

## Joan Robinson and the Labour Theory of Value

The 'metaphysical' nature of value theory is an issue that has been discussed recurringly in Joan Robinson's writings. In these writings one finds a consistent and profound ambiguity. Her most strikingly negative statements about the labour theory of value were written in *An Essay on Marxian Economics*:

The awkwardness of reckoning in terms of *value* . . . accounts for much of the obscurity of Marx's exposition, and none of the important ideas which he expresses in terms of the concept of *value* cannot be better expressed without it (Robinson, 1966, p. 20).

...[N]o point of substance in Marx's argument depends upon the labor theory of value. Voltaire remarked that it is possible to kill a flock of sheep by witchcraft if you give them plenty of arsenic at the same time ... Marx's penetrating insight and bitter hatred of oppression supply the arsenic, while the labour theory of value provides the incantations (Robinson, 1966, p. 22).

Similarly in *Economic Philosophy*, Robinson wrote:

One of the great metaphysical ideas in economics is expressed by the word 'value' ... It does not mean market prices, which vary from time to time under the influence of casual accidents; nor is it just an historical average of actual prices. Indeed, it is not simply a price; it is something which will explain how prices come to be what they are. What is it? Where shall we find it? Like all metaphysical concepts, when you try to pin it down it turns out to be just a word (Robinson, 1962, p. 26).

At the risk of needless repetition the full impact of Robinson's view must be starkly and unequivocally highlighted: Marx's argument for the labour theory of value (in *Capital*, Vol. I) was 'a purely dogmatic statement' which never was 'intended to be an original contribution to science. It was simply an orthodox dogma' (Robinson, 1962, pp. 36-37). Moreover, when Marx attempted to explain exploitation on the basis of value theory 'the whole argument appears to be metaphysical.... Logically it is a mere rigmarole of words ...' (*ibid.*, p. 37). And finally, 'a metaphysical belief, as in the law of value, cannot be wrong and this is the sign that there is nothing to be learned from it' (*ibid.*, p. 39).

Marx regarded (and most of his contemporary disciples regard) the labour theory of value as the heart of his intellectual system. Therefore it is not surprising that many Marxists, though recognising both the greatness of Robinson's intellectual achievements and the undoubted emotional, moral and ideological sympathy she has had for many of the ideas as well as some of the political institutions of contemporary Marxism, consider Robinson to be fundamentally a critic. Roman Rosdolsky, for example, believes that Robinson is a 'striking example' of a 'gulf' between the academic and Marxist schools of political economy, a gulf that has 'grown so large that the adherents of one school can scarcely understand the language of the other' (Rosdolsky, 1977, p. 530). He concludes his discussion of Robinson's critique of Marx by asserting that 'she might, perhaps, understand what Marx said literally, but never "what he really meant"' (*ibid.*).

But despite the devastatingly negative implications of Robinson's dismissal of the labour theory of value, she shows decidedly mixed feelings on the matter. She writes that 'the concept of value seems to me to be a remarkable example of how a metaphysical notion *can inspire* original thought, though in itself it is quite devoid of operational meaning' (Robinson, 1966, p. xi). The labour theory, it would seem, while utterly devoid of any real meaning 'rigmarole of words' from which 'there is nothing to be learned') is some-how the source of important theoretical insights.

Indeed, she argues that ‘metaphysical propositions ... provide a quarry from which hypotheses can be drawn’ and are ‘necessary’ to science (Robinson, 1962, p. 3).

Clearly there is a profound ambiguity in her attitude toward the labour theory of value. This ambiguity probably accounts for the divergent attitudes toward Robinson’s writings that one finds in the Marxist literature. One finds her referred to as both an antagonistic critic and an ally. As a self-professed Marxist, it is my view that she is much more of an ally than an antagonist. Indeed, in this paper I shall argue that

- (1) Robinson’s argument that Marx treats the labour theory of value as definitionally true is a correct argument and
- (2) that her suggestions that it is an important ‘source’ or ‘inspiration’ of scientific in-sight is fundamentally sound even though she never adequately explains how an empty ‘rigmarole of words’ from which ‘nothing ... [can] be learned’ can be such a source.

