



# Frontiers of Political Economy

Guglielmo  
Carchedi



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GUGLIELMO CARCHEDI



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**Verso**  
UK: 6 Meard Street, London W1V 3HR  
USA: 29 West 35th Street, New York, NY 10001-2291

Verso is the imprint of New Left Books

**British Library Cataloguing in Publication Data**  
A catalogue record for this book is available from the British Library

**Library of Congress Cataloging-in-Publication Data**  
A catalogue record for this book is available from the Library of Congress

ISBN 0-86091-346-5  
ISBN 0-86091-566-2 pbk

Typeset by BP Integraphics Ltd, Bath, Avon  
Printed in Great Britain by Biddles Ltd

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## Foreword

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There seems nowadays to be an inverse relationship between the degree of mathematical and statistical proficiency reached by our students of economics and their awareness that economic life is a specific form of social life. The reason for this situation is not difficult to find. Mainstream economics has been turned into a byzantine theoretical fabric based on fictional assumptions and obsessed with static equilibria. Dynamics is misconceived as the study of a logical (that is, mathematical) path between two sets of equations. Techniques have been emptied of their social dimension, as if they had been devised in a world devoid of social content. Empty mathematical formalism, as opposed to concern with the real (that is, social) nature of the economic system, has become the object of inquiry. In short, economics has been turned into a branch (a sort of poor cousin) of mathematics.

This work carries a different set of assumptions. Its thesis, in a nutshell, is that production, exchange and consumption, the object of economics, are historically specific social processes; and that the relations in which people engage when they produce, exchange and consume are historically specific social relations. Thus, economics is first and foremost a social science, a science which studies historically specific social phenomena. As such, it must be based on real assumptions (or abstractions of real world phenomena), must be concerned with real world problems, and must study the real (and contradictory) forces which change an inherently dynamic (because contradictory) situation into another one. This is the approach which must be pursued by political economy.

Political economy must reappropriate social reality. It cannot but, at the same time, squarely challenge orthodox economics and question its method of inquiry, the relevance of its problems and the usefulness of its results. This work is thus addressed to all those who, disappointed by conventional and formalistic economic theory, wish to turn to a more realistic and substantive approach.

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## FOREWORD

This reappropriation of social reality, however, is not free from challenges. To begin with, most contemporary political economists accept the "modern" method of inquiry and frame of reference of orthodox economics. They seem to be unaware that political economy must rely on the dialectical method of social inquiry, rather than on mathematics and statistics. These latter are important tools but should be only auxiliary devices to the former. It is only by adopting a dialectical perspective that insight into the complex and contradictory nature of contemporary economic reality can be gained: from the labour process to the production and commercialization of knowledge; from the production of value to its redistribution through the formation of prices; from the de-skilling of qualified labour to the destruction of value; from joint production to the production of means of destruction; from technological innovations to crises, inflation and stagflation; from comparative advantages to unequal exchange; from international prices to rates of exchange, devaluation and revaluation; from international competition to the current monetary crisis. This book, then, stresses that, in order to understand the economy, and thus society – or better said, in order to understand the economy as society – it is not necessary to have mathematical skills. To understand real social processes, one must understand and apply the dialectical method of social inquiry, independently of whether these processes can be analysed by using mathematical or statistical tools.

But the choice of a proper method of social inquiry is not sufficient. This method must be actually applied to analyse present-day social dynamics, the contemporary concrete features of social reality. Of these, three stand out particularly vividly. To begin with, an increasing proportion of economic agents is employed to generate the knowledge needed to produce material goods, rather than being directly engaged in their production. Second, under modern conditions, production and distribution are truly international, rather than being activities which cross the national borders only in the form of international trade. Third, in the contemporary economy, the basic units of economic activity are modern oligopolies, rather than free competition capitals. In spite of these macroscopic changes, political economy has been blind to the need to develop a theory of mental labour (and of the conditions under which mental labour is productive of value) and, on the whole, has scored very low in its efforts to extend value analysis both to the international level and to oligopolistic reality. Yet these are the themes which must delimit the new frontiers of political economy and which will allow us conceptually to recompose the seemingly unrelated pieces of the contemporary economic mosaic.

