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Commodity Fetishism

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Written as an introduction to the translation of I. I. Rubin's "Essays on Marx's Theory of Value". Based on a text from the Anarchist Library, with minor correction based on the *Black Rose Book* version (1990). An alternative version can be found on libcom.org. The book itself can be found here.

According to economists whose theories currently prevail in America, economics has replaced political economy, and economics deals with scarcity, prices, and resource allocation. In the definition of Paul Samuelson, "economics or political economy, as it used to be called, is the study of how men and society *choose*, with or without the use of money, to employ *scarce* productive resources, which could have alternative uses, to produce various commodities over time and distribute them for consumption, now and in the future, among various people and groups in society."[1] According to Robert Campbell, "One of the central preoccupations of economics has always been what determines price."[2] In the words of another expert, "Any community, the primers tell us, has to deal with a pervasive economic problem: how to determine the uses of available resources, including not only goods and services that can be employed productively but also other scarce supplies."[3]

If economics is indeed merely a new name for political economy, and if the subject matter which was once covered under the heading of political economy is now covered by economics, then economics has replaced political economy. However, if the subject matter of political economy is not the same as that of economics, then the "replacement" of political economy is actually an omission of a field of knowledge. If economics answers different questions from those raised by political economy, and if the omitted questions refer to the form and the quality of human life within the dominant social-economic system, then this omission can be called a "great evasion".[4]

[1] Paul A. Samuelson, *Economics, An Introductory Analysis*, New York: McGraw Hill, 1967, Seventh Edition, p. 1 and p. 5 (Italics by Samuelson). Samuelson's book is the prototype of the textbook currently used in American universities to teach students the principles of economics.

[2] Robert W. Campbell, "Marx, Kantorovich and Novozhilov: *Stoimost* versus Reality", *Slavic Review*, October, 1961, pp. 402418. Reprinted in Wayne A. Leeman, ed., *Capitalism, Market Socialism and Central Planning*, Boston: Houghton Mifflin, 1963, pp. 102–118, and also in Harry G. Shaffer, The Soviet Economy, New York: Appleton Century-Crofts, 1963, pp. 350–366. Campbell is currently an American Authority on Marxian Economics.

[3] Abram Bergson, *The Economics of Soviet Planning*, New Haven: Yale University Press, 1964, p. 3. Bergson is director of the Russian Research Center at Harvard University and, like Campbell, he is currently an Authority on Marxian Economics.

[4] After the title of William Appleman Williams' *The Great Evasion*, Chicago: Quadrangle Books, 1964. Williams vividly describes some of the techniques of the evasion: "The tactics of escape employed in this headlong dash from reality would fill a manual of equivocation, a handbook of hairsplitting, and a guidebook to changing the subject." (p. 18).

The Soviet economic theorist and historian I.I. Rubin suggested a definition of political economy which has nothing in common with the definitions of economics quoted above. According to Rubin, "Political economy deals with human working activity, not from the standpoint of its technical methods and instruments of labor, but from the standpoint of its social form. It deals with production relations which are established among people in the process of production."[5] In terms of this definition, political economy is not the study of prices or of scarce resources; it is a study of social relations, a study of culture. Political economy asks why the productive forces of society develop within a particular social form, why the machine process unfolds within the context of business enterprise, why industrialization takes the form of capitalist development. Political economy asks how the working activity of people is regulated in a specific, historical form of economy.

The contemporary American definitions of economics quoted earlier clearly deal with different problems, raise different questions, and refer to a different subject matter from that of political economy as defined by Rubin. This means one of two things:

(a) either economics and political economy are two different branches of knowledge, in which case the "replacement" of political economy by economics simply means that the American practitioners of one branch have replaced the other branch, or

(b) economics is indeed the new name for what "used to be called" political economy; in this case, by defining economics as a study of scarcity, prices, and resource allocation, American economists are saying that the production relations among people are not a legitimate subject for study. In this case the economists quoted above are setting themselves up as the legislators over what is, and what is not, a legitimate topic for intellectual concern; they are defining the limits of American knowledge. This type of intellectual legislation has led to predictable consequences in other societies and at other times: it has led to total ignorance in the excluded field of knowledge, and it has led to large gaps and blind spots in related fields of knowledge.

A justification for the omission of political economy from American knowledge has been given by Samuelson. In the balanced, objective language of an American professor, Samuelson says: "A billion people, one-third of the world's population, blindly regard *Das Kapital* as economic gospel. And yet, without the disciplined study of economic science, how can anyone form a reasoned opinion about the merits or lack of merits in the classical, traditional economics?"[6] If "a billion people" regard *Das Kapital* "as economic gospel" it is clearly relevant to ask why only a few million Americans regard Samuelson's *Economics* "as economic gospel". Perhaps a balanced objective answer might be that "a billion people" find little that is relevant or meaningful in Samuelson's celebrations of American capitalism and his exercises in two-dimensional geometry, whereas the few million Americans have no choice but to learn the "merits in the classical, traditional economics". Samuelson's rhetorical question – "And yet, without the disciplined study of economic science, how can anyone form a reasoned opinion about the merits" – is clearly a two-edged sword, since it can be asked about any major economic theory, not merely Samuelson's: and it clearly

[5] I. I. Rubin, *Ocherki po teorii stoimosti Marksa*, Moskva: Gosudarstvennoe Izdatel'stvo, 3rd edition, 1928, p. 41; present translation, p. 31. Rubin's book was not re-issued in the Soviet Union after 1928, and it has never before been translated. Future page citations in this *Introduction* refer to the present translation.

[6] Samuelson, *op. cit.*, p. 1.

behooves the student to draw his own conclusion and make his own choice after a "disciplined study" of all the major economic theories, not merely Samuelson's.

Although Samuelson, in his introductory textbook, devotes a great deal of attention to Marx, this essay will show that Samuelson's treatment hardly amounts to a "disciplined study" of Marx's political economy.