The difficulty, I submit, is her apparent reliance on the positivist notion that all definitions are either (a) lexical or (b) stipulative and that in neither event can we learn more from them than (a) how words are generally used or (b) how a specific person is using a word. It is not my intention in this paper to enter into epistemological debates but merely to note that the rationalist tradition in science (in contrast to the empiricist or positivist position) is built on the belief that whether a definition is lexical or stipulative it may, in either case, be true or false.

This claim for the truth or falsity of definitions reflects the rationalist’s distinction between the qualities of the ‘thing’ that are ‘essential’ to its being the kind of thing it is and the qualities that are accidental and could have been otherwise without altering the kind of thing it is. If a definition includes all of the essential qualities or features of a thing it is a true definition. If it omits some essential qualities or includes some accidental qualities it is (to some degree) untrue. An important part of science, in this tradition, is the working out of all of the implications of true definitions.

Without defending this rationalist approach to science, I would like to argue that both neoclassical and Marxist value theories are based on propositions that are, implicitly or explicitly, assumed to be *true by definition*. (I have argued this at length elsewhere: Hunt, 1977, pp. 11-25.) Indeed, Robinson has treated this as a serious flaw in each of these theories. I shall argue that this is not a flaw at all, but simply not a legitimate criterion, by itself, for accepting or rejecting either theory. As will become obvious in my argument, I believe that there are good grounds on which to choose between these theories and I think the labour theory is superior to the utility theory. I shall end the paper by indicating very briefly why I believe that the ideas of Keynes and Sraffa must be assimilated into either the labour theory of value or the utility theory of value or face historical extinction.

Since the time of Adam Smith (if not earlier), economists’ interest in prices have taken two very separate (even though not entirely unrelated) forms. First is the interest in describing and understanding the actual, immediate process of price formation in which prices come to assume their general, habitual, customary or normal magnitudes. Second is the interest in understanding the social and moral meaning or importance of prices, i.e., in understanding the role of prices in human development, in social, economic and political processes and, most generally, in the quest for a well-ordered good life for the individual and/or for the society.

In the actual writings of nearly all significant economic theorists these two concerns have not been separated—and it is my opinion that they are not completely and entirely separable. Nevertheless, I believe that we can increase our understanding of economic theory by separating mentally the two concerns. The concern with the process of price formation or the quantitative determination of actual price levels I shall call price theory. The concern with the social nature of

prices I shall call value theory. (Given the relevant texts in the history of economic doctrines this particular labelling of the two concerns is definitely not arbitrary. With more space I believe I could show that the labeling has definite historical as well as analytical justification.)

When this distinction is made, it is most interesting to note that the two most important intellectual traditions in economics—the neoclassical and the Marxian—yield (at least at a sufficiently high level of generalisation) nearly identical price theories despite their profoundly different value theories. Both traditions see capitalist entrepreneurs as the setters of prices. Both see these entrepreneurs as generally endeavouring to maximise profits. Both see market competition as the most significant constraint within which the entrepreneurs' profit-maximising, price setting decisions are made. Although the neoclassical conceptions of 'pure' or 'perfect' competition differ from the conception of competition in the writings of the classical economists and Marx, competition need be neither 'pure' nor 'perfect' to get the result required by neoclassical price theory (the purity and perfection are needed only for their formulation of welfare economics, about which more will be said later). For the price theory of the neoclassical, classical and Marxian schools alike there must in general be enough competition so that the presence of prolonged, abnormally high profit rates will attract new competitors and thus tend to push all (or nearly all, since monopoly is treated as a special case in these approaches) profit rates toward the social average.

Thus, both schools see the process of price formulation as one in which the profit-maximising entrepreneur sums his costs of production and then—in equilibrium at least—adds the socially average rate of profit to these costs to arrive at the price. Any industry that is able to maintain barriers that prevent competition from pushing that industry's rate of profit toward the social average is treated as an exception to this 'normal' or usual process and is analysed on a separate or *ad hoc* basis.

This conception of price formulation is what I believe should be called price theory as distinguished from value theory. Using this terminology, the 'price theory' just described can be said to come close to being one of the very few genuine 'principles of economics' common to nearly all schools of theory. The theories of value of the various schools, however, differ markedly. In order to assess the significance of these differences I shall first discuss the general relation of value theory to price theory and then examine briefly the neoclassical utility theory of value and the Marxian labour theory of value.