The following pages, then, represent an attempt to inquire into the dialectics of value, prices and exploitation in the contemporary world economy. They have been written to be accessible to students of social

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FOREWORD

sciences, including students of economics. They aim at forming economists as social scientists, rather than social engineers; as skilful analysts of social reality, rather than experts in the manipulation and application of mathematical and statistical techniques.

But an analysis of modern reality cannot disregard alternative analyses and contemporary debates. Thus, this work surveys the most important recent controversies in the field. The aim is twofold. First of all, debates often force the participants to sharpen their theoretical tools. Some of the results of these debates have certainly been beneficial to political economy and have been incorporated into this work. Second, the aim is to familiarize the reader with ongoing controversies which often, and quite unnecessarily, are couched in a jargon incomprehensible to “non-specialists”.

In making no concessions to the current mood in economic theory and in purposely avoiding the use of mathematics, I have been guided by two considerations. From the point of view of exposition, I want to encourage those readers who might be put off by mathematical and statistical tools. From the point of view of inquiry I want to avoid the danger that concern with casting reality in mathematical models and with the formal consistency of those models replaces the analysis of real economic life, of its changing forms and of its processes of reproduction and supersession. This book, then, relies on verbal exposition. But reliance on verbal, rather than on mathematical, exposition does not necessarily make the reading easier. The reader will have to apply himself or herself with as much dedication as if this book had been fully couched in mathematical formulae. But then, as we know, there is no royal road to science.

I should like to express my gratitude for useful comments to my students at the University of Amsterdam. The following colleagues were kind enough to discuss parts of my manuscript at various stages (in alphabetical order): Chris Arthur, Bruno Carchedi, Trevor Evans, Alan Freeman, Paolo Giussani, Werner de Haan, David Laibman, Paul Mattick Jr., Fred Moseley, Gianfranco Pala, Roald Ramer and Geert Reuten. I also benefited from discussions with staff members of the University of Havana in March–April 1989 and in November–December 1991, and with staff members of the University of Poznan in November 1989. Needless to say, responsibility for the final result is mine alone.

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## A Few Words on Method

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### 1.1 An Example

This work is built upon the dialectical method of research. The first question, then, which must be addressed is: what is dialectics? As a first step towards an unambiguous answer we can say that dialectics is a specific way to look at, and make sense out of, reality. If this is so, the question becomes: How do we see reality when we think dialectically? Since, in what follows, the focus will be on the notion of dialectics to be found in Marx,<sup>1</sup> our initial question (What is dialectics?) becomes: How do we see reality when we think in terms of Marxian dialectics?<sup>2</sup>

Consider, to begin with, an example. Suppose a car maker plans the production of a new model and thus has to fix the price at which that car will be sold. From the point of view of the capitalist, the fixing of the price depends on a large number of factors which basically can be reduced to two orders of consideration. First, the capitalist must make a realistic estimate of how much it would cost to produce that particular type of car. Second, the capitalist must make a realistic estimate of how many cars of that particular type can be sold at a certain price. This price must be higher than that car's cost of production. The difference is the capitalist's estimated future profit. If this latter is considered to be sufficient, the production of that car will get the green light.

This is how the capitalist perceives reality. However, in reality that price is determined by a social process rather than by these computations. Consider first the fixing of the cost of production of that car. Given certain qualities of the product aimed at, the capitalist has a choice of inputs and possibly of techniques. As far as techniques are concerned, the capitalist will choose those techniques which will minimize his or her costs. For example, s/he can choose between three levels of factory automation: Computer Integrated Manufacturing (CIM), Flexible Manu-

facturing Systems (FMS) and Cell Manufacturing (CM).<sup>3</sup>

But all other capitalists will reason likewise. Thus, if the pace of technological innovation is relatively slow or if the number of producers of a certain commodity is relatively great (free competition), at any given moment the bulk of the products will be made by using the same technique, that which minimizes costs (or maximizes productivity). This is then the average in the sense of modal technique. The modal productivity in that branch is then that of the modal technique. If technological change is relatively rapid or if the number of producers of a certain commodity is relatively small (oligopolistic competition), there might be no modal technique, only an average in the sense of mean.