The present essay will outline some of the central themes of Marx's political economy, particularly the themes which are treated in Rubin's *Essays on Marx's Theory of Value*. Rubin's book is a comprehensive, tightly argued exposition of the core of Marx's work, the theory of commodity fetishism and the theory of value. Rubin clarifies misconceptions which have resulted, and still result, from superficial readings and evasive treatments of Marx's work.

Marx's principal aim was not to study scarcity, or to explain price, or to allocate resources, but to analyze how the working activity of people is regulated in a capitalist economy. The subject of the analysis is a determined social structure, a particular culture, namely commodity-capitalism, a social form of economy in which the relations among people are not regulated directly, but through things. Consequently, "the specific character of economic theory as a science which deals with the commodity capitalist economy lies precisely in the fact that it deals with production relations which acquire material forms." (Rubin, p. 47).

Marx's central concern was human creative activity, particularly the determinants, the regulators which shape this activity in the capitalist form of economy. Rubin's thorough study makes it clear that this was not merely the central concern of the "young Marx" or of the "old Marx", but that it remained central to Marx in all his theoretical and historical works, which extend over half a century. Rubin shows that this theme gives the unity of a single work to fifty years of research and writing, that this theme is the content of the labor theory of value, and thus that Marx's economic theory can be understood only within the framework of this central theme. Marx's vast *opus* is not a series of disconnected episodes, each with specific problems which are later abandoned. Consequently, the frequently drawn contrast between an "idealistic young Marx" concerned with the philosophical problems of human existence, and a "realistic old Marx" concerned with technical economic problems,[7]is superficial and misses the essential unity of Marx's entire *opus*. Rubin shows that the central themes of the "young Marx" were being still further refined in the final pages of Marx's last published work; Marx continually sharpened his concepts and frequently changed his terminology, but his concerns were not replaced. Rubin demonstrates this by tracing the central themes of works which Marx wrote in the early 1840's through the third volume of *Capital*, published by Engels in 1894.

In the different periods of his productive life, Marx expressed his concern with human creativity through different, though related, concepts. In his early works, Marx unified his ideas around the concept of "alienation" or "estrangement". Later, when Marx refined his ideas of "reified" or "congealed" labor, the theory of commodity fetishism provided a focus, a unifying framework for his analysis. In Marx's later work, the theory of commodity fetishism, namely the theory of a society in which relations among people take the form of relations among things, the theory of a society

[7] For example: "Curiously enough, it was the very young Marx (writing in the early 1840's) who developed ideas very much in the mood of other systems of thought that have such great appeal to the mentality of the 1950's and 1960's: psychoanalysis, existentialism, and Zen Buddhism. And contrariwise, the work of the mature Marx, which stressed economic and political analysis, has been less compelling to intellectuals of the advanced Western nations since the end of World War II." Robert Blamer, *Alienation and Freedom*: *The Factory Worker and His Industry*, Chicago: University of Chicago Press, 1964, p. I.

in which production relations are reified, becomes Marx's "general theory of production relations of the commodity-capitalist economy". (Rubin, p. 3). Thus Marx's theory of value, the most frequently criticized part of his political economy, can only be understood within the context of the theory of commodity fetishism, or in Rubin's words, the "ground of Marx's theory of value can only be given on the basis of his theory of commodity fetishism, which analyzes the general structure of the commodity economy". (p. 61)

This essay will examine the relationship between the concept of alienation, the theory of commodity fetishism and the theory of value, and it will be shown that the three formulations are approaches to the same problem: the determination of the creative activity of people in the capitalist form of economy. This examination will show that Marx had no interest per se in defining a standard of value, in developing a theory of price isolated from a historically specific mode of production, or in the efficient allocation of resources. Marx's work is a critical analysis of how people are regulated in the capitalist economy; it is not a handbook on how to regulate people and things. The subtitle of Marx's three volume *Capital* is "Critique of Political Economy", and not "Manual for Efficient Management". This does not mean that Marx did not consider problems of resource allocation important; it means that he did not consider them the central concern of political economy, a science of social relations.

Marx's first approach to the analysis of social relations in capitalist society was through the concept of alienation, or estrangement. Although he adopted the concept from Hegel, already in his earliest works Marx was critical of the content which Hegel gave to the concept. "For Hegel the *essence of man – man – equals self-consciousness*. All estrangement of the human essence is therefore *nothing but estrangement of self-consciousness*."[8] For Marx in 1844, Hegel's treatment of consciousness as man's essence is "a hidden and mystifying criticism", but Marx observes that "inasmuch as it grasps steadily man's estrangement, even though man appears only in the shape of mind, there lie concealed in it all the elements of criticism, already prepared and elaborated in a manner often rising far above the Hegelian standpoint."[9] Thus Marx adopts the concept of "estrangement" as a powerful tool for analysis, even though he does not agree with Hegel about what is estranged, namely he does not agree that thinking is the essence of man. For Marx in 1844, man's essence is larger than thought, larger than self-consciousness; it is man's creative activity, his labor, in all its aspects. Marx considers consciousness to be only one aspect of man's creative activity. Thus, while he concedes that Hegel "grasps labor as the essence of man," he points out that "The only labor which Hegel knows and recognizes is *abstractly mental* labor".[10] But Hegel does not only define self-consciousness as man's essence; he then proceeds to accommodate himself to alienated, externalized modes of consciousness, namely to religion, philosophy and state power; Hegel "confirms this in its alienated shape and passes it off as his true mode of being reestablishes it, and pretends to be at home in his other-being as such. Thus, for instance, after annulling and superseding religion, after recognizing religion to be a product of self-alienation, he yet finds confirmation of himself in religion as religion. Here is the root of Hegel's false positivism, or of his merely *apparent* criticism."[11] However for Marx "There can therefore no longer be any question about an act of accommodation" and he explains, "If I know religion as alienated human self-consciousness, then what I know in it as

[8] Karl Marx, *The Economic and Philosophic Manuscripts of 1844*, New York: International Publishers, 1964, p. 178.

[9] *Ibid.*, p. 176. (Italics in original.)

[10] *Ibid.*, p. 177.

