MARX'S THEORY OF VALUE AND MONEY: A CRITIQUE OF REUTEN'S 'VALUE-FORM' INTERPRETATION OF PART 1 OF VOLUME 1 OF *CAPITAL*

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> How then is the **magnitude** of value to be **measured**? By means of the '**value-forming substance',** the **labour**, contained in the article. The **quantity** is measured by its duration, and the **labour-time** itself is measured on the particular scale of hours, days, etc. (C.I. 129).

> **Socially necessary labour-time** is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society. (C.I. 129)

> **A given quantity of any commodity contains a definite quantity of human labour.** Therefore the form of value must not only express value in general, but also **quantitatively determined value**; i.e. the **magnitude** of value… The equation **20 yards of linen = 1 coat**, or 20 years of linen are worth 1 coat, **presupposes the presence** in 1 coat of exactly as much of the **substance of value** as there is in 20 yards of linen, implies therefore that the quantities in which the two commodities are present have cost **the same amount of labour** or **the same quantity of labour-time**. (C.I. 144)

> **It is not money that renders commodities commensurable**. Quite the contrary. Because all commodities, as values, are objectified human labour and therefore themselves commensurable, their values can be communally measured in one and the same commodity. **Money is the necessary form of appearance of the measure of value immanent in commodities - labor-time. (**C.I. 188)

> Gold becomes the ***measure of value*** because the exchange-value of *all* commodities is measured in gold, is expressed in the relation of a definite quantity of gold and a definite quantity of commodity **containing equal amounts of labour-time**. (*Contribution*, 65-66)

> According to the **general law of value**, a **definite quantity of money expresses a definite quantity of materialised labour**. (*Selected Correspondence*, 98-99)

Please note: Throughout this paper, original emphasis in quotations is in *italics*, and added emphasis is in **bold**. Phrases in brackets [ ] are also added.

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Geert Reuten has been one of the leading proponents of the "value-form" interpretation of Marx's theory over the last fifteen years (e.g. Reuten and Williams 1989, Reuten 1993). Reuten (2005) is his latest presentation of this interpretation, with special emphasis on Chapter 3, Section 1, of Volume 1 of *Capital*, on Marx's concept of the "measure of value".

Reuten argues that Marx's logical method in Part 1 is that of "**conceptual development**" (or "**systematic dialectics**"), which does not include the quantitative determination of prices in Part 1. According to this interpretation, value is first "partially constituted" in Chapter 1 as a simple **qualitative substance** – abstract labor, and is not constituted as a quantity at all in Chapter 1. Quantities of socially necessary labor-time are not presumed to exist in Chapter 1. Then in Chapter 3, this simple notion of value is "enriched" or complemented – and so "superseded". Value is more fully constituted as a more complex concept, which includes being constituted as **quantitative magnitudes** for the first time, as quantities of money prices. Reuten argues that, once value has been posited as money prices in Chapter 3, the earlier simpler concept of value as abstract labor becomes "superfluous", and the term "abstract labor" disappears from the further text of *Capital* (p. 83).

Reuten also presents a novel interpretation of Marx's concept of money as the **measure of value** in Section 1 of Chapter 3. Reuten argues that Marx's concept of measure is not the usual concept of measure - that money measures quantities of labor-time that exist independently of the act of measurement. Instead, according to Reuten, the act of measurement by money **transforms** the **qualitative substance** of value (abstract labor) in Chapter 1 into the **quantitative magnitudes** of value in Chapter 3 (money prices). Thus, commodities are not assumed to be commensurable, and abstract labor is not assumed to be homogeneous in Chapter 1. Rather, the act of measurement by money "establishes the commensuration" of commodities as values in terms of money prices. In short, **money makes commodities commensurable**.

Therefore, according to Reuten's interpretation, Part 1 of Volume 1 **does not present a quantitative theory of the determination of prices by labor-time**. Since quantities of socially necessary labor-time are not presumed to exist, prices cannot be determined by socially necessary labor-time. As Reuten puts it, "Chapter 1 does not present a 'labor theory of value' … in **any quantitative sense**" (p. 86; emphasis added). Instead, money prices are just taken as given, without theoretical determination , by socially necessary labor-time or anything else.

In order to critically evaluate Reuten's interpretation, this paper first reviews in detail my interpretation of Marx's theory of value and money in Chapters 1 and 3 of Volume 1, with special emphasis on the quantitative determination of prices. Section 2 then critically examines the textual evidence that Reuten presents from Chapter 3 to support his interpretation, and the final section examines Reuten's argument that the concept abstract labor "disappears" after Chapter 3 of Volume 1.[1]

1. MOSELEY'S INTERPRETATION

1.1 Chapter 1

The fundamental concepts in terms of which Marx's theory of value and money in Chapter 1 is constructed are: the "**substance**" of value (abstract labor), the "**magnitude**" of value (socially necessary labor-time), and the "**form of appearance**" of value (exchange-value and money-prices). The subtitle of Section 1 of Chapter 1 is "**Substance** of Value, **Magnitude** of Value" and the title of Section 3 is "The Value-**Form**, or **Exchange-Value**" (emphasis added).

Section 1 begins with the **form of appearance** of value (the exchange-values of commodities) and derives the inner **substance** (or **essence**) of value (abstract labor). Section 1 also defines the **magnitude** of value as socially necessary labor-time, or the average quantity of labor-time required to produce commodities. Section 2 further clarifies the distinction between abstract labor and concrete labor. **Abstract** labor is labor as it produces **value**, and **concrete** labor is labor as it produces **use-values**. Section 2 also further clarifies the meaning of socially necessary labor, in particular explaining how **skilled** labor is taken into account. Section 3 then begins with the **presupposition** of abstract labor and socially necessary labor-time, as derived in Sections 1 and 2, and derives money and prices as the "necessary form of appearance" of abstract labor and socially necessary labor-time.

This logic is illustrated by **Diagram 1** (please see end of paper). The arrows indicate logical movement or derivation. In Sections 1 and 2, the logical movement is from the realm of surface appearances to the unobservable inner realm of substance and magnitude. In Section 3, the logical movement is in the opposite direction – from the unobservable inner essence and magnitude of value to their outer surface form of appearance as money. The horizontal arrow from Sections 1 and 2 to Section 3 is very important, and indicates that the abstract labor and socially necessary labor-time that are derived in Sections 1 and 2 are **carried over** to Section 3 and are the logical **presuppositions** from which money and prices are derived in Section 3.

The main point that I wish to emphasize is the **quantitative dimension** of Marx's logic in Chapter 1, i.e. the quantitative determination of prices by quantities of socially necessary labor-time (SNLT). According to Marx's logic, quantities of SNLT are derived and presumed to exist in Sections 1 and 2, and then presumed to determine quantities of money prices in Section 3 (and beyond). Thus, there is a direct logical connection between quantities of SNLT (the magnitude of value) in Section 1 and quantities of money prices (the form of appearance of value) in Section 3. The latter are **derived from**, or **determined by**, the former, as the "necessary form of appearance" of the former.

In Reuten's interpretation, on the other hand, there is **no quantitative logical connection** between the magnitude of value (SNLT) and the quantitative form of appearance of value (money-prices). The latter is **not** derived from, or determined by, the former. Indeed, quantities of SNLT are not presumed to exist, and therefore cannot determine prices. Prices are simply taken as given, not determined by anything (at least not at this stage of the theory).

Reuten's interpretation can be illustrated by Diagram 2 (please see end of paper). Please notice the key differences between Diagram 1 and Diagram 2. In Diagram 2 (Reuten's interpretation), SNLT is missing altogether, because SNLT is not presumed to exist as definite quantities. And both abstract labor and SNLT are missing from Section 3 of Chapter 1 and from Chapter 3. There are no horizontal arrows from Sections 1 and 2 to Section 3, thereby indicating that abstract labor and quantities of SNLT are **not carried over** from Sections 1 and 2 to Section 3, in order to determine the quantities of money-prices in Section 3 and beyond. Instead, money-prices are simply taken as given, without theoretical determination, and abstract labor and SNLT "disappear" from the theory.

This section reviews the important details of Marx's logic in Chapter 1, especially with respect to the determination of money-prices by independently existing quantities of socially necessary labor-time.

1.1.1 Section 1 of Chapter 1: the substance of value (abstract labor) and the magnitude of value (socially necessary labor-time)

In Section 1, Marx first derives abstract labor as the "**substance**" of value, the common property of commodities that determines their exchange-values. Abstract labor is clearly defined in Section 1 in units of labor-time, "independently of its form of appearance" as exchange-value or money.

Marx summarized his derivation of abstract labor as the substance of value in the following key passage:

> Let us now look at the residue of the products of labour. There is nothing left of them in each case but the **same phantom-like objectivity**; they are merely **congealed quantities of homogeneous human labour**, i.e. of human labour-power expended without regard to the form of its expenditure. All these things now tell us is that human labour-power has been expended to produce them, human labour is accumulated in them. As crystals of this **social substance**, which is common to them all, they are **values** – commodity values. (C.I. 128; throughout this paper, added emphasis is in bold**,** and original emphasis in citations is in *italics*)[2]

This conclusion – that all commodities contain definite quantities of objectified human labor is then the fundamental premise for the rest of the three volumes of *Capital*, and in particular for the derivation of money in Section 3 of Chapter 1 and for Marx's theory of the functions of money in Chapter 3, as we shall see below.

In the next paragraph, Marx previews his later derivation in Section 3 of money as the necessary form of appearance of the substance of value (objectified abstract labor), but noted that "we must first **consider the nature of value independently of its form of appearance**", i.e. in terms of labor-time.

> **The progress of our investigation will bring us back to exchange-value as the necessary mode of expression, or form of appearance, of value**. For the present, however, we must first consider the nature of value **independently of its form of appearance.** (C.I. 128)

On the next page, Marx discusses the **magnitude** of value. The magnitude of value is clearly defined in units of **labor-time**, e.g. hours, days, etc.

> How then is the **magnitude** of value to be **measured**? By means of the '**value-forming substance',** the **labour**, contained in the article. The **quantity** is measured by its duration, and the **labour-time** itself is measured on the particular scale of hours, days, etc. (C.I. 129).

In the next paragraph, Marx clarifies that the hours of labor-time are not measured by the actual hours of concrete labor, but are instead measured in terms of a **socially average** unit of labor, or what he calls "**socially necessary labour-time**":

> **Socially necessary labour-time** is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society. (C.I. 129)

Toward the end of Section 1, there is a summary of the argument thus far and another preview of Section 3 on the form of appearance of the substance of value (abstract labor).

> Now we know the ***substance*** of value. It is ***labour***. We know the ***measure*** *of its* ***magnitude***. It is ***labour-time***. The ***form***, which stamps *value* as ***exchange-value***, remains to be analyzed. But before this we need to develop the characteristics we have already found somewhat more fully. (C.I. 131; throughout this paper emphasis in the original is in italics)

1.1.2 Section 2 of Chapter 1: Further development of the substance and magnitude of value

Section 2 of Chapter 1 continues to "develop the characteristics that we have already found somewhat more fully." Those characteristics are of course abstract labor as the "substance of value" and socially necessary labor-time as the "magnitude of value". These characteristics are further developed in Section 2, which is entitled "The Dual Character of the **Labour** Embodied in Commodities". The "dual character" of labor is of course concrete labor and abstract labor. **Concrete** labor is defined as labor considered as the producer of **use-values**, and **abstract** labor is defined as labor considered as the producer of **value**. These definitions of concrete labor and abstract labor are maintained throughout the three volumes of *Capital*. Nowhere does Marx say, or even slightly hint that the labor that produces value is not abstract labor.