This implies that at any given time some capitalists will have already introduced new and more efficient techniques than the average (either the mode or the mean) and other capitalists will have been left behind in the technological race. For example, at the moment, CIM seems not to be suitable for the majority of enterprises. The issue is whether FMS or CM will become the modal, or commonly used technique (Garnett, 1988). A similar reasoning applies to inputs, given that the choice of a technique implies the choice of the inputs to be used.

These deviations from the average (either the mode or the mean) only prove the existence of the average, that is, that the choice of both techniques and inputs is socially determined. Hypothetically, the capitalist might want to use extravagant and costly production techniques or inputs. The market, however, will be quick to point out this mistake. It will either choose the competitors' products, thus paying a price which only covers the average costs, or it will offer to pay only that much for that capitalist's cars.

But the social determination of price fixing does not stop here. The capitalist invests in car production only if there are no opportunities to make higher profits in other branches. If the capitalists are free to move to (invest in) other branches, this capital movement between branches will tendentially equalize the rates of profit in all branches. The price realized by the average productivity capitalists, then, tendentially incorporates the average rate of profit in that economy. This means that those capitalists who have used better techniques or cheaper inputs tendentially make higher than average profits and those capitalists who have used more expensive inputs or less efficient techniques tendentially make less than average profits.

Therefore, the price the consumers are willing to pay for that product does not necessarily coincide with the price the capitalist had hoped to realize. Nor does it necessarily coincide with the *individual value* of that commodity, which is the value of the inputs used plus the extra value actually produced during the production of that commodity (and which

is not known to the capitalist). The price society is willing to pay is the *social value* of that commodity. The individual value and the social value of a commodity do not necessarily coincide.

This means that the price of that car has a double aspect. On the one hand, it is an individual value and as such it is determined by the specific conditions of that particular production process. On the other hand it is a social value, the price society is willing to pay. The social value is the modification of the individual value.

We can now see what the relation is between individual and social values. Since commodities must be sold in order to realize their value, their individual values can realize themselves only as social values, as modified individual values. Or, individual values are only potentially social values, which realize themselves as actual social values. They do that at the moment of sale, that is, through exchange; or, the instant they realize themselves, they modify each other.

This example contains all the elements we need to understand dialectically the process of price formation. First, the individual value of commodities is determined by the structure of the production processes (in short, the structure of production). This structure determines the value of the inputs at the beginning of the production process and the extra value produced during the production process. Second, given that what is produced must be sold and that therefore the price society is willing to pay can be different from the individual values of the commodities, these individual values can realize themselves only as social values by influencing and modifying each other. Third, both individual and social values are part of reality (in this case, price formation); or, reality is not only what has realized itself (prices, or social values), it is also what exists only potentially (individual values).

## 1.2 Some Basic Concepts

It is now possible to provide a sketch of the method to be employed in this work. I shall single out only those features which are strictly necessary for the following chapters.

Let us begin with the notion of the *dialectical view of social reality*. This is a view that stresses:

1. that social reality is formed by both actually realized and potentially existing social phenomena;
2. that both categories of phenomena are tied by a relation of mutual interdependence, or *determination in the last instance*. This means that some realized social phenomena are determinant and others are deter-

mined in the sense that some potential social phenomena have realized themselves as conditions of either reproduction (in the same or in a modified form) or of supersession (radical change) of the determinant phenomena; in symbols,

$$A \Rightarrow B$$

indicates the determination in the last instance of B by A, that is, that B is a condition either of reproduction or of supersession of A;

3. that it is through their mutual interaction that the realized instances (both determinant and determined) take on (and thus modify) their concrete features;

4. that all social phenomena are constantly subjected to movement, that is, not only to change from a realized form to another realized form (as has just been said) but also to change from a potential to a realized state and vice versa, and from being a condition of reproduction to being a condition of supersession (and vice versa) of the phenomena which have determined them.