[11] *Ibid.*, p. 184.

religion is not my self-consciousness, but my alienated self-consciousness..."[12] In other words, even though Hegel formulated the concept of alienation, he was yet able to accommodate himself to religion and state power, namely to alienated forms of existence which negate man's essence even in Hegel's definition (as consciousness).

Thus Marx set himself two tasks: to reshape the concept of alienation, and to redefine man's essence. For this purpose Marx turned to Feuerbach, who completed the first task for him, and who went a long way in providing a provisional solution to the second. The solution to both tasks could be approached if practical, creative activity and the working relations of people with each other, were made the center, the focal point of theory. Only then would it be possible to see that religion, and philosophy as well, are not forms of realization but rather forms of alienation of man's essence. Marx acknowledged his debt: "Feuerbach's great achievement is: (1) The proof that philosophy is nothing else but religion rendered into thought and expounded by thought, hence equally to be condemned as another form and manner of existence of the estrangement of the essence of man; (2) The establishment of true materialism and of real science, since Feuerbach also makes the social relationship 'of man to man' the basic principle of the theory..."[13]

Marx acknowledged Feuerbach's role in reshaping the concept of alienation, namely in grasping religion and philosophy as alienations of the essence of man. However, a year later, in his *Theses on Feuerbach* of 1845, Marx expresses dissatisfaction with Feuerbach's grasp of the human essence. "Feuerbach resolves the essence of religion into the essence of man", but for Feuerbach the essence of man remains something isolated, unhistorical, and therefore abstract. For Marx, "the essence of man is not an abstraction inherent in each particular individual. The real nature of man is the totality of social relations."[14] Marx generalizes his dissatisfaction with Feuerbach: "The chief defect of all previous materialism (including that of Feuerbach) is that things, reality, the sensible world, are conceived only in the form of *objects of observation*, but not as *human sense activity*, not as *practical activity*..."[15] Marx makes this charge more specific in a later work, where he says that Feuerbach "still remains in the realm of theory and conceives of men not in their given social connection, not under their existing conditions of life, which have made them what they are", and therefore "he never arrives at the really existing active men, but stops at the abstraction 'man'... he knows no other 'human relationships' 'of man to man' than love and friendship, and even then idealized. Thus he never manages to conceive the sensuous world as the total living sensuous activity of the individuals composing it."[16]

Marx is able to reject Feuerbach's definition of man as an abstraction because, already in an early essay on "Free Human Production", Marx had started to view man in far more concrete terms, namely he had already started to view the world of objects as a world of practical human activity, creative activity. In this early essay, written in 1844, Marx's conception of man is still unhistorical; he did not explicitly reject this unhistorical view until he wrote *The German Ideology* with Engels in 1845–46 and the *Poverty of Philosophy* in 1847. However, this early essay already

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[12] *Ibid.*, p. 185.

[13] *Ibid.*, p. 172.

[14] Karl Marx, *Theses on Feuerbach*, in T.B. Bottomore and Maximillien Rubel, editors *Karl Marx, Selected Writings in Sociology and Social Philosophy*, New York: McGraw Hill, 1964, p. 68.

[15] *Ibid.*, p. 67.

[16] Karl Marx and Frederick Engels, *The German Ideology*, Moscow: Progress Publishers, 1964, pp. 58–59.

brings human creative activity into focus, and thus it also points to the "essence" which is alienated in capitalist society. Marx asks the reader to imagine human beings outside of capitalist society, namely outside of history: "Suppose we had produced things as human beings: in his production each of us would have twice affirmed himself and the other. (1) In my production I would have objectified my individuality and its particularity, and in the course of the activity I would have enjoyed an individual life; in viewing the object I would have experienced the individual joy of knowing my personality as an objective, sensuously perceptible, and indubitable power. (2) In your satisfaction and your use of my product I would have had the direct and conscious satisfaction that my work satisfied a human need, that it objectified human nature, and that it created an object appropriate to the need of another human being... Our productions would be so many mirrors reflecting our nature... My labor would be a *free manifestation of life* and an *enjoyment of life*."[17] It is precisely this labor, this free production, this free manifestation and enjoyment of life, which is alienated in capitalist society: "Under the presupposition of private property my labor is an *externalization of life* because I *work in order to live* and provide for myself the means of living. Working is not living." At this point Marx vividly contrasts the idea of free, unalienated labor, with the alienated wage-labor – he calls it forced labor – of capitalist society: "Under the presupposition of private property my individuality is externalized to the point where I hate this activity and where it is a torment for me. Rather it is then only the semblance of an activity, only a forced activity, imposed upon me only by external and accidental necessity and not by an internal and determined necessity... My labor, therefore, is manifested as the objective, sensuous, perceptible, and indubitable expression of my self-loss and my powerlessness."[18]

Thus Marx is led to a contrast between an unalienated, ideal, unhistorical man, and the alienated man of capitalist society. From here, we might follow Rubin and show the relationship of this contrast between the ideal and the actual to the later contrast between productive forces and relations of production. The later contrast becomes the basis for Marx's theory of commodity fetishism, and thus for his theory of value. However, before returning to Rubin's exposition, we will digress slightly to examine two types of interpretation which have recently been made of Marx's early works. One holds that Marx's theory of alienation can be accepted and applied without his critique of capitalism, and the other holds that the writings of 1844 contain the quintessence of Marx's thought and that the later works are merely reformulations of the same insights.

The sociologist Robert Blauner reduces alienation to "a quality of personal experience which results from specific kinds of social arrangements."[19] On the basis of this reduction Blauner says that "Today, most social scientists would say that alienation is not a consequence of capitalism per se but of employment in the large-scale organizations and impersonal bureaucracies that pervade all industrial societies."[20] In other words, Blauner defines alienation as a psychological, personal experience, as something which the worker feels, and which is consequently in the mind of the worker and is not a structural feature of capitalist society. For Blauner to say that alienation so defined "is not a consequence of capitalism" is then a tautology. It is

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[17] From "Excerpt-Notes of 1844" in *Writings of the Young Marx on Philosophy and Society*, translated and edited by Loyd D. Easton and Kurt H. Guddat, Garden City: Anchor Books, 1967, p. 281. (Italics in original)

[18] *Ibid.*, p. 281–282.