At the beginning of Section 2, Marx emphasizes the importance of this distinction between abstract labor and concrete labor:

> I was the first to point out and examine critically this twofold nature of the labour contained in commodities. As **this point is crucial to an understanding of political economy**, it requires further elucidation. (C.I. 132) [3]

Marx clarifies further in Section 2 the precise meaning of the magnitude of value as socially necessary labor-time, measured in units of average social labor. In particular, he explains his assumption about labor of different skills. He states that the basic unit for the measurement of socially necessary labor-time is simple unskilled labor, and that one hour of skilled labor is assumed to count as a "multiple" of an hour of simple unskilled labor.

> More complex labour counts only as *intensified*, or rather *multiplied* simple labour, so that a smaller quantity of complex labour is considered equal to a larger quantity of simple labour. (C.I. 135)

Marx does not explain what determines these multiples that convert hours of skilled labor into equivalent hours of unskilled labor, but instead simply takes these multiples as given, as did Smith and Ricardo before him.

Thus we can see that Section 2 continues to discuss the substance of value (abstract labor) and the magnitude of value (socially necessary labor-time) in terms of labor, independently of exchange-value, or money. Section 3, to which we now turn, derives exchange-value or money as the necessary form of appearance of abstract labor and socially necessary labor-time.

1.1.3 Section 3 of Chapter 1: Money, the necessary form of appearance of abstract labor

The logic in Section 3 is a continuation of the logic in Sections 1 and 2. We have already seen that Marx explicitly noted in Section 1 this logical continuity between Sections 1 and 2 and Section 3. As previewed in Section 1, Section 3 derives money as the **necessary form of appearance** of the substance of value (abstract labor) and the magnitude of value (SNLT), as derived in Sections 1 and 2.

Throughout Section 3, **commodities are assumed to possess the common property, or "substance", of value (objectified abstract labor) in definite quantities,** as derived in Sections 1 and 2. This is the basic presupposition of Marx's derivation of the necessity of money in Section 3. In Section 3, the abstract labor and SNLT that are presumed to exist in commodities are then used to derive money as the necessary form of appearance of this abstract labor. This is the direct logical connection between Sections 1 and 2 and Section 3, as represented by the horizontal arrow between Sections 1 and 2 and Sections 3 in Diagram 1. Many passages from Section 3 will be presented below in which Marx explicitly states this key assumption of objectified abstract labor in his derivation of money as the necessary form of appearance of this objectified abstract labor.

Briefly summarized, Marx's argument in Section 3 is the following: The necessity of money arises from the fact that the quantity of objectified abstract labor contained in commodities is **not directly observable as such**, i.e. in terms of labor-time. As Marx put it in Section 1 (as we have seen), the value of commodities has a "**phantom-like objectivity**" (p. 127). Therefore, the question addressed in Section 3 is the following: how do the presumed invisible quantities of abstract labor contained in commodities (as derived in Sections 1 and 2) acquire an objective, observable (socially recognizable) **form of appearance**? This is the subject that Marx promised twice in Section 1 to return to, as we have seen above. The "progress of the investigation" has indeed led Marx back to exchange-value, as the "necessary mode of expression, or form of appearance, of value", i.e. of the substance of value, objectified abstract labor (p. 127).

Marx's general answer in Section 3 to this question, of how unobservable quantities of abstract labor obtain an observable form of appearance, is that the quantity of abstract labor contained in any given commodity is objectively expressed in terms of the quantity of **some other commodity** (the "equivalent commodity" and ultimately the money commodity) that is equated with the given commodity **because it contains the same quantity of abstract labor**.

Marx's derivation of money in Section 3 from the abstract labor derived in Section 1 is clear from the details of the derivation. The specific characteristics of abstract labor as developed in Sections 1 and 2 – homogeneous quality and definite quantities – determine the necessary characteristics of the form of appearance of value, or money, derived in Section 3. The simple form of value is "insufficient" (p. 154) and the expanded form of value is "defective" (pp. 156-57) precisely because these forms of value **do not adequately express the characteristics of the substance of value, abstract labor,** (the characteristics of homogeneous quality and definite quantities). (For discussions of Marx's derivation of the necessity of money from his labor theory of value, see Rosdolsky 1977, Chapters 5 and 6; Banaji 1979; Weeks 1981, Chapter 6; and Murray 1988, Chapter 14.) [4]

Perhaps the clearest textual evidence that Section 3 presumes that commodities contain definite quantities of abstract labor, and that these presumed quantities of abstract labor are used to provide a quantitative labor theory of value, is the subsection (a.2.ii) on the "**quantitative determinancy**" of the simple form of value. In this subsection, Marx emphasizes that the abstract labor contained in commodities must be expressed, not only qualitatively (i.e. as the same kind of labor), but also **quantitatively**, i.e. as **definite quantities of this equal human labor.** Abstract labor is a **quantity** and therefore its objective form of appearance must also be a quantity.

In this subsection, it is clearly and explicitly assumed that "a given quantity of any commodity contains a **definite quantity of human labor."** The equality of linen and coats "**presupposes the presence**" of "**exactly as much of the substance of value**" or "**the same quantity of labor-time**" in the two commodities. The question addressed in this subsection is how the quantitative expression of the value of the linen in terms of its exchange-value with coats **changes** if there is a change in the **labor-time** necessary for the production of either the linen or the coat (or both). In all four cases discussed, the **presupposition is "a definite quantity of human labor "** contained in both the linen and the coat. The presupposed quantities of human labor-time change from case to case, and the effects of these changes in labor-times on the quantitative expression of the labor-time contained in the linen in terms of quantities of coats are investigated. The direction of causation in Marx's logic clearly runs from labor-times in production to exchange-values in exchange. Please ***nota bene***.

> **(ii) The quantitative determinancy** of the relative form of value…

> **A given quantity of any commodity contains a definite quantity of human labour.** Therefore the form of value must not only express value in general, but also **quantitatively determined value**; i.e. the **magnitude** of value… The equation 20 yards of linen = 1 coat, or 20 years of linen are worth 1 coat, **presupposes the presence** in 1 coat of exactly as much of the **substance of value** as there is in 20 yards of linen, implies therefore that the quantities in which the two commodities are present have cost **the same amount of labour** or **the same quantity of labour-time**. But the **labour-time necessary for the production** of 20 yards of linen or 1 coat varies with every change in the productivity of the weaver or the tailor. The influence of such changes on the relative expression of the magnitude of value must now be investigated more closely.
>
> I. … If the **labour-time necessary for the production** of linen be doubled, ... instead of the equation 20 yards of linen = 1 coat, we should have 20 yards of linen = 2 coats, since 1 coat would now contain only half as much labor-time as 20 yards of linen...
>
> II. … If ... the **labour-time necessary for the production** of a coat is doubled …we should have, instead of 20 yards of linen = 1 coat, 20 yards of linen = ½ coat...
>
> III. Let the **quantities of labour necessary for the production** of the linen and the coat vary simultaneously in the same direction and in the same proportion. In this case, 20 yards of linen = 1 coat, as before ...
>
> IV. **The labour-time necessary for the production** respectively of the linen and the coat, and hence their values, may vary simultaneously in the same direction, but to an unequal degree, or in opposite directions, and so on. The influence of all possible combinations of this kind on the relative value of a commodity can be worked out simply by applying cases I, II, and III. (C.I. 144-46)

These conclusions with respect to the simple form of value, concerning the quantitative determination of the relative expression of the value of commodities in terms their exchange-value with an equivalent commodity, apply as well, by straight-forward extension, to the expanded form of value, the general form of value, and the money form of value, analyzed later in Section 3. Exchange-values are determined by relative quantities of labor-time, and changes in exchange-values are determined by changes in the relative quantities of labor-time.

Marx continued in the next subsection on the equivalent form, with a further statement of the determination of the quantitative proportions in which the value of a commodity is expressed in terms of another commodity:

> If one kind of commodity, such as a coat, serves as the equivalent of another, such as linen, … this still by no means provides the **proportion** in which they two are exchangeable. Since the **magnitude** of the value of the linen is a **given quantity**, this proportion depends on the **magnitude** of the coat's value… [T]he magnitude of the coat's value is determined, as ever, by the **labour-time** necessary for its production, **independently of its value-form**. (C.I.147)

Thus we can see that the magnitude of the value of both commodities (the labor-times required to produce them) is a "**given quantity**", "**independently of its value-form**", and the proportions in which the two are exchangeable are determined by the ratio of these two given magnitudes.

At the end of Section 3, the **price** of a commodity is defined as the exchange-value of that commodity with the money commodity, and this price (exchange-value with the money commodity) is determined by the relative quantities of labor-time contained in the given commodity and the money commodity. The gold-price of a commodity is the **quantity of gold that contains the same amount of labor-time** as the given commodity.

Algebraically, Marx's abstract theory of price can be expressed as follows: (Marx did not express his theory algebraically, but this equation accurately and clearly expresses Marx's logic in Section 3):

(1) $$\mathbf{P_i = L_i \ / \ L_g}$$

The $\mathbf{L_i}$'s and the $\mathbf{L_g}$ are "**presupposed**" to exist, in units of labor-time, and these presupposed quantities of labor-time are assumed to jointly determine the magnitudes of the $\mathbf{P_i}$'s. Changes in prices are caused by changes in the $\mathbf{L_i}$'s and the $\mathbf{L_g}$. (Marx discusses his theory of price further in Chapter 3, as we shall see below.)

Thus we can see that in Section 3 of Chapter 1 money is derived as the **necessary form of appearance** of the abstract labor-times (or SNLT)contained in commodities. Quantities of money, or prices, are the necessary form of appearance of quantities of abstract labor-time, and therefore prices are determined by quantities of abstract labor-time (or SNLT).

In the First Edition of Volume 1 of *Capital*, Marx concludes his derivation of the necessity of money in Section 3 by emphasizing again ("**decisively important**") that money "arises out of" (i.e. is derived from) the substance of value (abstract labor) and the magnitude of value (SNLT):

> What was **decisively important** was to discover the **inner, necessary connection** between value-***form***, value-***substance***, and value-***amount***, i.e. expressed conceptually to prove that the value-***form*** **arises out of** the value-***concept***. (K.I. 32)

In other words, what was decisively important was to prove that money (the value-form) is the necessary form of appearance of abstract labor (the value-substance) and socially necessary labor-time (the value-amount). The substance and magnitude of value are derived in Sections 1 and 2, and then presupposed in the derivation of money as their necessary form of appearance in Section 3.

Thus, I think there is very strong textual evidence to support the interpretation that Section 3 of Chapter 1 presupposes that commodities contain definite quantities of abstract labor (or socially necessary labor-time), as derived in Section 1, and then Section 3 derives money-prices as the necessary form of appearance of these presupposed quantities of abstract labor. This is the logical connection between Sections 1 and 2 and Section 3 of Chapter 1, and this is the overall logical structure of Marx's labor theory of prices in Chapter 1.