This view thus stresses the dynamic nature of reality (in our case, social reality), that is, its being in constant movement. This movement, however, is not chaotic. Rather, it is a *tendential movement*, a movement regulated by tendencies and counter-tendencies. The tendencies are primary in the sense that they are the state towards which the counter-tendencies gravitate and the counter-tendencies are secondary in the sense that they are deviations from the tendency.

I distinguish between two major types of tendency. Given the present movement of reality, its future tendential state, or *future tendency*, is the hypothetical situation of what reality would be like at some point in the future if only the tendency were operative. Given the same present movement of reality, the *present tendency* is the hypothetical situation of what reality would be like now, again if only the tendency were operative.

This work will make ample use of the distinction between three types of present tendencies and counter-tendencies. I shall call a *tendency of the first type* a movement towards a point or an area in which most realized phenomena are clustered. The counter-tendency is given by those phenomena which are not found in that point or area but which gravitate towards it. For example, within a nation, the wages of a certain category of labourers tend towards a certain level because most of them are actually paid that level. But there are also labourers paid more or less than that tendential level because of specific, but transitional, circumstances. Both the tendency and the counter-tendencies are realized at the same time.



By a *tendency of the second type* I mean a cyclical movement showing the alternate realization of first the tendency and then the counter-tendency. When the tendency realizes itself, the counter-tendency is present only in a potential state. The movement of the rate of profit is a case in point. When this rate falls, it is the tendency which predominates and which thus realizes itself; when this rate rises, it is the counter-tendency which predominates and which realizes itself.

Finally, in a *tendency of the third type* the tendency does not realize itself at all: only the counter-tendency does. Or, only the movement around the tendency (and not the tendency itself) is observable. This is the case of the formation of a tendentially equalized rate of profit. Only the fluctuations of the different capitalists' rate of profit around a mean are observable.<sup>4</sup>

To conclude, I shall state the *general methodological principle* which will inform the analysis of economic phenomena in terms of dialectical analysis: only those concepts and procedures which either reflect, or facilitate the observation of, *real* processes, that is, processes in concrete reality, will be relevant. Alternative, and often conflicting, concepts and procedures will be either accepted or rejected on the basis of this principle. The real process forming the foundation of economic life is the production process. Thus it is from an analysis of this process that economic theory must start.

This chapter has dealt only with those aspects of method which are strictly necessary to understand the following pages. It is, however, utterly insufficient to grasp the dialectical method of social research. The reader interested in a brief, but adequate for the purposes of this volume, exposition of that method is referred to the Appendix at the end of this volume. For a more detailed treatment, the reader can consult Carchedi, 1987a.

## Notes

1. Dialectical thinking is present both in Western and in Eastern philosophies. For a useful discussion of dialectics in the Western tradition, see Oiserman, 1979.

2. Actually, Marx never wrote a treatise on dialectics. That notion is only implicitly contained in his works. Thus, any reconstruction of the Marxian notion of dialectics is inevitably also an interpretation of it. This holds for Engels's *Anti-Dühring* (1970) and *The Dialectics of Nature* (1976), the first treatises on dialectics. This holds also for the interpretation submitted here. In this interpretation, dialectics is a (socially determined) way to see, or to interpret, reality. For Engels, on the other hand, dialectics is inherent in nature and dialectical thinking is a *reflection* in thought of the dialectics of nature. It should be stressed that, contrary to the purely philosophical notions of dialectics, the interpretation submitted in this work is meant to be a tool of social research and social action. Thus, it should be evaluated in these terms.