[19] Blauner, *Alienation and Freedom: The Factory Worker and his Industry*, p. 15.

[20] *Ibid.*, p. 3

Blauner's very definition which makes it possible for him to treat alienation as a consequence of industry (namely the productive forces) and not as a consequence of capitalism (namely the social relations).

However, regardless of what "most social scientists would say," in Marx's work alienation is related to the structure of capitalist society, and not to the personal experience of the worker. It is the very nature of wage-labor, the basic social relation of capitalist society, which accounts for alienation: "The following elements are contained in wage-labor: (1) the chance relationship and alienation of labor from the laboring subject; (2) the chance relationship and alienation of labor from its object; (3) the determination of the laborer through social needs which are an alien compulsion to him, a compulsion to which he submits out of egoistic need and distress these social needs are merely a source of providing the necessities of life for him, just as he is merely a slave for them; (4) the maintenance of his individual existence appears to the worker as the goal of his activity and his real action is only a means; he lives to acquire the means of living."[21] In fact, Marx very explicitly located alienation at the very root of capitalist society: "To say that man alienates himself is the same as saying that the society of this alienated man is the caricature of his actual common life, of his true generic life. His activity, therefore, appears as torment, his own creation as a force alien to him, his wealth as poverty, the essential bond connecting him with other men as something unessential so that the separation from other men appears as his true existence." Marx adds that this capitalist society, this caricature of a human community, is the only form of society which capitalist economists are able to imagine: "Society, says Adam Smith, is a commercial enterprise. Each of its members is a merchant. It is evident that political economy establishes an alienated form of social intercourse as the essential, original, and definitive human form."[22]

In the *Economic and Philosophic Manuscripts of 1844*, Marx applies Feuerbach's concept of man's alienation of himself in religion, to man's alienation of himself in the product of his labor. The following passage comes very close to describing the world of commodities as a world of fetishes which regulate and dominate human life: "The more the worker expends himself in his work, the more powerful becomes the world of objects which he creates in face of himself, and the poorer he himself becomes in his inner life, the less he belongs to himself. It is just the same as in religion. The more of himself man attributes to God, the less he has left in himself. The worker puts his life into the object, and his life then belongs no longer to him but to the object. The greater his activity, therefore, the less he possesses... The alienation of the worker in his product means not only that his labour becomes an object, takes on its own existence, but that it exists outside him, independently and alien to him, and that it stands opposed to him as an autonomous power. The life which he has given to the object sets itself against him as an alien and hostile force."[23] In the same work, Marx comes very close to defining the product of labor as congealed labor, or reified labor, a formulation which is to reappear more than twenty years later in his theory of commodity fetishism: "The object produced by labour, its product, now stands opposed to it as an *alien being*, as a power independent of the producer. The product of labour is labour which has been embodied in an object, and turned into a physical thing; this product is an *objectification* of labour." The labor which is lost by the worker is appropriated by the capitalist: "...the alienated character of work for the worker appears in the fact that it is not his work but work for someone else, that in

[21] From "Excerpt-Notes of 1844," *loc. cit.*, p. 275–276.

[22] *Ibid.*, p. 272.

[23] Bottomore and Rubel, eds., *op. cit.*, p. 170.

work he does not belong to himself but to another person."[24] The result of this alienation of the worker's creative power is vividly described by Marx in a passage that summarizes the qualitative aspect of his theory of exploitation: "The less you are, the less you express your own life, the greater is your alienated life, the more you have, the greater is the store of your estranged being. Everything which the political economist takes from you in life and in humanity, he replaces for you in money and in wealth..."[25] The producer alienates his creative power, in fact he sells it to the capitalist, and what he gets in exchange is different in kind from that creative power; in exchange for the creative power he gets things, and the less he is, as a creative human being, the more things he has.

These formulations make it clear that, for Marx, alienation is inherent in the social relations of capitalist society, a society in which one class appropriates the labor which another class alienates; for Marx, wage-labor is, by definition, alienated labor. In terms of this definition of alienated labor, the statement that "alienation is not a consequence of capitalism" is meaningless.

The Yugoslav philosopher Veljko Korac has presented the theory of alienation formulated by Marx in 1844 as the final form of Marx's theory and Korac summarized this theory as follows: "Establishing through critical analysis man's alienation from man, from the product of his labor, even from his own human activity, Marx raised the question of abolishing all these forms of dehumanization, and the possibility of restoring human society."[26] In 1844 Marx did indeed speak of "rehabilitating" (if not exactly of "restoring") "human society": "Communism... is hence the actual phase necessary for the next stage of historical development in the process of human emancipation and rehabilitation. Communism is the necessary pattern and the dynamic principle of the immediate future, but communism as such is not the goal of human development – which goal is the structure of human society."[27] In some passages of the *Economic and Philosophic Manuscripts*, Marx even spoke of communism as a return of human nature: "Communism is the positive abolition of private property, of human self-alienation, and thus, the real appropriation of human nature, through and for man. It is therefore the return of man himself as a social, that is, really human, being, a complete and conscious return which assimilates all the wealth of previous development. Communism as a complete naturalism is humanism, and as a complete humanism is naturalism... The positive abolition of private property, as the appropriation of human life, is thus the positive abolition of all alienation, and thus the return of man from religion, the family, the State, etc., to his human, i.e., social life."[28] In 1844, Marx had also defined the agent, the social class, which would carry through this reappropriation of man's creative power, this return of man's human essence; it would be "a class with radical chains, a class in civil society that is not of civil society, a class that is the dissolution of all classes, a sphere of society having a universal character because of its universal suffering and claiming no particular right because no particular wrong but unqualified wrong is perpetrated on it; a sphere that can invoke no traditional title but only a human title..."[29] Marx even described some of the social relations of an unalienated, human society: "Assume man

[24] *Ibid.*, p. 171 and 170.

[25] Karl Marx, *Economic and Philosophic Manuscripts of 1844* New York: International Publishers, 1964, p. 150.