1.2 Chapter 3, Section 1: Money as the measure of value, or the prices of commodities

1. Section 1 of Chapter 3 begins with a summary of Marx's theory of money as the necessary form of appearance of abstract labor, presented earlier in Section 3 of Chapter 1. These transition paragraphs at the beginning of Chapter 3 are very important, and they emphasize the clear logical connection between Chapter 1 and Chapter 3:

> The first main function of gold is to supply commodities with material for the **expression** of their values, or to **represent** their values as magnitudes of the same denomination, qualitatively equal and quantitatively comparable. It thus acts as a universal **measure of value**, and only through performing this function does gold, the specific equivalent commodity, become money.
>
> **It is not money that renders the commodities commensurable**. Quite the contrary. Because **all commodities, as values, are objectified human labour, and therefore in themselves commensurable**, their values can be communally measured in one and the same specific commodity, and this commodity can be converted into the common measure of their values, that is into money. **Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time.** (C.I: 188)

Please note especially the last sentence: "Money as a **measure of value** is the necessary form of appearance of the measure of value which is immanent in commodities, namely labor-time." As we have seen above, quantities of labor-time are presumed to exist in commodities, and these quantities of labor-time are expressed objectively and socially by quantities of the money commodity that contain the same quantity of labor-time. Labor-times are measured internally, but are invisible. Therefore, labor-times require a visible external measure in terms of the money commodity. It is clear from this passage that what Marx means by the function of money as the "**measure of value**" is this **indirect expression** of the **unobservable quantities of abstract labor-time** contained in commodities by **observable quantities of the money commodity**.

Marx also stated very clearly this meaning of money as the **measure of value** in the *Contribution*, as follows:

> Gold becomes the ***measure of value*** because the exchange-value of *all* commodities is measured in gold, is expressed in the relation of a definite quantity of gold and a definite quantity of commodity **containing equal amounts of labour-time**. (Cont. 65-66)

In Section 3 of Chapter 1, Marx clarified his meaning on money as the "**measure of value**" with an analogy to iron as the "**measure of weight**". Similar to abstract labor, the weight of objects is not directly observable as such, i.e. just by looking at an object. And similar to money, iron serves as an indirect, observable measure of the unobservable weight contained in other objects.

> Let us make this clear with the example of a **measure** which is applied to commodities as material objects, i.e. as use-values. A sugar loaf, because it is a body, is heavy and therefore possesses **weight**; but **we can neither take a look at this weight nor touch it**. We then take various pieces of iron, whose weight has been determined beforehand. The

> bodily form of the iron, considered for itself, is not more the form of appearance of weight than is the sugar-loaf. Nevertheless, in order to **express** the sugar-loaf as a weight, we put it into a relation of weight with the iron. In this relation, the iron counts as a body representing nothing but weight. Quantities of iron therefore serve to **measure** the weight of the sugar, and represent, in relation to the sugar-loaf, weight in its pure form, the form of manifestation of weight… Just as the body of the iron, as a **measure** of weight, represents weight alone, in relation to the sugar-loaf, so, in our **expression** of value, the body of the coat represents value alone. (C.I. 148-49)

The quantities of money that represent quantities of abstract labor-times are the **prices** of commodities. The rest of Section 1 of Chapter 3 elaborates further on Marx's concept of price, as the external measure of the abstract labor-times contained in commodities (at the high level of abstraction of simple circulation). The following briefly reviews the main points in Section 1 of Chapter 3, which are mainly about the effects of **changes in the labor-time contained in the money commodity** on the **prices** of commodities.

2. The next point that Marx makes in Section 1 of Chapter 3 is that the expression of the labor-times contained in commodities in terms of their prices prior to actual circulation is an "**imaginary act**" that does not require that the money commodity be actually physically present.

> Although **invisible**, the value of iron, linen and corn [i.e. the labor-times contained in them] **exists** in these very articles: it is **signified** through their equality with gold, even though this relation with gold exists only in their heads, so to speak. The guardian of the commodities must therefore lend them his tongue, or hang a ticket on them, in order to communicate their prices to the outside world. Since the expression of the value of commodities in gold is a purely ideal act, we may use purely imaginary or ideal gold to perform this operation… In its function as measure of value, money therefore serves only in an imaginary or ideal capacity. (C.I. 189-90; brackets added)

3. Later in the same paragraph, Marx notes that, since the magnitudes of prices depends in part on the labor-time contained in the money commodity ($\mathbf{L_g}$ in equation 1), **prices depend on the specific commodity that serves as money.**

> ... **the price depends entirely on the actual substance that is money**. The **value,** i.e. the **quantity of human labour**, which is contained in a ton of iron is expressed by an imaginary quantity of the money commodity **which contains the same amount of labour**. Therefore, according to whether it is gold, solver or copper which is serving as the **measure of value**, the value of the ton of iron will be expressed by very different prices. (C.I. 190)

For example, if silver were the measure of value, then $\mathbf{L_g}$ in equation (1) would be replaced by $\mathbf{L_s}$, and if $\mathbf{L_s}$ were = 1/15 $\mathbf{L_g}$, then prices measured in silver would be 15 times greater than prices measured in terms of gold. This point makes sense only if prices are determined by relative quantities of labor-time, which are presumed to exist separately from money.

4. Marx then goes on to distinguish between money as the measure of value and money as the standard of price. As **measure of value**, quantities of money represent quantities of abstract labor contained in other commodities (the "social incarnation of human labor"). As **standard of price**, a particular weight of the money commodity is selected as the basic unit in terms of which prices are calibrated. The measure of value is a relation between quantities of the money commodity and quantities of other commodities that contain the same amount of labor-time; the standard of price is a relation between quantities of money and the basic unit of money.

> As measure of value, and as standard of price, money performs two quite different functions. It is the measure of value as the **social incarnation of human labour**; it is the standard of price as a quantity of metal with a fixed weight. As the measure of value it serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price it measures those quantities of gold. (C.I. 192)

Failure to understand this distinction led to fantastic monetary schemes in the 18th and 19th centuries, which Marx criticized at length in *Contribution to the Critique of Political Economy* (pp. 76-86; "Theories of the Standard of Money"). Marx argued that the government can change the standard of price, but it cannot alter the fundamental labor-time relationships between the money commodity and other commodities.

5. Since the prices of commodities depend in part on the labor-time required to produce the money commodity (**L_g** in equation 1), **prices will change if there is a change in the labor-time required to produce the money commodity**.[5] However, Marx notes that, such changes will affect the prices of all commodities proportionally, and hence will not affect the relative prices between commodities.

> ... a change in the value of gold does not prevent it from fulfilling its function as measure of value. The change affects all commodities simultaneously, and therefore, other things being equal, leaves the mutual relations between their values unaltered, although those values are now all expressed in higher or lower gold-prices than before. (C.I. 193)

Again, this point makes sense only if prices are determined by relative quantities of labor-time, as in equation (1).

6. Marx then goes on to state that his theory assumes that, in a given period, **the quantity of labor-time required to produce gold (the money commodity) is a "given amount":**

> "Just as in the case of the estimation of the value of a commodity in the use-value of any other commodity, so also in this case, where commodities are valued in gold, we assume nothing more than that **the production of a given quantity of gold costs, at a given period, a given amount of labour.** (C.I. 193)

This assumption is necessary in order to determine prices according to equation (1). If prices are not determined according to equation (1), then this assumption is meaningless.

7. Marx then discusses the **general laws** regarding changes in the **prices of commodities**. He refers back specifically to his prior discussion in Section 3 of Chapter 1 on the quantitative determination of the simple relative form of value, quoted extensively above.

> "As regards the fluctuations of commodity prices in general, they are **subject to the laws** of the simple relative expression of value **which we developed in an earlier chapter**.
>
> "A general rise in the prices of commodities can result either from a rise in their values [i.e. the labor-times contained in them], which happens when the value of money remains constant, or from a fall in the value of money, which happens when the value of commodities remains constant. The process also occurs in reverse: a general fall of prices can result either from a fall in the values of commodities, if the value of money remains constant, or from a rise in the value of money, if the values of commodities remain constant." (C.I. 193; brackets added)

8. Toward the end of Section 1, Marx notes that the prices that are determined by labor-times are not actual market prices, but are instead the **long-run equilibrium prices** around which actual market prices fluctuate. Marx notes that "other circumstances" (such as supply and demand) cause the actual market prices to deviate from the long-run equilibrium prices determined by labor-times. The fluctuations of actual market prices around the long-run equilibrium prices are the means by which social labor is unconsciously and indirectly regulated in a commodity economy. Therefore, Marx notes that the differences between actual market prices and long-run equilibrium prices determined by labor-times is "not a defect", but is instead entirely necessary in a commodity economy:

> The possibility, therefore, of a **quantitative incongruity** between price and magnitude of value, i.e. the possibility that the price may diverge from the magnitude of value, is inherent in the price-form itself. This is not a defect, but, on the contrary, it makes this form the adequate one for a mode of production whose laws can only assert themselves as blindly operating averages between constant irregularities. (C.I. 196)

9. Finally, Marx also notes the "qualitative contradiction" that some **things have a price without have a value** (i.e. without being produced by labor). Marx is calling attention here to more concrete phenomena (such as the price of land) which cannot be explained at the high level of abstraction of Part 1 of Volume 1 (the analysis of simple circulation). Marx later explained the price of land in Part 6 of Volume 3, as capitalized rent. Rent is itself explained as a part of the total surplus-value, and the total surplus-value is determined by the total surplus labor, as derived in Parts 3 and 4 of Volume 1. Marx's theory of surplus-value is derived from his theory of price presented in Part 1, as expressed by equation (1), applied to the economy as a whole. Therefore, Marx eventually explains the price of land from his basic theory of price, but this explanation is not possible in Part 1 of Volume 1, because this explanation requires other variables that have not yet been determined at this high level of abstraction (such as rent).[6]

To **summarize**, Section 1 of Chapter 3 on money as the "**measure of value**" makes the following points about the **prices** of commodities:

1. The function of money as **measure of value** means to indirectly represent the unobservable quantities of labor-times contained in commodities by observable quantities of the money commodity that **contain the same amount of labor-time**.

2. The expression of the labor-times contained in commodities in terms of quantities of money, i.e. in terms of their money-prices, is an **imaginary act** of exchange that does not require that the money commodity be physically present.

3. Since the magnitudes of prices depend in part on the labor-time contained in the money commodity, these **prices depend on the particular commodity that functions as money**.

4. Money as measure of value is distinguished from money as standard of price. As **measure of value**, money provides an indirect, observable representation of the unobservable quantities of labor-times contained in other commodities (i.e. money is the "visible incarnation" of these labor-times). As **standard of price**, a particular weight of the money commodity is selected as the basic unit in which prices are calibrated.

5. A change in the labor-time required to produce the money commodity **affects the price of all other commodities proportionally**, and thus does not affect the relative prices of commodities.

6. Marx's theory assumes that, in a given period of analysis, the **labor-time required to produce the money commodity (e.g. gold) is a given amount**.

7. In general, **changes in the prices of commodities** are due to: either (1) a change in the labor-times required to produce these commodities; or (2) a change in the labor-time required to produce the money commodity; or (3) both of these types of change together.

8. The prices that are determined by labor-times are **long-run equilibrium prices**, not actual market prices.

9. **Some commodities have a price, even though no labor is required to produce them** (e.g. uncultivated land). These more concrete phenomena cannot be explained at the high level of abstraction of simple circulation, but will be explained later, at a lower level of abstraction, in a way that is consistent with the theory of prices presented thus far.