3. CIM

is a total system. This involves customer orders arriving electronically and an integrated-

computer system running the production operation from start of assembly to final dispatch.

FMS involves the computer-linking of several production or assembly machines, usually with an automated handling system.

The simplest form of automation is known as cell manufacturing. Each cell is made up of one or two cutting machines connected to a robot or simple handling equipment. The cells are programmed by computer but operate separately from everything else in the factory. (Garnett, 1988).

4. All these three types of tendency hold the principle that the choice of some element of reality as the tendency rather than as the counter-tendency reflects our conception of reality. This choice is itself a hypothesis whose validity must be checked through a process of verification. See Carchedi, 1987a; Appendix to ch. 3.



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## Production as a Social Process

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### 2.1 Marx's Analysis of the Production Process

Economics is the science of production, exchange and consumption. But something has to be produced before it can be exchanged and consumed. It is for this reason that the analysis of the production process occupies a pivotal position in Marx's economic theory.

#### 2.1.1 *The capitalist production process*

In order to reproduce themselves, people must transform objects with a certain use into different objects with a different use. In other words, they must transform existing use values into new use values. Thus, a *use value* is anything which satisfies needs and is given by both the particular characteristics (physical, chemical, etc.) of the commodity being exchanged and by the needs of those who exchange the commodity, "whether they spring from the stomach or from fancy" (Marx, 1967a, p.35). The transformation of use values is the *labour process*, which is the basis of all societies. This process can be represented as follows

$$\text{LPr} = \text{U} \rightarrow \text{U}^*$$

where LPr stands for labour process, U for a use value, U\* for a different use value and where  $\rightarrow$  symbolizes the transformation of U into U\*. The transformation of iron, plastic, rubber, etc. into a car is a clear example of the production of a new use value.

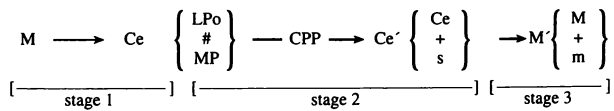
The labour process takes on special features according to the specific nature of each society. Under capitalism, products are produced only inasmuch as they are a source of profit. Or, the capitalist production process is first of all production for and of profit.<sup>1</sup> Thus the capitalist

production process has a double nature. On the one hand it is a labour process, a transformation of use values; on the other hand it is production of profit, of surplus value, and thus it is a *surplus value producing process*.

Production of profit means that the capitalists do not invest their money (capital) in order to produce for their own consumption nor simply to provide consumers with useful things (use values). What is produced by their labourers must be converted into money, sold on the market. The capitalist is thus interested in the product's use value only inasmuch as that use value can be sold, exchanged on the market first for money and then for other commodities. In other words, the capitalist is interested in the product's use value only inasmuch as it has (is) an *exchange value*. The exchange value is thus the quantity of other commodities for which a certain quantity of that commodity is exchanged.

In its turn, exchange value is important for the capitalists only inasmuch as they can realize a profit. It follows that (a) a product must have both a use value and an exchange value and (b) that exchange value, when converted into money, must be greater than the quantity of money initially invested by the capitalist at the beginning of the production process. Figure 2.1 summarizes this process.

Figure 2.1 The capitalist production process as a whole



In stage 1 the capitalist advances money (M) in order to buy commodities, here considered only as exchange values (C indicates commodity and Ce indicates the exchange value of a commodity). This is a transformation (symbolized by →) of money into commodities. The commodities bought are of two types: labour power (LPo) and means of production (MP). Consider first labour power. Under capitalism, use values are produced by labourers (those who transform use values) with means of production which do not belong to them. Since they do not own the means of production, they have to sell their capacity to labour, or *labour power*, to the owners of the means of production, the capitalists. Consequently, their labour power is bought and sold on the labour market, that is, it is a commodity. The *means of production* include both the objects of

labour (that which has to be transformed) and the instruments of labour (the means with which to operate the transformation).