[26] Veljko Korac, "In Search of Human Society," in Erich Fromm, editor, *Socialist Humanism*, Garden City: Anchor Books, 1966, p. 6. (Italics in original.)

[27] Marx, *Economic and Philosophic Manuscripts of 1844*, p. 146.

[28] Bottomore and Rubel, eds., *op. cit.*, pp. 243–244

[29] Easton and Guddat, *Writings of the Young Marx on Philosophy and Society*, p. 262–263.

to be man and his relationship to the world to be a human one: then you can exchange love only for love, trust for trust, etc. If you want to enjoy art, you must be an artistically cultivated person...".[30]

Thus there is no doubt that in 1844, Marx spoke of a human society and a human essence which could be rehabilitated, returned, or restored. However, powerful and suggestive though these passages are, they cannot be viewed as the final formulation of Marx's social and economic theory, nor can Marx's later works be treated as mere re-statements of the same ideas. Erich Fromm is aware of this when he writes: "In his earlier writings Marx still called 'human nature in general' the 'essence of man.' He later gave up this term because he wanted to make it clear that the essence of man is no abstraction... Marx also wanted to avoid giving the impression that he thought of the essence of man as an unhistorical substance."[31] Fromm is also aware that Marx's concept of alienation, "although not the word, remains of central significance throughout his whole later main work, including *The Capital*."[32] Fromm does not, however, examine the stages which led from the concept of alienation to the theory of commodity fetishism, and in Fromm's own philosophical framework, the central problem is "to cease being asleep and to become human". For Fromm this involves primarily changing one's ideas and one's methods of thinking: "I believe that one of the most disastrous mistakes in individual and social life consists in being caught in stereotyped alternatives of thinking... I believe that man must get rid of illusions that enslave and paralyze him, that he must become aware of the reality inside and outside of him in order to create a world which needs no illusions. Freedom and independence can be achieved only when the chains of illusion are broken."[33]

In the Preface to *The German Ideology*, Marx ridicules would-be revolutionaries who want to free men from stereotyped alternatives of thinking, from the illusions that enslave and paralyze men. Marx has these revolutionaries announce: "Let us liberate them from the chimeras, the ideas, dogmas, imaginary beings under the yoke of which they are pining away. Let us revolt against the rule of thoughts. Let us teach men, says one, to exchange these Imaginations for thoughts which correspond to the essence of man; says the second, to take up a critical attitude to them; says the third, to knock them out of their heads; and existing reality will collapse." Then Marx draws the ridicule to its conclusion: "Once upon a time a valiant fellow had the idea that men were drowned in water only because they were possessed with the idea of gravity. If they were to knock this notion out of their heads, say by stating it to be a superstition, a religious concept, they would be sublimely proof against any danger from water."[34] In a letter written at the end of 1846, Marx turned the same critique against P. J. Proudhon: "... in place of the practical and violent action of the masses... Monsieur Proudhon supplies the whimsical motion of his own head. So it is the men of learning that make history, the men who know how to purloin God's secret thoughts. The common people have only to apply their revelations. You will now understand why M. Proudhon is the declared enemy of every political movement. The solution of present problems does not lie for him in public action but in the dialectical rotations of his own mind."[35]

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[30] Marx, *Economic and Philosophic Manuscripts*, p. 169.

[31] Erich Fromm, *Beyond the Chains of Illusion*, New York: Pocket Books, Inc., 1962, p. 32.

[32] *Ibid.*, p. 49.

[33] *Ibid.*, pp. 196–197.

[34] Marx and Engels, *The German Ideology*, p. 23–24.

[35] Letter of Marx to P. V. Annenkov. December 28, 1846, in Karl Marx, *The Poverty of Philosophy*, New York: International Publishers, 1963. p. 191.

Between 1845 and 1847, Marx also abandons his earlier conception of a human essence or a human nature to which man can return: "As individuals express their life, so they are. What they are, therefore, coincides with their production, both with what they produce and with how they produce. The nature of individuals thus depends on the material conditions determining their production."[36] In fact, Marx goes on to say that man's ideas of his nature or his essence are themselves conditioned by the material conditions in which men find themselves, and therefore man's "essence" is not something to which he can return, or even something which he can conceive in thought, since it is constantly in a process of historical change. "Men are the producers of their conceptions, ideas, etc. real, active men, as they are conditioned by a definite development of their productive forces and of the intercourse corresponding to these... Consciousness can never be anything else than conscious existence, and the existence of men is their actual-life process." Consequently, "we do not set out from what men say, imagine, conceive, nor from men as narrated, thought of, imagined, conceived, in order to arrive at men in the flesh. We set out from real, active men, and on the basis of their real life-process we demonstrate the development of the ideological reflexes and echoes of this life-process."[37] Thus unlike the philosopher we quoted earlier, Marx no longer begins his analysis with "Marx's concept of Man"; he begins with man in a given cultural environment. Marx systematized the relationship between technology, social relations and ideas in *The Poverty of Philosophy* in 1847: "In acquiring new productive forces men change their mode of production, and in changing their mode of production... they change all their social relations. The handmill gives you society with the feudal lord; the steammill, society with the industrial capitalist. The same men who establish their social relations in conformity with their material productivity, produce also principles, ideas and categories, in conformity with their social relations."[38] The next step is to pull man's "essence" into history, namely to say that man has no essence apart from his historical existence, and this is precisely what Marx does when he says that the "sum of productive forces, capital funds and social forms of intercourse, which every individual and generation finds in existence as something given, is the real of what the philosophers have conceived as 'substance' and 'essence of man'..."[39]

Here Marx's contrast between an ideal, unalienated society, and the real capitalist society, has come to an end. Man creates the material conditions in which he lives, not in terms of an ideal society which he can "restore", but in terms of the possibilities and the limits of the productive forces which he inherits. Marx defines these historical limits and possibilities in the letter from which we quoted earlier: "... men are not free to choose their productive forces – which are the basis of all their history – for every productive force is an acquired force, the product of former activity. The productive forces are therefore the result of practical human energy; but this energy is itself conditioned by the circumstances in which men find themselves, by the productive forces already acquired, by the social form which exists before they, which they do not create, which is the product of the preceding generation. Because of this... a history of humanity takes shape which is all the more a history of humanity as the productive forces of man and therefore his social relations have been more developed."[40]"... People won freedom for themselves each time to the extent that was dictated and permitted not by their ideal of man, but by the existing productive

[36] Marx and Engels, *The German Ideology*, p. 32.