In sum, it is clear from all these passages from Section 1 of Chapter 3 that Marx assumed that the **prices of commodities are determined by the relative quantities of labor-time** contained in the money commodity and in all other commodities, which are presumed to exist as definite quantities. More precisely, prices are determined according to equation (1) above, varying directly with the labor-times contained in the commodities (the Li's) and inversely with the labor-time contained in the money commodity (Lg).

There is one more passage in Chapter 3 that is relevant to Reuten's interpretation and that will be briefly considered. This passage is from Section 3, subsection (c), on **world money**:

> In world trade, commodities develop their value **universally**. Their independent value-form thus confronts them here too as world money. It is in the world market that money first functions to its full extent as the commodity whose natural form is also the directly social form of realization of **human labour in the abstract. Its mode of existence becomes adequate to its concept.** (C.I. 240-41)

In this passage, Marx states that world money is the most perfect form of existence of money ("its mode of existence is adequate to its concept"). World money is the perfect form of existence of money because money is in principle a universal equivalent, directly exchangeable with all other commodities (universal equivalence is the nature of money, its "concept"). World money is truly a universal equivalent, directly exchangeable with all other commodities all over the world. Therefore, the "mode of existence" of money as world money "becomes adequate to its concept", i.e. becomes adequate to the concept of money as universal equivalent, directly exchangeable with all other commodities.

Furthermore, since money is the form of appearance of abstract labor, world money is the most perfect form of appearance of abstract labor ("money functions to its full extent"). Universal abstract labor is best represented by universal world money.

1.3 Conclusion of my interpretation

The main conclusions of the above textual examination of Chapters 1 and 3 are the following:

1. In Sections 1 and 2 of Chapter 1, Marx derives **abstract labor** as the **substance** of value, and **socially necessary labor-time** as the **magnitude** of value, measured in units of labor-time, as distinct, but unobservable, entities from their form of appearance as money-prices.

2. In Section 3 of Chapter 1, **money** is derived as the **necessary form of appearance** of the substance of value (abstract labor) and the magnitude of value (socially necessary labor-time).

The **price** of commodities is defined as their exchange-values with the money commodity (e.g. gold). The magnitude of prices depends on the relative quantities of labor-time contained in the money commodity and in other commodities, as expressed by the equation:

(1) $$\mathbf{P_i = L_i \,/\, L_g}$$

The price of a commodity is the quantity of gold that **contains the same amount of labor-time** as the given commodity.

3. In Section 1 of Chapter 3, the function of money as the necessary form of appearance of the labor-times contained in commodities is expressed as the function of money as the "**measure of value**". The unobservable quantities of labor-times contained in commodities are "measured" externally by the **prices** of commodities, i.e. by the **quantities of gold that contain the same amount of labor-time**. Section 1 discusses a number of points related to Marx's theory of price, as the measure of value, which are summarized above on p. 14.

Marx succinctly summarized his theory of value and money in an outline of Part 1 written in 1858, shortly before writing the *Contribution to a Critique of Political Economy*, and after having gained clarity about the logical structure of Part 1 while writing the *Grundrisse* and the *Urtext*. In this outline, Marx concluded the paragraph on the section on "money as **measure**" (what later became Section 1 of Chapter 3) with the following clear, concise statement of what he called the "general law of value":

> According to the **general law of value, a definite quantity of money expresses a definite quantity of materialised labour.** (SC. 98-99)

This is the main conclusion of Part 1 and the basic assumption of Marx's theory from then on - that **money-prices express definite quantities of labor-time**, and therefore money-prices **are determined by** presupposed quantities of labor-time.

Therefore, I conclude that Marx clearly presents a **quantitative labor theory of value** in Part 1 of Volume 1. In Marx's theory, quantities of money-prices are determined by quantities of SNLT, as in equation (1). The price of a commodity is the quantity of the money commodity **that contains the same quantity of labor-time** as the given commodity. How could one interpret Marx's discussion of the "quantitative determination" of exchange-value by relative quantities of labor-time in Section 3 of Chapter 1 (144-46), except as a quantitative labor theory of value? How could one interpret all the points in Section 1 of Chapter 3 about the effects of changes in the value of the money commodity on the prices of commodities, except as a quantitative labor theory of value? In all these passages, quantities of socially necessary labor-time are **presupposed** to exist, and these presupposed quantities of socially necessary labor-time are assumed to change, and these changes **cause or determine** changes in the exchange-value of the linen in terms of coats. Clearly, this is a quantitative labor theory of value.

Of course, these prices that are determined in Part 1 are very **abstract** prices, and do not refer to actual market prices. In the first place, these prices are long-run equilibrium prices, the center of gravitation around which actual market prices fluctuate (and thus assume that supply = demand). Secondly, these abstract prices do not yet take into account the effect of the equalization of the profit rate on the long-run equilibrium prices of commodities (which is considered later in Volume 3). Nonetheless, there certainly is an abstract quantitative labor theory of price presented in Part 1, which is further developed in the rest of *Capital*.

2. REUTEN'S TEXTUAL EVIDENCE AND MY CRITIQUE

This section examines in detail the textual evidence presented in Reuten (2005) in order to support his “value-form” interpretation of Marx’s theory of value and money in Part 1.

2.1 Chapter 1

Reuten does not say much about Chapter 1; his paper is mainly about Chapter 3. He presents **no textual evidence from Chapter 1** to support his highly speculative interpretation that abstract labor is not presumed to exist as quantities of SNLT and that there is no quantitative labor theory of value in Chapter 1. Furthermore, Reuten ignores all the textual evidence to the contrary in Chapter 1, as presented above.

We saw above that abstract labor is clearly and explicitly defined in Chapter 1 in units of labor-time. Immediately after derving abstract labor as the **substance** of value in the opening pages of Section 1, Marx went on to define the **magnitude** of value, as **socially necessary labor-time**, in units of labor-time, prior to the derivation of money in Section 3. In Section 2, the meaning of socially necessary labor-time is further clarified, especially regarding the treatment of different levels of skills. In Section 3, quantities of socially necessary labor-time, measured in units of labor-time, are **presumed to exist** and to **determine** the exchange-values of commodities, and ultimately to determine the prices of commodities, as represented by the horizontal arrow from Sections 1 and 2 to Section 3 in Diagram 1.[7]

Reuten says very little about **Section 3** of Chapter 1, the crucial section in which Marx first derived the concept of money, as the necessary form of appearance of abstract labor and SNLT. There are a few scattered comments about Section 3, but no discussion of the details of Marx's logic in this crucial section. This is unfortunate because a full understanding of Marx's theory of money in Chapter 3 would seem to require an understanding of the prior development of Marx's theory of money in Section 3 of Chapter 1, and how Chapter 3 is related to this prior section in Chapter 1.

Reuten states briefly that Section 3 of Chapter 1 posits the “form of money”, but not “money itself - i.e. its systematic existence - which is derived in Chapter 3” (p. 79). However, the difference between the “positing the form of money” and “deriving the systematic existence” of money is not explained. In Section 3 of Chapter 1, as we have seen, money is derived as the necessary form of appearance of abstract labor and SNLT. Is not this the “systematic existence” of money?

I do not see how one could conclude on the basis of the text that there is no quantitative labor theory of value in Chapter 1. We saw above that Marx discussed at length the “quantitative determinancy” of the simple form of value in a subsection of Section 3 of Chapter 1 (pp. 144-46), which ultimately applies to the quantitative determination of prices by quantities of SNLT, as in equation (1). How does one interpret this subsection, except as a quantitative labor theory of value? Quantities of SNLT are **presupposed to exist**, and these presupposed quantities of SNLT are assumed to change, and these changes of SNLT **cause** or **determine** changes in the exchange-value of the linen in terms of coats. Why is this not a quantitative labor theory of value?

2.2 Chapter 3

Reuten presents several passages from Section 1 of Chapter 3 and one passage from Section 3 of Chapter 3 to support his "value-form" interpretation of Marx's theory of value and money in Part 1. This subsection examines in detail each of these passages in turn.

1. Reuten acknowledges (p. 81-2) that the opening paragraphs of Chapter 3 (**C.I. 188**, discussed on p.10 above) provide **evidence for the contrary interpretation** that "it is not money that renders commodities commensurable", but rather commodities are "themselves commensurable", because of the "objectified human labour" contained in them, and money as the "measure of value" means that money is the "necessary form of appearance" of this objectified human labour. However, Reuten dismisses these important introductory paragraphs as a holdover from Chapter 1 that is "superseded" in Chapter 3. I argue, to the contrary, that Marx gives no hint of such a fundamental change to come later in Chapter 3. Surely, if Marx had intended to completely overturn this important point (whether commodities are "themselves commensurable" or made commensurable by money as the measure of value) within a few pages, he would have alerted readers to this coming important change. But Marx gives no hint of such an impending change. Furthermore, if Marx did make such an important change later in the chapter, then surely he would have pointed out and emphasized this change. But we will see below there is not a word later in the chapter about such a fundamental change in his meaning of money as measure of value.

It seems clear that this key transition paragraph as it stands emphasizes that the prior conclusion derived in Section 3 of Chapter 1 (that abstract labor-time exists as distinct entities from money and that money is the necessary form of appearance of this abstract labor-time) will be the basis for the analysis of the functions of money in Chapter 3, and of money as the measure of value in particular. Money as the **measure of value** means to indirectly represent the unobservable quantities of SNLT contained in commodities by observable quantities of money that **contain the same amount of SNLT**.

2. Reuten argues that throughout Chapter 3 Marx uses the German word ***veraußerlichen***, which Reuten translates as "to **outer**" or "**outering**", instead of "**to sell**", because the usual German word for "to sell" is ***verkaufen*** (a word that Marx also uses in Chapter 3). Reuten argues further that the root word "**outer**" (***außer***) suggests an "**inner**", which in turn suggests Hegel's philosophy, in which the "outer" and the "inner" are two moments of a totality that can be distinguished, but belong inseparably together (p. 80).[8]

I agree (of course) that Marx's theory of value is constructed in terms of the "inner" substance of value (abstract labor) and the "outer" form of appearance of value (money), and that the "inner" is necessarily connected to the "outer". However, this necessary connection between the "inner" and the "outer" in Marx's theory of value and money **does not support Reuten's interpretation** that the inner substance of abstract labor does not exist as definite quantities, nor that value exists quantitatively only as money prices. Indeed, as we have seen above, a crucial dimension of the "necessary connection" between the "inner" and the "outer" of value in Marx's theory is the expression of unobservable **quantities** of SNLT as observable money prices.

We have seen above that the expression of quantities of SNLT contained in commodities in terms of their gold-prices prior to actual circulation is an **imaginary act** that does not require that real gold be present. However, this imaginary act of exchange must be followed by a **real act** of exchange of commodities for gold (or a token-representative of gold). The real acts of exchange of commodities for money and vice versa is the subject of Section 2 of Chapter 3, on money as the "means of circulation". Marx states in the last paragraph of Section 1 the following transition to Section 2:

> The price-form therefore implies both the **exchangeability [***Veraußerlichkeit*] of commodities for money and the **necessity of exchanges** [*Veraußerrung*]... **Hard cash** lurks within the ideal measure of value. (C.I. 198)

Reuten quotes the first of these two sentences and argues that the German word ***Veraußerlichkeit*** that is translated "**exchangeability**" in this sentence should instead by translated "**extroversibility**", and the German word ***Veraußerrung*** that is translated "**exchanges**" should instead be translated "**extroversions**" (p. 80). I am not sure if Reuten's emphasis on "extroversion" instead of "exchange" is correct here, since Marx's point is that real acts of exchange must take place after the imaginary expression of prices, as the transition to Section 2 in which the real actual exchange process is analyzed.