In price theory, as I have defined it above, it is clear that because of the fact that the outputs of most industries serve as inputs to other industries—and all non-labour inputs in any given industry are outputs of other industries—the cost of production of any commodity (and hence its price) depends on the prices of other commodities. Therefore, price theory leaves us with a set of unknowns (prices) and a set of general functional relations between each price and all other prices. Clearly, by itself price theory is incomplete. In order to break the circularity in which each price simply depends on other prices we must have what Maurice Dobb has called a 'value constant' (Dobb, 1940, pp. 1-17). In purely analytical terms, a value constant is some principle or set of principles the knowledge of which enables the theorist to give specific and unique content to the general functional relation between each price and the other prices of the system. With the addition of this value constant price theory yields a specific set of equations the mathematical solution of which yields prices.

The set of principles from which we derive the value constant is a theory of value. Obviously price theory is analytically incomplete without a value theory and this, in part at least, explains why the two are generally held to be synonymous. The rationale for distinguishing between price and value theory comes from the fact that in addition to providing the value constant that renders price theory analytically complete, value theory plays another extremely important role in

economic theory. It anchors price theory securely onto the intellectual foundation that Joseph Schumpeter labelled the theory's 'preanalytical vision'. It is this 'vision' that ultimately dictates our conception of what sort of entity prices are and hence our conception of the social and moral significance of the market allocation of resources. It is this vitally important role of value theory that accounts for the frequently polemical nature of debates on value theory.

Every economic theorist (indeed every theorist) begins theorising on the basis of an elaborate set of views (which may or may not have been consciously examined) about the ultimate nature of reality. These views include, of course, what philosophers label as principles of ontology or metaphysics. But they also include considerably more. What Aristotelian metaphysics is to physics, the Schumpeterian preanalytical vision is to social theory. It contains the theory's most fundamental conceptions of the nature of human beings and the nature of human society.

Neither metaphysics nor preanalytical visions are amenable to empirical or logical proof or disproof. If they were amenable to proof or disproof they would not be metaphysics or preanalytical visions but rather ordinary physics and social theory. This, of course; accounts for the desire of logical positivists in the 1930s to purge philosophy and science of all metaphysics, and contemptuously to label the elements of the preanalytical vision as either metaphysics, moral philosophy, or meaningless phrases. There is, however, a growing number of philosophers who hold that the logical positivists' quest was inherently impossible to carry out because all theorising absolutely requires first principles that are not amenable to empirical or logical proof or disproof. It is all such first principles of a social theory that I refer to as the preanalytical vision of the theory.

Because preanalytical visions are amenable to neither empirical nor logical disproof, Schumpeter explicitly chose to ignore them in his *History of Economic Analysis*—his assumption being that we have no intelligent means for a normative choice among competing preanalytical visions. I think that this assumption is wrong. Different preanalytical visions predispose us to focus on different social and economic problems and lead to entirely different attitudes toward our social setting and our actions within that setting. Thus, they have enormously important practical consequences in human social action and interaction. Therefore, I would propose that while empirical evidence and logical arguments ought to be important in our normative evaluation of competing propositions in the realm of economic theory proper, the relevant criteria for choosing among competing preanalytical visions are practical and ethical. And since the propositions of analytical economic theory are generally tied to one or another preanalytical vision by a theory of value, a normative assessment of rival theories of value becomes extraordinarily difficult because it must perforce be based upon not only logical and empirical criteria but practical and ethical criteria as well.

I shall argue that the acceptance of one or another preanalytical vision has definite and important ethical implications. This, I believe, can be clearly demonstrated. What is much more difficult to demonstrate, however, but is nevertheless assumed throughout the paper, is that there are good intellectual and ethical reasons for choosing one vision rather than another. Since one's theories of ethics and epistemology derive in part from one's preanalytical vision, one cannot use ordinary ethical, empirical or logical proofs to establish the superiority of one preanalytical vision over another. It does not follow, however, that the choice is ethically or intellectually arbitrary. I believe that there are good reasons for choosing between the different preanalytical visions, and very powerful arguments have been made for this general proposition (see, e.g., Putnam, 1981).