[37] *Ibid.*, p. 37.

[38] Marx, *The Poverty of Philosophy*, p. 109.

[39] Marx and Engels, *The German Ideology*, p. 50.

[40] Letter of Marx to Annenkov, *loc. cit.*, p. 181.

forces."[41]

Marx has resolved man's essence into the historical conditions in which man exists, and thus he has been led to abandon the conflict between the alienated man of capitalist society and his unalienated human essence. However, Rubin points out that over a decade later, in 1859, the conflict reappears on a new plane, no longer in the form of a conflict between ideal and reality, but as a conflict between productive forces and social relations which are both parts of reality: "At a certain stage of their development, the material forces of production in society come into conflict with the existing relations of production... From forms of development of the forces of production these relations turn into their fetters. Then comes the period of social revolution."[42]

Having pointed to the relations of production, namely the social relations among people in the process of production, as the framework within which man's productive forces, his technology, develop, and as fetters which may obstruct the further development of technology, Marx now turns to a detailed characterization of the relations of production of capitalist society. And having abandoned the study of man's essence for the study of man's historical situation, Marx also abandons the word "alienation", since the earlier use of the word has made it an abbreviated expression for "man's alienation from his essence". Already in *The German Ideology*, Marx had referred sarcastically to the word "estrangement" (or alienation) as "a term which will be comprehensible to the philosophers",[43] implying that it was no longer an acceptable term to Marx. However, even though he abandons the word, Marx continues to develop the content which he had expressed with the word, and this further development takes Marx far beyond his early formulations, and just as far beyond the theorists who think the concept of alienation was fully developed and completed in the *Economic and Philosophical Manuscripts of 1844*. Rubin shows that this further development of the concept of alienation takes place precisely in the theory of commodity fetishism and the theory of value, and so I will now turn to Rubin's exposition of these theories and will attempt to make explicit their connections with the concept of alienation.[44]

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[41] Marx and Engels, *The German Ideology*, p. 475.

[42] Karl Marx, *A Contribution to the Critique of Political Economy*, Chicago: Charles H. Kerr & Co., 1904, p. 12. It is interesting to note that at this point, Marx begins to develop a general theory of cultural development and cultural change, or what the anthropologist Leslie White has called a "science of culture" (See Leslie A. White, *The Science of Culture*, New York: Grove Press, 1949) The paragraph which contains the passage quoted above also contains the following, formulation: "Just as our opinion of an individual is not based on what he thinks of himself, so can we not judge of such a period of transformation by its own consciousness; on the contrary, this consciousness must rather be explained from the contradictions of material life, from the existing conflict between the material forces of production and the relations of production. No social order ever disappears before all the productive forces, for which there is room in it, have been developed; and new higher relations of production never appear before the material conditions of their existence have matured in the womb of the old society. Therefore, mankind always takes up only such problems as it can solve; since, looking at the matter more closely, we will always find that the problem itself arises only when the material conditions necessary for its solution already exist or are at least in the process of formation." (pp. 12–13.)

[43] Marx and Engels, *The German Ideology*, p. 46.

[44] C. Wright Mills did not see the connection between the concept of alienation and Marx's later work, namely the three volumes of *Capital*, and consequently Mills reduced the question of alienation to "the question of the attitude of men toward the work they do." As a result, Mills was disappointed with Marx on this score: "to say the least, the condition in which Marx left the conception of alienation is quite incomplete, and brilliantly ambiguous." (C. Wright Mills, *The Marxists* New York: Dell Publishing Co., 1962, p. 112.)

Rubin outlines Marx's transition from the concept of alienation to the theory of commodity fetishism in the following terms: "In order to transfer the theory of 'alienation' of human relations into a theory of 'reification' of social relations (i.e., into the theory of commodity fetishism), Marx had to create a path from utopian to scientific socialism, from negating reality in the name of an ideal to seeking within reality itself the forces for further development and motion." (Rubin, p. 57). The link between alienation and commodity fetishism is the concept of 'reification' (materialization objectification) of social relations. Rubin traces certain stages in Marx's formulation of the concept of reification. In the *Contribution to the Critique of Political Economy* of 1859, Marx noted that in capitalist society, where labor creates commodities, "the social relations of men appear in the reversed form of a social relation of things."[45] In this work, social relations among people merely "appear" to take the form of things, they merely seem to be reified. Consequently, Marx calls this reification a "mystification", and he attributes to "the habit of everyday life".[46]

However, in Volume I of Capital, this reification of social relations is no longer merely an appearance in the mind of the individual commodity producer and it is no longer a result of the commodity producer's thinking habits. Here, "the materialization of production relations does not arise from 'habits' but from the internal structure of the commodity economy. Fetishism is not only a phenomenon of social consciousness, but of social being." (Rubin, p. 59). The cause of the fetishism, namely the cause of the fact that relations among people take the form of relations among things, is to be found in the characteristics of capitalist economy as a commodity economy: "The absence of direct regulation of the social process of production necessarily leads to the indirect regulation of the production process through the market, through the products of labor, through things." (Ibid.)