However that might be, even if Reuten's translation of "**extroversion**" is accepted, this sentence **does not support his general interpretation** that the "introversive" substance of value (abstract labor) does not exist as definite quantities (SNLT). Nothing in this sentence suggests that abstract labor does not exist as quantities. This sentence simply states that the price form implies both that commodities are exchangeable or ("extroversible"?) and that commodities must necessarily be exchanged or ("extroversed?"), leading to the analysis of actual exchanges (and "hard cash") in Section 2.

3. One of the main passages of textual evidence that Reuten presents to support his interpretation is part of a paragraph on pp. **189-90** (discussed above on p. 11), two paragraphs after the important opening paragraphs just discussed (he calls this passage "**programmatic**"):

> The price or money-form of commodities is, like their form of value generally, quite distinct from their palpable and real bodily form; it is therefore a purely ideal or notional form. Although **invisible**, the value of iron, linen and corn [i.e. the labor-time contained in them] **exists** in these very articles: it is **signified** [***vorgestellt***] through their equality with gold, even though this relation with gold exists only in their heads, so to speak. The guardian of the commodities must therefore lend them his tongue, or hang a ticket on them, in order to communicate their prices to the outside world. Since the expression of the value of commodities in gold is a **purely ideal act**, we may use purely **imaginary or ideal gold** to perform this operation... In its function as measure of value, money therefore serves only in an **imaginary or ideal capacity**. (C.I. 189; brackets added)

Reuten argues that this passage demonstrates three points: (1) that the *value* of an entity is a purely ideal form of its existence (which "denies ontologically real embodiment"); (2) that the measurement in terms of money is an *ideal* act, performed through an *imaginary* equalization with money; and (3) this equalization is performed with imaginary money (pp. 86-7).

I agree with last two of these three points about this passage (as discussed above), but I am not entirely sure what the first point means. I presume that it means, consistent with the rest of the paper, that abstract labor **does not exist as quantities** separately from the equalization of commodities with money.

Reuten argues that the German word ***vorgestellt*** that is translated "**signified**" in the second sentence of this passage should instead be translated "**imagined**", which he interprets to imply that the value of commodities does not exist quantitatively except as money. I argue, to the contrary, that this is not the meaning of this sentence. In the International Publishers' edition of Volume 1, the word ***vorgestellt*** is translated "**ideally made perceptible**" (C.I (IP): 95), which I think is closer to Marx's meaning of this sentence. This sentence begins with the statement that the value of commodities "**exists**", but is "**invisible**"; then the sentence goes on to say that this invisible value of commodities is **made visible**, but in an **ideal** form, through an **imaginary exchange with money**.[9] This sentence does **not** say that the value of commodities does not exist quantitatively except as money; rather it says that the value of commodities **exists**, but is **invisible**, and is **made visible** only as money. What is "imaginary" is not the **existence** of the value of commodities, but rather the **expression** of the existing, but invisible, value of commodities as **imaginary** quantities of money. This meaning of ***vorgestellt*** as an **imaginary expression** of value is further suggested by Marx's descriptive language in the next sentence, which states that the commodity-owner must "lend them [the commodities] his **tongue**, or **hang a ticket** on them, in order to **communicate** their prices to the outside world." The point here is the **expression** ("**communication**") of existing value by means of prices, not whether or not value **exists** as SNLT independently of prices.

The term "**value**" in this sentence is somewhat ambiguous, because, as we have seen, "value" has three dimensions: substance, magnitude and form of appearance. However, it seems clear that "value" in this sentence refers to the **substance** and **magnitude** of value (abstract labor and socially necessary labor-time), which is **invisible**, but which is "**ideally made perceptible"** through equality with an imaginary quantity of gold **that contains the same amount of abstract labor,** as developed in Section 3 of Chapter 1, and summarized two paragraphs earlier at the beginning of Chapter 3, discussed above.

Furthermore, Marx explicitly states **later in the same paragraph** that by value he means a "**quantity of human labor**", i.e. the substance/magnitude of value (this passage is quoted at greater length above, on p. 11):

> The **value,** i.e. the **quantity of human labour**, which is contained in a ton of iron is **expressed** by an **imaginary** quantity of the money commodity **which contains the same amount of labour**. (C.I. 190)

The meaning of value in this passage would seem to be crystal clear, as does the relation between human labor and the money commodity. Quantities of human labor are presumed to exist, and to be indirectly **expressed** (i.e. "ideally made perceptible") by imaginary quantities of the money commodity that contain the same quantity of labor-time.

The meaning of "value" in this sentence toward the end of this paragraph suggests that "value" at the beginning of this paragraph quoted by Reuten means the same thing, i.e. it means the substance/magnitude of value (quantity of abstract labor), which **exists**, but is **invisible**, and which is **ideally made perceptible** through an imaginary equalization with the money commodity that contains the same amount of labor. Marx is certainly **not** saying in this passage that abstract labor does not exist as quantities separately from its equality with the money commodity, but is instead saying that the existing, but unobservable, quantities of abstract labor must be **expressed** as observable quantities of money.

As discussed above (p. 11), the main point of the end of this paragraph is that the **prices of commodities depend on the actual commodity that serves as the money commodity**, because prices depend in part on the labor-time contained in the money commodity (e.g. $\mathbf{L_g}$ in equation 1). This point presumes that quantities of abstract labor exist, both in the money commodity and in all other commodities, measured in hours, etc, although invisible. If the function of money as measure of value had nothing to do with the labor-times contained in the money commodity and in other commodities (as Reuten argues), then **why would it make a difference to the magnitude of prices which commodity served as the measure of value**?

Therefore, this "programmatic" passage **does not support Reuten's interpretation** that abstract labor and socially necessary labor-time are not presumed to exist as distinct quantities. Rather, the paragraph as a whole, both the beginning and the end, **supports the opposite interpretation** - that Marx assumed that abstract labor and socially necessary labor-time exist as quantities, but are invisible, and therefore require money as their objective form of appearance, or their indirect observable measure.

4. The only textual evidence presented by Reuten to support his novel interpretation of money as the **"measure" of value** is the following sentence, which comes in Marx's text two pages after the paragraph just discussed:

> As the measure of value it [money] serves to **convert [*verwandln*]** the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price it measures those quantities of gold. (C.I. 192; brackets added)

Reuten puts considerable weight on the word "convert" in this sentence. The German word is ***verwandln***, which Reuten translates instead as "**transform**". Reuten argues that the word **transform** in this sentence suggests the method of "**conceptual development**" (or "**systematic development**"), according to which the **act of measuring** commodities by money "**transforms**" the non-quantitative **qualitative substance** of value (abstract labor) into **quantitative magnitudes** of value as money prices. Before the act of measurement by money, commodities are **not commensurable** as values. But the act of measurement by money **transforms** the commodities into commensurable magnitudes as money-prices. In short, **money makes commodities commensurable** (pp. 87-8).

I argue that Reuten has fundamentally misinterpreted this passage and misunderstood the nature of the conversion or transformation that takes place as a result of the measurement of value by money. To serve as the measure of value means, as we have seen above, to measure the labor-time contained in other commodities (e.g. a ton of iron) by a quantity of the money commodity (e.g. gold) **that contains the same amount of labor**. The conversion or transformation that Marx is talking about here is **not** the transformation of the **non-quantitative and incommensurable substance** of value (abstract labor) into **quantitative and commensurable magnitudes** (money prices), but is instead the transformation of **existing** and **commensurable**, but **invisible**, **quantities** of abstract labor-time into **visible quantities** of money-prices.

My interpretation of the meaning of convert or transform in this sentence is consistent with everything Marx has written up to this point (p. 192) in the first three chapters of Volume 1, including especially the important introductory paragraphs four pages earlier (p. 188, discussed above on p. 10), in which Marx emphasizes that "**it is not money that renders commodities commensurable**. Quite the contrary." [!] Commodities are themselves inherently commensurable, because of the objectified human abstract labor contained in them. "Money as a **measure of value** is the necessary form of appearance of the measure of value immanent in commodities, namely **labor-time**." This key paragraph explicitly and emphatically contradicts Reuten's interpretation of **transform** and **measure of value** four pages later.[10]

Reuten argues that this meaning of money as the measure of value on p. 188 is "**superseded**" by the sentence he quotes on p. 192. However, Marx says nothing in this sentence on p. 192 (or anywhere else) about changing his meaning of money as the measure of value. Surely, if Marx had intended to change his meaning of this key concept so radically, he would have discussed this fundamental change at length, and the reasons for it, not just an oblique comment (at best) in one sentence. Therefore, it is much more reasonable to interpret the meaning of "measure of value" on p. 192 as the same as on p. 188, i.e. as the indirect representation of unobservable quantities of labor-time contained in commodities by observable quantities of the money commodity.

Furthermore, Reuten's interpretation of the meaning of money as measure of value in his sentence is also contradicted by the last sentence **in the same paragraph**, which states that:

> ... gold can serve as the measure of value **only because it is itself a product of labor** ...(C.I. 193)

Marx argues that the measure of value must itself be a product of labor, because to serve as the measure of value means to measure the labor-time contained in commodities by quantities of the money commodity **that contain the same amount of labor-time**. If gold did not contain labor-time, then gold could not be equated with other commodities in terms of labor-time, and thus could not function as the measure of value (at least at the high level of abstraction of Part 1 of Volume 1). If the function of money as measure of value had nothing to do with the quantities of labor-times contained in the money commodity and in other commodities (as Reuten argues), then there would be no need for the measure of value to be a commodity, and Marx's argument would be nonsense.[11]

Similarly, Reuten's interpretation of the meaning of money as measure of value in his sentence is also contradicted by the **next paragraph** in which Marx states:

> Moreover, a change in the value of gold [i.e. the labor-time contained in gold] does not prevent it from fulfilling its function as measure of value. (C.I.193; brackets added)

A change in the labor-time contained in gold does not prevent gold from functioning as measure of value, because the labor-times contained in commodities can still be expressed in terms of quantities of gold **that contain the same amount of labor-time**, even though the quantities of gold that contain the same amount of labor have changed. If the function of money as measure of value had nothing to do with the labor-times contained in the money commodity and in other commodities (as Reuten argues), then the question of the effect of a change in the labor-time contained in the money commodity on its function as measure of value would never even arise.

Finally, Reuten's interpretation of money as the measure of value is also contradicted by the very clear and strong statement on the **next page** (p. 193), discussed above (pp. 13), in which Marx states that he is still assuming in Chapter 3 that **prices are determined in the same way as in Chapter 1** - i.e. by quantities of socially necessary labor-times. These quantities of socially necessary labor-times are **assumed to exist** in commodities, and changes in prices are **caused** or **determined** by changes in the quantities of these socially necessary labor-times contained either in the money commodity or in other commodities, or both.

Therefore, I conclude that Reuten's interpretation of Marx's theory of money as the "measure of value" is not even supported by the one sentence that he quotes. Plus, his interpretation of "measure of value" in this sentence is contradicted by everything Marx wrote about the relation between abstract labor and money up to this point in the first three chapters of Volume 1, including all the passages we have reviewed above from Section 1 of Chapter 3 on money as the measure of value and the determination of money-prices by quantities of SNLT.