In the remainder of this paper I assume the validity of these arguments and also assume that the differing ethical implications of these two preanalytical visions are not unrelated to the ethical and rational choice between the two visions.

Having stated the general principles of my argument, I shall now examine briefly the neoclassical and Marxian theories of value within the general context of the preceding discussion.

The neoclassical preanalytical conception of a human being is that of a single-minded seeker of a maximum of pleasure (or utility, or position on a preference ordering, or whatever other euphemism is used). The specific nature of the individual likes and dislikes (i.e., his utility function or preference map) is taken as given without any regard whatsoever for the social processes and institutions within which the likes and dislikes were formed. The individual's actions take place in an environment that again is taken as given and not generally investigated. This environment is conceived as an elaborate set of constraints within the confines of which the individual must conduct his perpetual, Sisyphean quest for the attainment of an endless succession of constrained optima. The individual begins each 'period' with an endowment that yields him relatively little utility. He gives up parts or all of this endowment in a series of exchanges that bring him temporarily to a constrained optimum. The 'optimum' is very brief, however, since the same process continues to recur endlessly.

One might imagine that I have described only 'consumption theory' and not 'production theory.' This is not the case. The more perceptive undergraduate economics student soon notices that there is a striking analytical symmetry between 'consumption theory' and 'production theory' in neoclassical economics. In fact, in the words of a leading neoclassical text, the individual begins with an 'initial endowment', that is, 'a combination of goods that provides a starting point for optimising choice' (Hirschleifer, 1970, p. 2). The individual then exchanges with other isolated exchangers or he produces. But the analytical symmetry between utility functions and production functions is by no means accidental. The same text concludes that all economic theory is exchange theory because 'consumption theory' deals with exchange among individuals while 'production theory' reduces to the fact that 'production is "exchange" with nature' (*ibid.*, p. 12).

In fact, the preanalytical vision of neoclassical economics is so extremely individualistic that the only way in which human sociality appears at all is in the individual's need for other entities with whom to exchange. The theory applies different labels according to whether these entities are human or non-human. But a rose is a rose, and the asocial nature of the theory is strikingly clear when one sees that it does not matter either analytically or substantially whether these entities are human or not. The isolated Robinson Crusoe is, in this theory, absolutely no different than the participant in a social process. Indeed, differing social or cultural contexts make no difference whatsoever. Another widely used neoclassical text asserts that this theory is 'applicable to all economic systems and countries' (Alchian and Allen, 1964, p. 5).

This then is the core of the value theory that emerges from the utility theorists' pre-analytical vision of human beings. While many Marxists would argue that neoclassical economics is not concerned with a capitalist economy at all, but, rather with a competitive barter economy, this is beside the point. The theory is the basis of conclusions that neo-classical economists believe apply to a capitalist economy. It furnishes the context within which they see entrepreneurs as setting prices by summing costs and adding the socially average return on their capital. Clearly this context is very important because the only response these theorists have made to the innumerable devastating critiques of their concepts of utility functions (for a summary of these critiques see Hunt, 1981) and production functions (for a summary, see Harcourt, 1972) has been to devise more abstract and esoteric formulations that still retain the necessary analytical characteristics. Necessary for what? The answer to this question is utterly unequivocal: necessary intellectually in order to derive all the conditions of Pareto optimality from the analysis of pricing within a competitive capitalist society.

It is the aim of nearly all neoclassical value theory to culminate in a demonstration of how the competitive capitalist economy automatically attains Pareto optimality. Typical of nearly all orthodox microeconomic texts is the revised edition of *Microeconomic Theory* by C. E. Ferguson, which consists of 16 chapters. The last chapter is entitled 'Theory of Welfare Economics', and it is obvious that most of the first 15 chapters are designed to lay the analytical foundations for the last chapter on neoclassical welfare economics, which is the climax and *denouement* of the entire book.

Early in the final chapter Ferguson wrote:

We now wish to show ... that a perfectly competitive, free enterprise system guarantees the attainment of maximum social welfare. The proof rests upon the maximising behavior of producers and consumers. To recall the dictum of Adam Smith, each individual, in pursuing his own self interest, is led as if by an 'invisible hand' to a course of action that promotes the general welfare of all (Ferguson, 1969, pp. 444-445).