Stage 1 is a *formal transformation* since there is no transformation of use values: the use value of the means of production is not changed through their purchase.

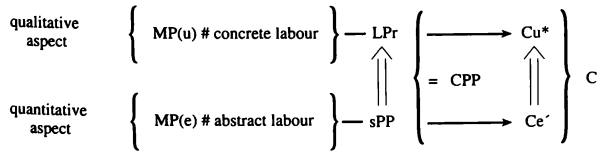
In stage 2, the capitalist combines both means of production and labour power into the production process proper (the combination being indicated by #). This is a *real transformation*, a transformation of use values. In fact, at the end of this process, the use value of the product is different from the use value of the means of production (this is not shown in this figure). Also the product, or commodity, has an exchange value greater than the exchange value of both the means of production and labour power: it is equal to the initial value,  $C_e$ , plus an extra value,  $s$ ; or,  $C_e' = C_e + s$ .

In stage 3 the capitalists sell this product, realize the product's exchange value, and receive a quantity of money ( $M'$ ) which is equal to the initial one ( $M$ ) plus an extra  $m$ .  $M$  is the monetary form of the value initially advanced,  $m$  is the monetary form of surplus value. This too is a formal transformation, given that the use value of the product is not changed through sale.

The question now is: In which of the three stages of the capitalist production process as a whole is surplus value ( $s$ , in Figure 2.1) created? It cannot be either stage 1 or stage 3, that is, it cannot be purchase and sale. In fact, if equal values are exchanged, no value is created. If different values are exchanged, the more value that is obtained by the seller, the less is left to the buyer, and vice versa. Or, stages 1 and 3 can account for the redistribution of value, not for the creation of new value. Thus surplus value must come from stage 2, the production process proper. This process is summarized in Figure 2.2.

Let us explain Figure 2.2. The capitalist buys both the means of produc-

**Figure 2.2** The capitalist production process proper



tion and the labourers' labour power. The capitalist then combines these two elements of the production process (this is symbolized by #) by setting the labourers to work. The labour power, or the potential capacity to labour, is transformed into *labour*, the actual expenditure of human energy.

Labour is always of a specific type. To begin with, it is *concrete* (in the sense of specific) labour. It is its action on the means of production which creates the specific aspects of a commodity, its use value. The labour of a carpenter is different from that of a cobbler and this is why they produce different use values, and thus different commodities. Here, the means of production are considered as having specific qualities, as specific necessary additions to labour, in short as use values. This is symbolized as MP(u). The combination of the means of production as use values and concrete labour is the labour process (LPr), the qualitative aspect of the production process. The labour process creates the new, *different*, use value, or the commodity as new use value (Cu\*).

But commodities must be exchanged on the market, that is, they must be equalized in order to be comparable. For this to happen, their specific features must be disregarded and only their quantitative aspect must be taken into consideration. That which makes exchange possible cannot therefore be the action of concrete labour, since concrete labour is what differentiates commodities. What makes exchange possible is the action of labour in general, of the expenditure of human energy in the abstract; in short of abstract labour. *Abstract* labour is thus the expenditure of human energy disregarding its specific characteristics. Seen from this angle, (abstract) labour is applied to the means of production seen not as specific instruments and objects of labour, but as exchange values, as depositories of exchange value, or MP(e). The combination of abstract labour and of the means of production thus considered is the surplus value producing process (sPP) which is the production process seen in its quantitative aspect. This process creates the new, *greater*, exchange value of a commodity (Ce').

Which of the two aspects of production is more important? For the capitalist, the use value of commodities is important only inasmuch as they have an exchange value, that is, if they can be sold so that their surplus value can be realized. Or, the use value of a commodity is determined by, is a condition of existence of, that commodity's exchange value. As in chapter 1, this relation is symbolized by =>. Thus, a *commodity* can be defined as

$$C = Ce' \Rightarrow Cu^*$$

and, for the same reason, the capitalist production process (CPP) can

be succinctly depicted as

$$CPP = sPP \Rightarrow LPr$$

where sPP is the surplus value producing process and LPr is the labour process.