5. Reuten also argues that the fact that things can have a price without have a value is evidence against a quantitative labor theory of value, in which quantities of SNLT determine prices. Reuten presents two passages to support this point (pp. 89-90).

The first passage is the last two sentences on p. **196** (quoted above on p. 13). This passage is about the "quantitative incongruities" between values and prices, due to supply and demand, and thus does not really support the point that entities may have a price without having a value (i.e. without requiring labor). I have already discussed this passage above. The fact that actual market prices deviate from long-run equilibrium prices does not contradict Marx's labor theory of prices presented in Section 1 of Chapter 3, because this theory is about the long-run equilibrium price of commodities, not the actual market prices (which fluctuate around the long-run average prices). The quantities of SNLT contained in commodities determine the long-run equilibrium prices of commodities, not their actual market prices.

Reuten's second passage is on p. **197**, and was also discussed above (on p. 13-14). This passage is about things that have a price without having a value. One of the examples in this paragraph is uncultivated land, which has a price without having been produced by labor. I discussed above how Marx eventually explains the price of land in Part 6 of Volume 3 (as capitalized rent), and how this theory is based ultimately on the labor theory of price presented in Part 1 of Volume 1, and thus is consistent with the latter. The price of land cannot be explained at the high level of abstraction of Part 1 of Volume 1, because the price of land is a more concrete phenomenon, whose explanation requires other variables that have not yet been determined in Part 1 (e.g. rent, as a part of surplus-value).

Reuten quotes the following sentence from this paragraph, about the price of "conscience, honor, etc", what he generalizes as the price of "goodwill":

> Things which in and for themselves are not commodities, things such as conscience, honor, etc. can formally speaking, have a price without having a value. (C.I. 197)

I don't know of any place where Marx discusses the price of these kinds of "goodwill", but I think the explanation that would be essentially the same as the price of land. The price of "goodwill" is also a more concrete phenomenon, that cannot be explained at the high level of abstraction of Part 1 of Volume 1, but could be explained at a lower level of abstraction. "Goodwill" can perceived as a source of future income (analogous to rent). According to Marx's theory, the ultimate source of the income from goodwill is the surplus-value produced by workers (just as the ultimate source of rent is this surplus-value). This income from goodwill is distributed to the owners of this goodwill through the price mechanism. The price of goodwill would then be determined by the capitalization of this expected future income flow (i.e. by the "present discounted value" of this expected future income flow, analogous to the price of land).

Surely Marx is not suggesting in this passage that the labor theory of price developed thus far in Part 1 should be abandoned because of this phenomenon of the price of "honor", etc. Rather, Marx is calling attention (as he often did) to this more concrete phenomenon, which appears to contradict the labor theory of prices presented thus far, but which will be (or could be) eventually explained at lower levels of abstraction, on the basis this labor theory.

6. To **summarize** this examination of the textual evidence from **Section 1 of Chapter 3** presented by Reuten to support his interpretation (1) that quantities of SNLT are not presumed to exist in labor-time units, independently of money; (2) that money as the measure of value means to "**transform**" the value of commodities from a **qualitative substance** (abstract labor) into **quantitative magnitudes** (money prices), i.e. that money creates the commensurability of commodities and makes the value of commodities quantifiable, and therefore that (3) Marx does not present a quantitative labor theory of value in Part 1:

In general, Reuten's **textual evidence is extremely weak**, and does not support his conclusions. Only a few brief passages are presented. None of these passages explicitly states that abstract labor is not quantifiable in units of labor-time (SNLT). All these passages can be interpreted differently and more reasonably, and more consistently with the rest of what Marx wrote in Section 1, as demonstrated above.

Indeed, there is considerable textual evidence from Section 1 that **directly contradicts** Reuten's interpretation, and explicitly discusses quantities of SNLT, which are presumed to exist in units of labor-time and to determine money-prices. (C.I. 188, 190, 192, 193, 195) Indeed, the main subject of Section 1 is an elaboration of Marx's **labor theory of prices**, derived previously in Section 3 of Chapter 1. This abstract labor theory of prices presumes that quantities of SNLT exist, both in the money commodity and in all other commodities, and that prices are determined by the ratios of these presupposed quantities of abstract labor-time, as expressed algebraically by equation (1). Much of the chapter is devoted to an analysis of the effects of changes in the SNLT contained in the money commodity on the prices of commodities. Reuten's interpretation completely ignores all these passages about the prices of commodities being dependent on the quantities of labor-time contained in them and in the money commodity, and just takes prices as given, with no theory of determination or explanation.

Only one of the five passages quoted by Reuten explicitly discusses money as the **measure of value** (p. 192), and that one sentence does not support Reuten's interpretation. Furthermore, Reuten's interpretation of this sentence is contradicted by the last sentence in the same paragraph, and also by the next two paragraphs (and by all the other textual evidence from Section 1 discussed above). This sentence does not suggest in any way (nor does any other passage in Section 1) that Marx's clear and emphatic summary of the function of money as the measure of value at the beginning of Section 1 is "superseded" later in Section 1. Therefore, it should be concluded that Marx's meaning of money as the measure of value at the beginning of Section 1 – the indirect observable representation of the existing, but unobservable quantities of SNLT contained in all other commodities - is maintained throughout Section 1 (and beyond).

Reuten's arguments rely heavily on his translations and interpretations of three key words: ***verwandln***, which Reuten translates as **transform** instead of **convert**; ***veraußerlichen***, which he translates as "to **outer**" instead of to **exchange**; and ***vorgestellt***, which he translates as **imagined** instead of **signified**. However, these different translations do not support Reuten's conclusions. Even if ***verwandln*** is translated as **transform** instead of convert, this does not imply (or even hint) that the meaning of money as "measure of value" is to **transform** a non-quantitative substance (abstract labor) into quantitative magnitudes (money prices). Similarly, even if ***veraußerlichen*** is translated as "to **outer**" instead of to exchange, this does not imply (or even hint) that the substance of value (abstract labor) is not presumed to exist in definite quantities (SNLT). Finally, Reuten's translation of ***vorgestellt*** as **imagined** does not convey Marx's meaning as accurately as **ideally made perceptible**. What is imagined is not the **existence** of the abstract labor and the SNLT contained in commodities, but rather the **expression** of abstract labor and SNLT in terms of imaginary quantities of gold, prior to the actual exchange.

And, on the other side of the ledger, there is **so much other textual evidence** (both in Section 1 of Chapter 3 and elsewhere) to **support the opposite interpretation**: that the substance of value (abstract labor) **does exist** in **quantities** of labor-time (SNLT), but these quantities of SNLT are invisible, and therefore must be transformed into (i.e. expressed as) observable quantities of money.

7. Reuten quotes one other piece of textual evidence from Chapter 3 - the following two sentences in the introduction to subsection (c) of Section 3 on **world money**:

> It is in the world market that money first functions to its full extent as the commodity whose **natural form** is also the directly **social form of realization [*Verwicklichungsform*] of human labor in the abstract.** Its mode of existence becomes adequate to its concept. (C.I. 240-41; emphasis added by me)

Reuten argues that this passage "provides a textual confirmation" of the main thesis of his paper, the "ex-ante immeasurability of abstract labor" (p. 90). He argues that the translation of the German word ***Verwicklichungsform*** as "realization" is misleading, because it suggests the sale of commodities. Instead, the translation should be "**actualization**", so that the last part of the first sentence should be interpreted to mean: "bullion is *being* the immediate form of human labor in the abstract." Reuten interprets the second sentence in a similar way, to mean: "Bullion *is* the immediate form of abstract labor."

I argue that this passage does **not** "provide a textual confirmation" of the main thesis of Reuten's paper, that abstract labor is immeasurable. It certainly does not state this point explicitly. Rather, as I argued above (p. 15), these sentences state that **world money is the most perfect form of existence of money**, and, since money is the form of appearance of abstract labor, world money is the **most perfect form of appearance of abstract labor**. [12]

Marx is not saying anything in the sentences quoted by Reuten about the immeasurability of abstract labor. What Marx is saying about abstract labor in these sentences is that money is the commodity whose **natural, bodily form** (e.g. gold bullion) functions as the **form of appearance, the direct embodiment, of abstract labor**. Marx first discussed this characteristic of money in Section 3 of Chapter 1, as the first of three "peculiarities of the equivalent form". Marx described this first peculiarity as follows:

> The first peculiarity that strikes us when we reflect on the equivalent form is that, **that use-value becomes the form of appearance of it opposite, value**… Since a commodity cannot be related to itself as equivalent, and therefore cannot make its own physical shape into the expression of its own value, it must be related to another commodity as equivalent, and therefore must make the physical shape of another commodity into its own value-form. (C.I. 148) [13]
>
> The **body of the commodity** which serves as the equivalent always figures as the **embodiment of abstract human labour**… (C.I. 150)
>
> The **physical form of the linen** [as the universal equivalent] counts as the **visible incarnation, the social chrysalis state, of all human labour**. (C.I. 159; brackets added)

The first sentence on world money quoted by Reuten says essentially the same thing - that money is the commodity whose **bodily form** functions as the direct **embodiment** or **visible incarnation** or **realization** or **actualization** of **abstract human labor**. The second sentence adds that world money is the most perfect form of existence of money, and thus the most perfect form of appearance of abstract labor, because world money is truly abstract and universal. Neither of these sentences suggests that abstract labor does not exist as definite quantities. Rather, in all these passages, abstract labor is assumed to exist in definite quantities, although invisible, and money functions as the observable form of appearance of these invisible quantities of abstract labor. And world money is the most perfect form of appearance of abstract labor, because universal abstract labor is best represented by universal world money.

3 ABSTRACT LABOR DISAPPEARS?

Reuten also argues that, after the introduction of money in Chapter 3, the concept of abstract labor **disappears** and is used only twice more in all the three volumes of *Capital*, which indicates (he argues) that the concept of abstract labour **no longer plays a role in the theory** (p. 83). According to this interpretation, the concept of abstract labor is used in Chapter 1 as a kind of temporary, incomplete place-holder for money (an "initiating simplification"; p. 85), and once money is derived in Chapter 3, abstract labor is no longer necessary to the theory.

It is true that the term "abstract labor" is seldom used explicitly after Chapter 1. However the **concept** of abstract labor continues to be used in the rest of the three volumes, and must necessarily continue to be used. Otherwise, Marx's theory would be left **without a theory of value** and surplus-value. As we saw above in Section 1, Marx clearly and emphatically defined the concept of **abstract labor** as labor in its capacity to produce **value** (as opposed to **concrete labor**, which is labor in its capacity to produce **use-values**). Therefore, since abstract labor is labor as it produces value, if abstract labor "disappears", then Marx's theory of value and surplus-value would disappear also.

Furthermore, labor as it produces value must be **homogeneous** labor, which means that it must be abstract labor and cannot be **heterogeneous** concrete labor. If different kinds of labor are to be added together and compared as quantities, then they must be reduced to the **same kind of labor**, i.e. to homogeneous abstract labor. In the determination of the value of commodities, the amount of value produced by an hour of one kind of labor must be comparable to (equal to, greater than, or less than) the amount of value produced by an hour of all other kinds of labor. Such a quantitative comparison requires that all the different kinds of labor must be reduced to homogeneous units of abstract labor.[14]

The Appendix to this paper reexamines the role of the concept of abstract labor in **Chapter 7** of Volume 1, the key chapter in which Marx's basic theory of surplus-value is presented. If Reuten is correct about the "disappearance" of the concept of abstract labor after Chapter 3, then this concept should play no role in Marx's theory of surplus-value in Chapter 7. However, the Appendix demonstrates that, although the specific term of abstract labor is not used in Chapter 7, the **concept** of abstract labor, as defined in Chapter 1, as **homogeneous** labor that produces **value**, is the key concept in Chapter 7, and provides Marx's explanation of surplus-value.