Consequently, the reification of social relations and the fetishism of commodities are not "chains of illusion" which can be "broken" within the context of capitalist society, because they do not arise from "stereotyped alternatives of thinking" (Erich Fromm). The capitalist form of social production "necessarily leads" to the reification of social relations; reification is not only a "consequence" of capitalism; it is an inseparable aspect of capitalism. Concrete, unalienated labor which is a creative expression of an individual's personality, cannot take place within the production process of capitalist society. The labor which produces commodities, namely things for sale on the market, is not concrete but abstract labor, "abstractly-general, social labor which arises from the complete alienation of individual labor" (Rubin, p. 147). In the commodity economy labor is not creative activity; it is the expenditure of labor-time, of labor-power, of homogeneous human labor, or labor in general. Nor is this the case at all times and in all places. "Only on the basis of commodity production, characterized by a wide development of exchange, a mass transfer of individuals from one activity to another, and indifference of individuals towards the concrete form of labor, is it possible to develop the homogeneous character of all working operations as forms of human labor in general" (Rubin, p. 138). In capitalist society, this labor-power which produces commodities is itself a commodity: it is a thing which is bought by the capitalist from the worker, or as Paul Samuelson puts it: "A man is much more than a commodity. Yet it is true that men do rent out their services for a price."[47] Thus labor in capitalist society is reified labor; it is labor turned into a thing.

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[45] Marx, *A Contribution to the Critique of Political Economy*, p. 30.

[46] *Ibid.*

[47] Samuelson, *Economics*, p. 542.

The reified labor of capitalist society, the abstract, homogeneous labor-power which is bought by the capitalist for a price, is crystallized, congealed in commodities which are appropriated by the capitalist and sold on the market. The laborer literally alienates, estranges his creative power, he sells it. Since creative power refers to an individual's conscious participation in the shaping of his material environment, since the power to decide is at the root of creation, it would be more accurate to say that creative power simply does not exist for the hired worker in capitalist society. It is precisely the power to shape his circumstances that the laborer sells to the capitalist; it is precisely this power which is appropriated by the capitalist, not only in the form of the homogeneous labor-time which he buys for a price, but also in the form of the abstract labor which is congealed in commodities. This reified labor, this abstract labor which is crystallized, congealed in commodities, "acquires a given social form" in capitalist society, namely the form of' value. Thus Marx "makes the 'form of value' the subject of his examination, namely value as the social form of the product of labor – the form which the classical economists took for granted..."(Rubin, p. 112). Thus, through the theory of commodity fetishism, the concept of reified labor becomes the link between the theory of alienation in the *Economic and Philosophic Manuscripts of 1844* and the theory of value in *Capital*.

Marx's explanation of the phenomenon of reification, namely of the fact that abstract labor takes the "form of value", is no longer in terms of people's habits, but in terms of the characteristics of a commodity economy. In *Capital*, Marx points out that relations among people are realized through things, and that this is the only way they can be realized in a commodity economy: "The social connection between the working activity of individual commodity producers is realized only through the equalization of all concrete forms of labor, and this equalization is carried out in the form of an equalization of all the products of labor as values" (Rubin, p. 130). This is not only true of relations among capitalists as buyers and sellers of the products of labor, but also of relations between capitalists and workers as buyers and sellers of labor-power. It is to be noted that in the commodity economy, the laborer himself is a "free, independent" commodity producer. The commodity he produces is his labor-power; he produces this commodity by eating, sleeping and procreating. In David Ricardo's language, the "natural price of labour" is that price which enables laborers "to subsist and perpetuate their race",[48] namely to reproduce their labor-power. The worker sells his commodity on the labor market in the form of value, and in exchange for a given amount of his commodity, labor-power, he receives a given sum of value, namely money, which he in turn exchanges for another sum of value, namely consumer goods.

It is to be noted that the laborer does not exchange creative power for creative power. When the worker sells his labor-power as abstract labor in the form of value, he totally alienates his creative power. When the capitalist buys a given quantity of the worker's labor-power, say eight hours of labor-power, he does not appropriate merely a part of that quantity, say four hours, in the form of surplus labor; the capitalist appropriates all eight hours of the worker's labor-power. This labor-power then crystallizes, congeals in a given quantity of commodities which the capitalist sells on the market, which he exchanges as values for equivalent sums of money. And what the laborer gets back for his alienated labor-power is a sum of money which is "equivalent in value" to the labor-power. This relation of exchange of "equivalent values", namely the exchange of a given number of hours of labor-power for a given sum of money, conceals a quantitative as well as a qualitative aspect of exploitation. The

[48] David Ricardo, *The Principles of Political Economy and Taxation*, Homewood, Illinois: Richard D. Irwin, Inc., 1963, p. 45

quantitative aspect was treated by Marx in his theory of exploitation, developed in Volume I of *Capital*. The amount which the capitalist receives in exchange for the commodities he sells on the market is larger than the amount which he spends for the production of the commodities, which means that the capitalist appropriates a surplus in the form of profit. The qualitative aspect was treated by Marx in his theory of alienation, and further developed in the theory of commodity fetishism. The two terms of the equivalence relation are not equivalent qualities; they are different in kind. What the worker receives in exchange for his alienated creative power is an "equivalent" only in a commodity economy, where man's creative power is reduced to a marketable commodity and sold as a value. In exchange for his creative power the worker receives a wage or a salary, namely a sum of money, and in exchange for this money he can purchase products of labor, but he cannot purchase creative power. In other words, in exchange for his creative power the laborer gets things. Thus when Marx speaks of the capitalist's appropriation of "surplus value" or "surplus labor", he refers to the quantitative aspect of exploitation, not the qualitative aspect. Qualitatively, the laborer alienates the entirety of his creative power, his power to participate consciously in shaping his material environment with the productive forces he inherits from previous technological development. This means that "it is true that men do rent out their services for a price" (Samuelson), and as a result, "The less you *are*, the less you express your own life, the greater is your *alienated* life, the more you *have* ..."[49]

In a commodity economy, people relate to each other only through, and by means of, the exchange of things; the relation of purchase and sale is "the basic relation of commodity society" (Rubin, p. 15). Production relations among people are established through the exchange of things because "permanent, direct relations between determined persons who are owners of different factors of productions, do not exist. The capitalist, the wage laborer, as well as the landowner, are commodity owners who are formally independent from each other. Direct production relations among them have yet to be established, and then in a form which is usual for commodity owners, namely in the form of *purchase and sale*" (Rubin, p. 18; italics in original). It is on the basis of these reified social relations, namely on the basis of production relations which are realized through the exchange of things, that the process of production is carried out in the capitalist society, because the "production relations which are established among the representatives of the different social classes (the capitalist, worker and landlord), result in a given combination of technical factors of production ..."(Rubin, p. 19). Thus it is through, and by means of, these reified social relations that productive forces, namely technology, are developed in capitalist society.