There follow nine pages of summary explanation outlining the deductive argument that culminates in the demonstration of the attainment of Pareto optimality. The most important aspect of these nine pages is this: Ferguson is able to tie together his demonstration of neoclassical welfare economics and the attainment of bliss in a coherent and brief manner because, with each point he makes, he is able to refer his readers to earlier chapters or sections of his book. His standard explanation of orthodox microeconomic theory has developed the ideas and analytical tools that inevitably lead to the conclusions of neoclassical welfare economics. Indeed, in examining the previous 15 chapters, we can see very little else to which they do lead. The nine-page demonstration of welfare economics ties the entire book together and then concludes: 'This unique equilibrium ... is called the point of 'constrained bliss' because it represents the unique organization of production, exchange and distribution that leads to the maximum attainable social welfare.'

The most significant point to note in neoclassical welfare economics is its conservative consensual character (see Hunt, 1981). Defined away are all situations of conflict. In a world of class conflicts, imperialism, exploitation, alienation, racism, sexism, and scores of other human conflicts, where are the changes that might make some better off without making others worse off? Improve the plight of the oppressed and you worsen the situation of the oppressor (as perceived by the oppressor, of course)! Important social, political, and economic situations where improving the lot of one social unit is not opposed by naturally antagonistic social units are indeed rare. The domain of this theory would, indeed, seem to be so restrictive as hardly to warrant serious investigation, were it not for the fact that the theory is considered important by the overwhelming majority of neoclassical economists.

Thus, a conservative social-economic philosophy rests on the foundations of the pre-analytical vision of the utility theorists and it is precisely the utility theory of value that anchors the concept of price determination that is common to both neoclassicism and Marxism to this conservative philosophy.

From the preanalytical vision underlying the utility theory the value constants are derived primarily from (a) the mathematical properties of preference maps or utility functions and (b) the mathematical properties 'of well-behaved' neoclassical production functions. With these, the set of price equations becomes determinate and the price theory is complete and logically consistent. Moreover, in addition to the necessary value constants the preanalytical vision supports a social philosophy that includes all the essential elements of bourgeois ideology. While this ideology is not identical to neoclassical economics, the utility theory of value ties neoclassical economics to this ideology. Thus, it is common to find neoclassical texts where the author claims merely to be

stating scientific economic theory, but where many if not all of the following conclusions of bourgeois ideology are explicitly defended:

- (i) the market harmonises all interests so that social harmony and not conflict is the normal state of human affairs;
- (ii) since human beings are by nature maximising exchangers the present capitalist economic system is not essentially different from (only an improved or even perfected version of) earlier economic systems;
- (iii) the market tends automatically to create the most efficient allocation of resources (indeed, it automatically creates ‘constrained bliss’) such that no outside interference or reform could augment human welfare unambiguously; and
- (iv) there is a certain ethical logic in the income distribution that obtains in a market capitalist system since it is assumed that each factor of production will earn a reward that is equal to its marginal productivity.

In sharp contrast, the preanalytical vision that underlies the labour theory of value is almost the antithesis of that underlying the utility theory. Whereas the latter sees humans as essentially exchangers the former sees them as producers. The labour theory rests on a preanalytical vision that focuses on the fact that the ‘crust’ of the earth is an environment that is not immediately suitable for the sustenance of human life. The natural environment must be transformed if it is to support human life. Production is this transformation. And production has only one universally necessary social or human ingredient—labour. To be sure the natural environment must exist in order to be transformed—something cannot be made from nothing. But to say that ‘land’ (or natural resources) is a factor contributing to production in a manner analogous to the contribution of labour is seen as a form of fetishism, in which non-human material things are endowed with human qualities. A tree cannot be chopped down if no tree exists, but no one says that a tree is chopped down partly by a lumberjack and partly by itself simply because it exists. This is because production is purely a *social activity* of human beings, and value is a purely social phenomenon which Marx sees as having no inherent connection with the physical or chemical features of the commodities that have value. The sun is as essential to human productive activity as is the crust of the earth. But no one speaks of the sun being a factor of production on the same footing as labour. On examination, of course, this is because we cannot be excluded coercively from making use of the sun while we can be so excluded from making use of natural resources. But coercive exclusion is not an essential element of production and it is therefore difficult to see how it should be the defining feature of what constitutes a ‘factor of production’. Within the labour theory tradition coercion does not play this role and labour is the only human or social ingredient in production (though labour theorists certainly accept the less than profound stipulation that human life and production cannot be sustained in an absolute void).