In Chapter 7, Marx uses the terms "human labor" and sometimes just "labor". But since Marx's theory of surplus-value is concerned with labor as it produces **value**, these terms necessarily refer implicitly to **homogeneous abstract labor**. Furthermore, Marx uses the concept of "**socially necessary labor-time**" in Chapter 7, and the concept of socially necessary labor-time necessarily implies the concept of abstract labor. Socially necessary labor-time is a quantity of homogeneous human labor, which means that it is a quantity of abstract labor. Abstract labor is the "common social substance" contained in commodities, and socially necessary labor-time is the quantity of this "common social substance".

I think that part of the reason why the term abstract labor hardly appears after Chapter 1 is that Marx's emphasis on the term abstract labor was a rather late terminological addition for Marx.[15] In Chapter 1 of the *Contribution*, the term abstract labor is used only twice (p. 29), and it is not emphasized and contrasted as sharply with concrete labor as in *Capital*. Marx used instead the terms “universal” or “social” or :”human” labor. However, it is clear that the meaning of these terms **– homogeneous** labor as it produces **value –** is the same as “abstract” labor in *Capital*.

In the next two drafts of *Capital* after the *Contribution* (in the manuscript of 1861-63 and the manuscript of 1864-65), Marx began writing with Part 2 of Volume 1 and did not rewrite Part 1 at all, presumably thinking that Part 1 was in roughly final form in the *Contribution*. Even in the manuscript of 1867 that became the first edition of *Capital*, Marx began again with Part 2, and wrote the rest of the book, and then came back to Part 1 as the last part that he finished (see Dussel 2001). And even in the first edition of *Capital*, the emphasis on the term “abstract” labor in Chapter 1 is not as strong as in the later editions, whose translations we are familiar with. Evidently, Marx did not go back through the later parts of *Capital* and add more emphasis on the term “abstract” labor. However, it is clear that anytime Marx is talking about the production of value (and surplus-value), he is talking about **abstract labor**. I imagine that it never occurred to Marx that, in the 21st century, someone would argue that the concept of abstract labor no longer plays a role in his theory after Chapter 1!

CONCLUSION

I conclude from the above that Reuten’s “value-form” interpretation of Part 1 of Volume 1 should be rejected, because it is a fundamental misinterpretation. Contrary to Reuten’s interpretation, Marx clearly does present a **quantitative labor theory of value** in Part 1, according to which the (abstract) long-run equilibrium prices of commodities are determined by the quantities of socially necessary labor-time (SNLT) contained in them. In this theory, the quantities of SNLT contained in commodities, including the money commodity, are presumed to exist, measured in units of hours, days, etc.; and these presupposed quantities of SNLT are assumed to determine the money-prices of commodities, as in equation (1) above.

Also contrary to Reuten’s interpretation, the function of money as the **measure of value** in Marx’s theory means to provide an indirect observable representation of the separately existing, but invisible, quantities of SNLT contained in commodities. It does **not** mean to “**transform**” the non-quantitative substance of value (abstract labor) into quantitative magnitudes (money prices). It does **not** mean that money makes commodities commensurable and the value of commodities quantifiable. Instead, as Marx states so clearly and emphatically at the beginning of Chapter 3: “**It is not money that makes commodities commensurable**. **Quite the contrary**.” To the contrary, commodities are inherently commensurable in themselves, because of the abstract homogeneous labor contained in them. The measurement of the value of commodities by money gives to the unobservable homogeneous abstract labor contained in them an observable, socially recognized **form of appearance**. Money as the measure of value “**makes perceptible**” the inherent commensurability of the abstract labor-time contained in commodities; money does **not create** the commensurability of commodities.

This paper has presented substantial textual evidence from Part 1 to support my interpretation, and there is little or no textual evidence to support Reuten’s “value-form” interpretation.

Reuten argues that when a lady in a baker's shop quotes a price for the bread, that price makes her bread commensurable with all other commodities (p. 13). However, according to Marx's theory reviewed in this paper, it is not the price quoted by the lady that makes her bread commensurable with all other commodities, but rather it is her **labor** (or the labor of whoever baked the bread), considered as homogeneous abstract labor, that makes her bread commensurable. The price "**makes perceptible**" the commensurability of the labor contained in the bread with all other labor; the price does not create the commensurability of commodities.

Appendix
ABSTRACT LABOR IN CHAPTER 7

This Appendix will reexamine the role of the concept of **abstract labor** in Marx's theory in **Chapter 7** of Volume 1, the key chapter in which Marx's basic theory of surplus-value is presented. If Reuten is correct about the "disappearance" of the concept of abstract labor, then this concept should play no role in Marx's theory of surplus-value in Chapter 7. We shall see, to the contrary, that although the specific term of abstract labor is not used in Chapter 7, the **concept** of abstract labor, as defined in Chapter 1, as labor that produces **value**, is the key concept in Chapter 7, and provides the explanation of surplus-value.

Chapter 7 is divided into two sections - "the labour process" (Section 1) and "the valorization process" (i.e. the process of producing surplus-value) (Section 2). These two sections are parallel to the distinction between concrete labor and abstract labor in Chapter 1, even though Marx does not use these specific terms. The labor process is "purposeful activity aimed at the production of **use-values**", and thus the labor employed in the labor process is considered as **concrete** labor. The valorization process is "...aimed at the production of **value** and surplus-value", and thus labor in the valorization process is considered as **abstract** labor.

Marx commented later in the chapter on this parallel between the distinction between labor that produces use-values (i.e. **concrete labor**) and labor that produces value (**abstract labor**), which "we discovered by our analysis of the commodity" (i.e. in Chapter 1), and the two aspects of the capitalist production process analyzed in the two sections of Chapter 7.

> We now see that the difference between labour, considered on the one hand as **producing utilities** [i.e. concrete labour], and on the other hand as **creating value** [i.e. abstract labor], a difference which we **discovered by our analysis of the commodity**, resolves itself into a distinction between two aspects of the production process. (C.I. 304; brackets added)

1. Marx begins Section 2 of Chapter 7 by referring back to his **quantitative labor theory of value** derived in Chapter 1:

> Let us now examine production as a process of **creating value**.
>
> We know that the **value** of each commodity is determined by the **quantity of labour** materialized in its use-value, by the **labour-time socially necessary to produce** it. (C.I. 293)

Since production is being examined as a process of creating **value**, the labor in production is considered as **abstract labor**. Please notice also that the value of commodities is determined by the "labor-time socially necessary to produce" them, i.e. by "**socially necessary labor-time**", as defined in Chapter 1. Since socially necessary labor-time is a quantity of homogeneous abstract labor, the use of the concept of socially necessary labor-time here and throughout Chapter 7 implies the use of the concept of abstract labor.

Marx makes the same point about socially necessary labor-time two pages later, and then again one more page later:

> ... the **labour-time** expended must not exceed what is **necessary** under the given **social conditions of production.** (C.I. 295)
>
> ... only **socially necessary labour-time** counts toward the **creation of value**. (C.I. 296)

2. After referring back to his labor theory of value derived in Chapter 1, Marx then states that this labor theory of value **remains valid** for capitalist production and the production of surplus-value.

> This **rule holds good** in the case of the product handed over to the capitalist as a result of the labour process. Assuming this product to be yarn, **our first step is to calculate the quantity of labour** objectified in it. (C.I. 293)

Please note that the "**first step**" is to "**calculate the quantity of labor**" objectified in the commodity (i.e. the quantity of socially necessary labor-time), in units of labor-hours, separately from money, as one would expect in a labor theory of prices.

Marx then proceeds in the following pages to **calculate the quantity of socially necessary labor-time** (SNLT) contained first in 10 lbs. of yarn and a 6 hour working day, and then in 20 lbs. of yarn and a 12 hour working day. In the first case of 10 lbs. of yarn, Marx calculates that 24 hours of SNLT are contained in the means of production (spindle and yarn) and 6 hours of SNLT in the current working day, for a total of 30 hours of SNLT.

Marx also assumes that the money value produced per hour of SNLT (i.e. the monetary expression of labor-time, or the MELT) is 0.5 shillings per hour, which is equal to the quantity of gold produced per hour of SNLT, which is the inverse of the hours of SNLT contained a unit of gold (i.e. MELT = 1 / L_g = 1 / (2 hrs. per shilling) = 0.5 shilling per hour). Thus, equation (1) above can then be rewritten as:

(2) $$\mathbf{P_i = (MELT)\ L_i}$$

And Marx's first example can be summarized as:

$$\mathbf{15\ s = (0.5\ s/h)\ (30\ h)}$$

Thus we can see that the price of the 10 lbs. of yarn is determined as the product of the **hours of socially necessary labor-time** contained in the yarn and the money value produced per hour of SNLT (the MELT).

This 15 shillings is equal to the costs of production, so there is no surplus-value in this first case.

Marx then considers the second case of a 12 hour working day and the production of 20 lbs. of yarn. In this case, Marx calculates that 48 hours of SNLT are contained in the means of production and 12 hours of SNLT in the current working day, for a total of 60 hours of SNLT.

Assuming again that the money value produced per hour (the MELT) is 0.5 shillings per hour, Marx determines the price of the 20 lbs. of yarn in the same way:

$$\mathbf{30\ s \quad = \quad (0.5\ s/h)\ (60\ h)}$$

In this case, of course, the price is greater than the cost (27 shillings), so that a surplus-value of 3 shillings is the result of the capitalist production process, because the money value produced by a worker a 12 hour day (6s) is greater than the wages the worker is paid for the day (3s).

Thus we can see that the theory of surplus-value presented by Marx in Chapter 7 is clearly a **labor** theory of value and surplus-value, in the sense that quantities of **socially necessary labor-time** are assumed to exist in units of labor-hours (first 30 hours, then 60 hours) separately from money, and these separately existing labor-time quantities are assumed to **determine** the magnitudes of the prices (first 15 shillings, then 30 shillings), as in equation (2). I don't see how there can be any doubt about this logic of the quantitative determination of prices by labor-times in Marx's theory of surplus-value in Chapter 7.

3. Throughout Section 2 of Chapter 7, Marx generally uses the term "labor" without the adjective "abstract" labor, and sometimes without the full descriptor **socially necessary labor-time**. However, Marx made it clear in the passages quoted above that the term "labor" in the theory of value refers to **socially necessary labor-time**, and thus to abstract labor. Socially necessary labor-time is a quantity of abstract labor.

Furthermore, in the following key passage from early in Section 2 of Chapter 7, Marx describes the labor that produces surplus-value **in the same way as he defined abstract labor in Chapter 1** - as labor that produces **value**, that is **homogeneous** and commensurable ("differs in no respect") with all other types of labor, and is assumed to be **definite quantities** that can be calculated.

