

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