The second major difference between the two preanalytical visions is that whereas the utility theorists see humans in starkly individualistic terms (remembering that in neoclassical theory there is no important difference between exchanging with nature and exchanging with another human being) the labour theorists see humans as essentially and fundamentally social creatures (the historical roots of the word ‘socialism’ can be found in precisely this distinction between the two views). Production is seen as always being a social process of interdependent social beings transforming a given pre-existing natural environment.

The individualism of the utility tradition causes this productive interdependence among human beings to be seen by utility theorists as a dependence of the isolated individual on a non-human material thing—capital. Thus, for example, if we see a carpenter building a house, the utility theorist sees three factors of production at work: first, the carpenter, second the wood, land

and other natural resources, and third, the saw, the hammer, and the other tools. Each of these three factors is doing its separate part in building a house. Each factor produces and each receives a return that is equal to its productivity. The labour theorist sees this as a social process of transforming nature to make it habitable for human life. The process (which, of course, could not occur in the void of outer space) requires a large number of socially interdependent human beings working. Some humans are extracting natural resources, some are fashioning them into lumber, hammers, saws and, other tools and the carpenter is providing the last of these interdependent social exertions.) Thus, when the utility theorists say that the lone carpenter depends on capital and that capital (in the forms of the hammer, saw and other tools) creates value just as the carpenter creates value, the labour theorists insist that this is again a form of fetishism in which a purely human form of interdependent productive activity is seen as the value-creating 'contribution' of a non-human, material thing.

Only within the context of the above-described 'labour' or 'social production' preanalytical vision can one understand the sense in which the labour theory of value is definitional. Value expresses what Marx takes to be an essential fact of capitalism—the fact that inter. dependent labour is only *indirectly* social and is not seen by the participants in the capitalist system as being a social relation at all.

To illustrate this, Marx described the directly-social labour of precapitalist society with which indirectly-social labour can be contrasted:

Under the rural patriarchal system of production, when spinner and weaver lived under the same roof—the women of the family spinning and the men weaving, say for the requirements of the family—yarn and linen were *social* products, and spinning and weaving *social* labour within the framework of the family. But their social character did not appear in the form of yarn becoming a universal character exchanged for linen as a universal equivalent, i.e., of the two products exchanging for each other as equal and equally valid expressions of the same universal labour time [as would be the case under capitalism]. On the contrary, the product of labour bore the specific social imprint of the family relationship with its naturally evolved division of labour. Or let us take the services and dues in kind of the Middle Ages. It was the distinct labour of the individual in its original form, the particular features of his labour and not its universal aspect that formed the social ties at that time. Or finally let us take communal labour in its spontaneously evolved form as we find it among all civilised nations at the dawn of their history. In this case the social character of labour is evidently not affected by the labour of the individual assuming the abstract form of universal labour ... The communal system on which this mode of production is based prevents the labour of an individual from becoming private labour and his product the private product of a separate individual; it causes individual labour to appear rather as the direct function of a member of the social organisation (Marx, 1970, pp. 33-34).

In capitalist commodity production Marx sees each individual producer as producing only for the market. One neither knows nor cares who will consume one's commodity or who will produce the commodities one consumes. Each person produces only in order to acquire exchange value. And the use values one acquires with one's exchange values are seen as merely the quantitative equivalents of one's own production, desired only to sustain one's own life.

As a general rule, articles of utility become commodities only because they are the products of the labour of private individuals or groups of individuals who carry on their work independently of each other. The sum total of all the labour of these private individuals forms the aggregate labour of society. Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each



producer's labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them, between the producers. To the latter, therefore, the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as ... social relations between things (Marx, 1967, pp. 72-73).

Thus, value is a social attribute of (or a social abstraction symbolised by the physical existence or use value of) a commodity.

The important point here is that the foundation of the labour theory of value—the assertion that value is abstract labour congealed in a commodity—is *not* a theory in any usual sense in which we speak of theories. It is intended simply to be descriptive of what Marx considers to be one of the most important, essential facts of capitalism, namely, that the concrete, particular labour of the isolated individual 'becomes social labour by assuming the form of its direct opposite, of abstract universal labour' (Marx, 1970, p. 34).