> We now have to consider this labour from a standpoint quite different from that adopted for the labour process. There we viewed it solely as the activity which has the purpose of changing cotton into yarn ... In that case the labour of the spinner was specifically different from other kinds of productive labour ... Here, on the contrary, where we consider the **labour of the spinner only in so far as it creates value**, i.e. as a source of value, that **labour differs in no respect** ... from the labour of the cotton-planter and the spindle maker ... It is solely by reason of this **identity** that cotton planting, spindle-making and spinning are capable of forming the component parts of one whole, namely the value of the yarn, differing only quantitatively from each other. Here we are no longer concerned with the quality, the character and the content of the labour, but merely with its **quantity**. **And this simply requires to be calculated.** (C.I. 295-96)

4. In addition, Marx explicitly states early in Chapter 7 that the labor in his theory of surplus-value is **simple average labor**, the basic unit in which **abstract labor** and **socially necessary labor-time** are defined in Chapter 1.

> We assume that spinning is **simple labour**, the average labour of a given society. Later it will be seen that the contrary assumption would make no difference. (C.I. 296)

Marx returned to this point about simple labor, as promised, at the end of Chapter 7. In these later paragraphs, we can see that Marx assumed in his theory of surplus-value that an hour of skilled labor (e.g. a jeweler) produces more value than an hour of simple unskilled labor (e.g. produces "***x***" times as much money value), as in Marx's concept of socially necessary labor-time in Chapter 1. Marx argued that this conversion of hours of skilled labor into an equivalent quantity of hours of simple unskilled labor **does not affect the main conclusion** of his theory of surplus-value – that the surplus-value produced by skilled labor is the difference between the money value produced per day and the wages paid per day, just like the surplus-value produced by simple average labor.

> We stated on a previous page that in the valorization process it does not in the least matter whether the labour appropriated by the capitalist is **simple labour** of average social quality, or more complex labour, labour with a higher specific gravity, as it were. All labour, of a higher, or more complicated, character that average labour ... expresses itself in labour of a higher sort, and therefore becomes objectified, during an equal amount of time, in proportionally values. Whatever difference in skill there may be between the labour of a spinner and that of a jeweler, the portion of his labour by which the jeweler merely replaces the value of his own labour-power does not in any way differ in quality from the additional portion by which he creates surplus-value. **In both cases, the surplus-value results only from a quantitative excess of labour,** from a lengthening of one and the same labour-process; in the one case, the process of making jewels, in the other, the process of making yarn. (C.I. 304-05)
>
> But on the other hand, in every process of **creating value, the reduction of the higher type of labour to average social labour,** for instance one day of the former to ***x*** days of the latter, **is unavoidable.** We therefore save ourselves a superfluous operation, and simplify our analysis, by the assumption that the labour of the worker employed by the capitalist is **average simple labour**. (C.I. 306)

5. Thus we can see that, even though Marx did not explicitly use the term "abstract labor" in Chapter 7, the "labor" in his theory of surplus-value in Chapter 7 is explicitly **socially necessary labor-time** and implicitly **abstract labor**, defined in the same way as in Chapter 1 - as labor that produces **value**, and that is **homogeneous** and commensurable, in units of simple average labor, in which skilled labor is converted into equivalent quantities of simple average labor by means of skill multipliers, which are taken as given. Quantities of socially necessary labor-time are assumed to exist and to determine money-prices, and to determine the quantity of surplus-value.

6. This conclusion is reinforced by the opening pages of Chapter 8, in which Marx explicitly uses the term "**abstract labor**" to mean **homogeneous** labor that produces **value**.

> We see therefore that the **addition of new value** takes place not by virtue of his labour being spinning in particular, or joinery in particular, but because it is labour in general, **abstract social labour**; and we see also that the value added is of a **certain definite amount**, not because his labour has a particular useful content, but because it lasts for a **definite length of time**. On the one hand, it is by virtue of its general character as expenditure of **human labour-power in the abstract** that spinning **adds new value** to the values of the cotton and the spindle; and on the other hand, it is be virtue of its special character as a concrete, useful process that the same labour of spinning both transfers the values of the means of production to the product and preserves them in the product. (C.I. 308-09)

Since the labor that produces value is still explicitly defined as **abstract labor** in Chapter 8, it follows that the labor that produces value (and surplus-value) must also be **abstract labor** in Chapter 7, as indeed we saw that it implicitly is.

7. The rest of the three volumes of *Capital* are based on the theory of surplus-value presented in Chapter 7 of Volume 1. Since the concept of abstract labor plays a crucial role in the theory of surplus-value in Chapter 7, as we have seen, then the rest of the three volumes are based indirectly on the concept of abstract labor as well. Any place in the three volumes that Marx talks about labor as the producer of **value** (or surplus-value), then he is talking about **abstract** labor, since abstract labor is by definition labor considered from the point of view of the production of value, and because the labor that produces value must be homogeneous abstract labor.

Nowhere in all the three volumes does Marx say, or even slightly hint, that the labor that produces value and the surplus labor that produces surplus-value is **not** abstract labor. Indeed, as we have just seen, it would contradict his definition of abstract labor to say that the labor that produces value is not abstract labor.

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Diagram 1
MOSELEY'S INTERPRETATIONS OF PART 1

	Chapter 1 Sections 1-2	Chapter 1 Section 3	Chapter 3
FORM OF APPEARANCE	EXCHANGE-VALUES	MONEY PRICES	MONEY PRICES
SUBSTANCE/ MAGNITUDE	ABS. LABOR SNLT	ABS. LABOR SNLT	ABS. LABOR SNLT

Diagram 2
REUTEN'S INTERPRETATIONS OF PART 1

	Chapter 1 Sections 1-2	Chapter 1 Section 3	Chapter 3
SUBSTANCE	**ABS. LABOR**		
FORM OF APPEARANCE		**MONEY**	**MONEY**

ENDNOTES

[1] In a previous paper on the "value-from" interpretation of Marx's theory (Moseley 1997), I have criticized the lack of a quantitative theory of value and surplus-value in this interpretation.

[2] The references to Marx's works in this paper use the following shorthand notation:

C.I	*Capital*, Volume 1, Penguin edition.
C.I (IP)	*Capital*, Volume 1, International Publishers edition.
K.I	Chapter 1 of the First German Edition of Volume 1 (English translation)
G.	*The Grundrisse*
Cont.	*A Contribution to the Critique of Political Economy*
TSV.III	*Theories of Surplus-value*, Volume 3.

[3] In a letter written shortly after the publication of the first edition of Volume 1 of *Capital,* Marx similarly emphasized the importance of the distinction between concrete labor and abstract labor.

"The **best points in my book** are: 1) the ***two-fold character of labour***, according to which it is expressed in use value or exchange value. (**All understanding of the facts depends on this**.) It is emphasized immediately in the *first* chapter..." (SC. 180; bold emphasis added, italicized emphasis in the original, as throughout this paper)

[4] Marx's derivation of the necessity of money from his basic theory of value in Section 3 of Chapter 1 is a unique and very important achievement in the history of economic theory. No other economic theory has been able to do this, before or since; not neoclassical theory, nor Sraffian theory.

[5] De Brunhoff discusses this point in 1973, pp. 26-27.

[6] At the end of Chapter 1 of the *Contribution,* Marx called attention to this phenomenon of the prices of natural forces, which appear to contradict the labor theory of value, and promised to "solve this problem" in his theory of rent:

> The last and apparently decisive objection [to "the determination of exchange-value by labour-time", p. 61] … is this: if exchange-value is nothing but the labour-time contained in a commodity, how does it come about that commodities which contain no labour-time possess exchange-value, in other words, how does the **exchange-value of natural forces** arise? This problem is solved in the theory of **rent**. (Cont. 63)

[7] There may be problems with Marx's assumption of quantities of SNLT, in units of labor-hours (e.g. the reduction of skilled labor to unskilled labor; I myself do not think that this is a serious problem). But that is an separate issue from whether or not Marx presumed these quantities of SNLT in his theory of value and money. I don't see how there could be any doubt that Marx did presume these quantities of SNLT in Chapter 1 (and beyond, as we shall see).

[8] I am not sure what Reuten means by "to outer", and he does not elaborate. In Webster's Unabridged Dictionary, "outer" is listed as an adjective and a noun, but not as a verb.

[9] The German word *vorgestellt* is sometimes translated as "**visualized**", which fits nicely with the **invisibility** of the substance of value referred to at the beginning of Marx's sentence.

[10] Marx makes the same point in the following passage from *Theories of Surplus-Value*:

"But for commodities to **express** their exchange-value independently in money, … the *values of commodities* must **already be presupposed**. Now the point is merely to compare them quantitatively. A ***homogeneity*** which makes them the same – makes them values – which as values makes them qualitatively equal, is **already presupposed** in order that their value and their differences in value can be **represented** in this way… In order to be **represented** in this way, the commodities must ***already*** be ***identical*** as ***values***… Commodities are **already presumed** as values, as *values* distinct from their use-value, before the question of **representing** this value in a special commodity can arise. (TSV.III. 134)

[11] I agree with Martha Campbell (1997) who argues that Marx's argument that money as the measure of value has to be a commodity applies only at the high level of abstraction of simple circulation, and does not apply to lower levels of abstraction, with credit-money, etc.. Credit-money can also function as the indirect measure of the labor-times contained in commodities, but the representation is more complicated (see Moseley 2005a and 2005b for a discussion of non-commodity as the measure of value). But the relevant point here is Marx's argument in Chapter 3 of Volume 1. And the argument is that money as measure of value has to be a commodity, because the measure of value has to possess labor-time in order to indirectly measure the labor-times contained in other commodities, which contradicts Reuten's interpretation.

[12] My interpretation is also supported by a similar passage from the *Critique* on world money:

> Just as in money gold and silver are **universal commodities**, so **world money** is the **appropriate form of existence of the universal commodity** [i.e. of money]. (Cr. 151; brackets added)

And my interpretation is further supported by a similar passage from the *Urtext*, an earlier draft of the *Critique*:

"As treasure and universal means of payment, money becomes the universal means of exchange on the world market, **the universal commodity not only in concept, but also in mode of existence**." (MECW.29. 435; see also pp. 438 and 442 for similar statements about world money as the "most adequate form of existence" of money, the universal commodity)

[13] Marx goes on in the next paragraph to illustrate this point – that the physical body of the equivalent commodity becomes the form of appearance of the labor-times contained in all other commodities – with the example of weight, discussed above on pp. 10-1. In a similar way, the physical body of the iron becomes the form of appearance of the invisible weights of other objects.

[14] Marx makes the same point in the following passages:

"… the magnitudes of different things only become comparable in quantitative terms when they have been **reduced to the same unit**. Only as expressions of the **same unit** do they have a **common denominator**, and are therefore **commensurable magnitudes**." (C.I. 141)

"The labor represented in the product of labor is **only value creating** in so far as it is **undifferentiated human labor**; so that the labor objectified in the value of the product **is in no way distinguished** from the labor objectified in another product." (K.I. xx)

"In order that the commodities may be measured according to the quantity of labour embodied in them – and the measure of the quantity of labour is time – the different kinds of labour contained in the different commodities **must be reduced to uniform, simple labour, average labour, ordinary, unskilled labour**. Only then can the amount of labour embodied in them be measured according to a **common measure**, according to time. The labour, must be **qualitatively equal** so that its differences become merely quantitative, merely differences of magnitude." (TSV.III. 135)

[15] Thanks to Duncan Foley for reminding me of this point.