### 2.1.2 *The origin of surplus value*

Let us now consider the question as to how surplus value is created. In the process of production, labour acts upon the means of production. As abstract labour it creates exchange value. Thus each moment of abstract labour is at the same time creation of new value. As concrete labour it transforms the use value of the means of production. The concrete aspects of the means of production disappear only to re-emerge as a new use value, that of the product. At the same time, through concrete labour, the means of production are consumed, that is, their exchange value diminishes as the process is carried out. This exchange value, however, does not vanish. It re-emerges as the exchange value of the product. Thus, each moment of concrete labour is at the same time both a transformation of use values and a transfer of exchange value (the exchange value of the means of production) to the product. Or, as far as the formation of the exchange value of the product is concerned, each moment of labour is both the transfer of value of the means of production through concrete labour and the creation of new value through abstract labour.

But capitalists invest in labour power and means of production in order to get a greater exchange value when the product is sold. If the process of production stopped at the point where the new value created is equal to the exchange value of labour power, there would be no surplus value and thus no profit. Given that the value of the means of production has been transferred to the product, the product would have the same value as the value originally advanced. As seen above, sale of the product at a higher value would not explain the creation of surplus value, it would only explain the redistribution of already existing value. The question then is: How can we explain the creation of surplus value if we assume that products are exchanged at their value?

The answer requires that we elucidate two concepts we have not dealt with yet. The first is the *exchange value of labour power*. This is given, similarly to all other commodities, by the labour socially necessary to produce it. In this particular case, this is the labour socially necessary to produce what the average labourers and their families need to reproduce themselves. This is the socially, not biologically, determined subsistence minimum.<sup>2</sup>

But labour power has also a use value. If the capitalist must make

a profit, s/he must force the labourers to labour for a time longer than the time necessary for the reproduction of their labour power; or, the capitalist must force the labourers to work beyond the point at which they have created a value equal to that of their labour power. Every moment of labour after that point creates new value which can be appropriated by the capitalist.

Thus, the *use value of labour power* is its ability to create more exchange value than its own exchange value. This difference is called *surplus value* (which, for the purposes of this chapter, can be equated with profit) and is the exchange value appropriated by the capitalists. *Exploitation* is the production by the labourers of value which is appropriated by the capitalists. Under capitalism the labourers cannot produce “useful” things and thus the means for their own subsistence without being, at the same time, exploited by the capitalists.

It should be stressed that exploitation has nothing to do with paying the labourers less than the value of their labour power. The assumption, on the contrary, is that the full exchange value of labour power is paid. Rather, exploitation derives from the fact that labour power can produce more exchange value than its own exchange value. However, exploitation is hidden by the fact that the wages and salaries the labourers receive for their labour power are sufficient to sustain them for the entire working day. This creates the illusion that wages and salaries are the payment for the labour provided during the entire working day.

There is another important, and related, aspect which must be mentioned. The exchange value produced by the labourers is not the same for all labourers. Other things being equal, skilled labourers produce more value than unskilled labourers. As Marx puts it, skilled labour power “being of higher value, its consumption is labour of a higher class, labour that creates in equal times proportionally higher values than unskilled labour does” (Marx, 1967a, p. 197). To see this, consider again the production process. The expenditure of labour power, when considered as concrete labour, transforms the use value of the means of production and thus transfers their exchange value to that of the product. Only what already exists can be transferred, nothing more and nothing less. This exchange value is thus constant, it does not vary in the course of the production process.

Things are different when the expenditure of labour power is considered as abstract labour. It then creates new value, and thus it can create more value than its own value. Thus the exchange value of labour power is not transferred to the product (if this were the case only the value of labour power could be transferred, as is the case for the means of production) but is produced anew together with more value (surplus value) than its own value.



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