Only as such a *universal* magnitude does it represent a social magnitude. The labour of an individual can produce exchange values only if it produces universal equivalents.... The effect is the same as if the different individuals had amalgamated their labour-time and allocated different portions of the labour-time at their joint disposal to the various use values. The labour time of the individual is thus, in fact, the labour-time required by society to produce a particular use-value, that is, to satisfy a particular want (*ibid.*, pp. 85-86).

This foundation of the labour theory of value is, then, definitional. But the definition is not arbitrary. It is rather a name for a real process that Marx sees as the essential nature of social interdependence in capitalism. As such, it is amenable to neither proof nor disproof. Its persuasiveness depends upon whether after an in-depth investigation of the social labour process Marx is describing one concludes that the process really, *and essentially*, occurs as he says it does. And the labour theory's scientific merit rests entirely on the usefulness of the insights gained by looking at capitalism in this way. It is clear that Marx saw value in exactly this way. In the following quotation Marx explicitly acknowledges Robinson's charge that the labour theory of value is definitional:

Since the exchange-value of commodities is indeed nothing but a mutual relation between various kinds of labour of individuals regarded as equal and universal labour, i.e., nothing but the material expression of a specific social form of labour, it is a tautology to say that labour is the *only* source of exchange value and accordingly of wealth insofar as this consists of exchange-value (*ibid.*, p. 35).

But while this conception of value is definitional, it represented, for Marx, a profound scientific discovery whereby one could go behind the superficial appearance of market exchange to discover the hidden essence of capitalism. It was, of course, not a lexical definition. It was emphatically not, however, merely an arbitrarily stipulative definition. Rather Marx believed it to be an accurate, descriptive definition of the real essence of the indirect sociality involved in capitalist commodity production. He realised that it is not an empirically obvious definition. Indeed, many of the descriptive, historical and institutional accounts in *Capital* are intended to show the reader that only with this definition in mind can one consistently comprehend the empirical facts of capitalism.

The labour theory of value, then, must be regarded as one of the most important elements in Marx's preanalytical vision of capitalism. Within the context of this vision Marx derives what we (following Dobb) have labelled his value constants with which his set of simultaneous equations

for prices become determinate. Again, as in the utility theory, there are two general sources for these constants. First, the quantitative magnitudes of the various portions of the labour force socially assigned to the various interdependent tasks, and second, the division of the values created in production between those who produce and those who own. With this information the price equations become solvable.

The differences from the utility tradition are inevitable and are clearly derivable from the two contrasting preanalytical visions. First, unlike the utility tradition the labour theory tradition sees capitalism as a historically unique mode of production. It is a mode in which an individual's labour appears to be private rather than social (and this gives rise to the illusion that land and tools produce in the same way that people produce). This appearance is caused by the fact that in a capitalist system individual producers produce in isolation and in ignorance of their social and technological interdependence. The social nature of the individual's labour appears only as a price in an exchange. Thus, neoclassical economics as a social science deals elaborately with prices, interest rates, wage rates, profit rates etc., and only very sparingly with human beings—and then only with humans as that rarified abstraction 'rational maximising exchangers'. Labour theorists, on the contrary, attempt to show that human behaviour, including exchange behaviour, is the outgrowth of sociality and is strikingly and importantly different from one socioeconomic system to another.

Second, since only labour produces, it follows that in a society in which labourers receive only a portion of what they produce and non-producers (usually through some system of ownership) receive the surplus there is a fundamental, antagonistic conflict between these social classes. Therefore, whereas harmony is the normal state of affairs in utility theory, conflict is seen as the normal state of affairs by the labour theory—normal, that is, until that historical point at which non-producers cease having social, political and economic control over producers.

Third, since the labour theory does not view individuals as social entities with metaphysically given desires, but rather sees desires as coming into being within the process of social interaction, it follows that labour theorists reject the ethical foundations of neoclassical efficiency analysis. The labour theorists generally deny the 'well-behaved' utility and production functions as well. Thus, neoclassical efficiency analysis is seen as almost entirely ideological and non-scientific.

Fourth, the denial of exogenous production functions is sufficient grounds for rejecting the ethical conclusions to which the neoclassical income distribution theory generally leads. More importantly, however, the view that value is a purely social phenomenon reflecting merely one historically particular form of social labour leads inevitably to the view that under capitalism property income is not only derived from parasitic exploitation of labour but is the inevitable outcome of a particular kind of alienated labour and ought ethically to be abolished. I have argued elsewhere (Hunt, 1982, pp. 7-25) that once the definitional basis of the labour theory of value is understood it can be shown that it is integrally related to Marx's early philosophical writings on the alienation of labour, and hence it becomes an integral part of the ethical condemnation of capitalism. But just as neoclassical economic theory is not identical to bourgeois ideology but leads to it through the utility theory of value, so the labour theory of value is not itself an evaluative theory. Like the utility theory, however, it links economic theory to a social philosophy that is evaluative. The labour theory of value intellectually connects an analysis of capitalism with an ethical outlook that inevitably condemns capitalism. Indeed, I believe that it can be convincingly argued that the marginal productivity theory of distribution was developed because of this implication of the labour theory perspective. One of the most important originators of the marginal productivity theory of distribution, John Bates Clark, wrote:

The welfare of the laboring classes depends on whether they get much or little; but their attitude toward the other classes—and therefore, the stability of the social state—depends

chiefly on the question, whether the amount that they get, be it large or small, is what they produce. If they create a small amount of wealth and get the whole of it, they may not seek to revolutionise society; but if it were to appear that they produce an ample amount and get only a part of it, many of them would become revolutionists, and all would have the right to do so. The indictment that hangs over society is that of 'exploiting labor'. 'Workmen' it is said, 'are regularly robbed of what they produce. This is done within the forms of law, and by the natural working of competition'. If this charge were proved, every right-minded man should become a socialist; and his zeal in transforming the industrial system would then measure and express his sense of justice (Clark, 1965, p. 4).

It is clear that these contrasting preanalytical visions have most drastically conflicting practical and political implications. It is also clear that practical and ethical criteria are at least as important as empirical and logical criteria in choosing between the two theories of value.

Many neoclassical economists would argue that I have made an invalid comparison. They argue that their theorising is merely the working out of the logical implications of various sets of arbitrary assumptions. Since nearly all Marxists argue that their theory rests on abstractions of real processes, one might argue that I have attempted to compare the incomparable, that I have wrongly conflated the very different roles of assumptions and abstractions in economic theory. There are undoubtedly a few neoclassical economists interested solely in deductive logic. The Austrian School of neoclassical economics has, however, explicitly argued that their analysis rests on the foundations of abstractions that reflect the essential nature of the existing economic system, and I have argued elsewhere' (Hunt, 1979, Ch. 15 and 18) that other important schools of neoclassical theorists arrive' at conclusions that can only be defended on the assumption that their theory is based on, essential abstractions. The issue can be decided, I submit, by opening nearly any elementary textbook written by an important neoclassical theorist. In every such textbook that I have examined, the conclusions of bourgeois ideology that I have outlined above are claimed to be (a) actually true of existing capitalist economies (with minor modifications' and caveats) and (b) derived deductively from the scientific principles of economic theory. Therefore, I conclude that the theories are generally comparable and that the choice between them is, in part, practical and ethical.

I shall end this paper with one final assertion. It is my belief that very few people are attracted to the study of economics solely or even primarily by the desire to explain the immediate causes of the magnitudes of relative prices, or the process whereby a market in disequilibrium attains (or fails to attain) equilibrium. Rather most of us are interested in the social and moral meaning and significance of prices and the capitalist pricing system. This requires a well-developed philosophical system. Value theory ties the theory of price determination and the theory of market adjustment to such a philosophical system. If I am right about economists' motivations, then Keynes's theoretical insights into the processes of market adjustments and Sraffa's theoretical insights into the structural determinants of equilibrium prices will (since neither is anchored in what I have called value theory) either be assimilated into one or the other of the two great value theory traditions or will gradually disappear from contemporary intellectual currency. As Joan Robinson has written: 'Metaphysical propositions are necessary to ... the realm of science ... [because] without them we would not know what it is we want to know' (Robinson, 1964, p. 3).

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