The capitalist's appropriation of the alienated creative power of society takes the form of an appropriation of things, the form of accumulation of capital. And it is precisely this accumulation of capital that defines the capitalist as a capitalist: "The capitalist's status in production is determined by his ownership of capital, of means of production, of things..."(Rubin, p. 19). Thus in Volume III of *Capital*, Marx says that "the capitalist is merely capital personified and functions in the process of production solely as the agent of capital"[50] and thus Rubin speaks of the "personification of things" (Rubin, Chapter 3). The capital gives the capitalist the power to buy equipment and raw materials, to buy labor-power, to engage the material and human agents in a productive activity which results in a given sum of commodities. In this process, the capital "pumps a definite quantity of surplus-labour out of the direct

[49] Marx, *Economic and Philosophic Manuscripts of 1844*, p. 150.

[50] Karl Marx, *Capital: A Critique of Political Economy*, Volume III, Moscow: Progress Publishers, 1966, p. 819.

producers, or labourers; capital obtains this surplus-labour without an equivalent, and in essence it always remains forced labour – no matter how much it may seem to result from free contractual agreement."[51] In capitalist society a man without capital does not have the power to establish these relations. Thus, superficially, it seems that capital, a thing, possesses the power to hire labor, to buy equipment, to combine the labor and the equipment in a productive process, to yield profit and interest, "it seems that the thing itself possesses the ability, the virtue, to establish production relations." (Rubin, p. 21). In the words of the official American textbook, "Wages are the return to labor; interest the return to capital; rent the return to land."[52] Marx called this the Trinity Formula of capitalism: "In the formula: capital – interest, land -ground-rent, labour – wages, capital, land and labour appear respectively as sources of interest (instead of profit), ground-rent and wages, as their products, or fruits, the former are the basis, the latter the consequence, the former are the cause, the latter the effect; and indeed, in such a manner that each individual source is related to its product as to that which is ejected and produced by it."[53] Capital is a thing which has the power to yield interest, land is a thing which has the power to yield rent, labor is a thing which has the power to yield wages, and money "transforms fidelity into infidelity, love into hate, hate into love, virtue into vice, vice into virtue, servant into master, master into servant, idiocy into intelligence, and intelligence into idiocy",[54]or as American banks advertise, "money works for you." Rubin states that "vulgar economists... assign the power to increase the productivity of labor which is inherent in the means of production and represents their technical function, to capital, i.e., a specific social form of production (theory of productivity of capital)" (Rubin, p. 28), and the economist who represents the post-World War II consensus of the American economics profession writes in 1967 that "capital has a net productivity (or real interest yield) that can be expressed in the form of a percentage per annum..."[55]

A thing which possesses such powers is a fetish, and the fetish world "is an enchanted, perverted, topsy-turvy world, in which Mister Capital and Mistress Land carry on their goblin tricks as social characters and at the same time as mere things."[56] Marx had defined this phenomenon in the first volume of *Capital*: "... a definite social relation between men... assumes, in their eyes, the fantastic form of a relation between things. In order, therefore, to find an analogy, we must have recourse to the mist-enveloped regions of the religious world. In that world the productions of the human brain appear as independent beings endowed with life, and entering into relation both with one another and the human race. So it is in the world of commodities with the products of men's hands. This I call the Fetishism which attaches itself to the products of labour, so soon as they are produced as commodities, and which is therefore inseparable from the production of commodities. This Fetishism of commodities has its origin... in the peculiar social character of the labour that produces them."[57] The fetishist, systematically attributing to things the outcomes of social

[51] Marx, *Capital*, III, p. 819.

[52] Samuelson, *Economics*, p. 591.

[53] Marx, *Capital*, III, p. 816.

[54] Marx, *Economic and Philosophic Manuscripts of 1844*, p. 169.

[55] Samuelson, *Economics*, p. 572.

[56] Marx, *Capital* III, p. 830, where the last part of this passage reads: "... in which *Monsieur le Capital and Madame la Terre* do their ghost-walking as social characters and at the same time directly as mere things." The version quoted above is from *Marx on Economics*, edited by Robert Freedman, New York: Harcourt, Brace & World, 1961, p. 65.

[57] Karl Marx, *Capital*, Volume I, Moscow: Progress Publishers, 1965, p. 72; New York: Random House, 1906 edition, p. 83.

relations, is led to bizarre conclusions: "What is profit the return to? ... the economist, after careful analysis, ends up relating the concept of profit to dynamic innovation and uncertainty, and to the problems of monopoly and incentives."[58] Rubin points out that, "Instead of considering technical and social phenomena as different aspects of human working activity, aspects which are closely related but different, vulgar economists put them on the same level, on the same scientific plane so to speak... This identification of the process of production with its social forms... cruelly revenges itself" (Rubin, p. 28), and the economists are astonished to find that "what they have just thought to have defined with great difficulty as a thing suddenly appears as a social relation and then reappears to tease them again as a thing, before they have barely managed to define it as a social relation."[59]

The forces of production "alienated from labour and confronting it independently"[60] in the form of capital, give the capitalist power over the rest of society. "The capitalist glows with the reflected light of his capital" (Rubin, p. 25), and he is able to glow only because the productive power of the workers has been crystallized in productive forces and accumulated by the capitalist in the form of capital. The capitalist, as possessor of capital, now confronts the rest of society as the one at whose discretion production and consumption take place; he confronts society as its ruler. This process is celebrated in the official economics textbook: "Profits and high factor returns are the bait; the carrots dangled before us enterprising donkeys. Losses are our penalty kicks. Profits go to those who have been efficient in the past – efficient in making things, in selling things, in foreseeing things. Through profits, society is giving the command over new ventures to those who have piled up a record of success."[61]

It can now be shown that the preceding sequence is a detailed development, clarification, and concretization of the theory of alienation which Marx had presented in 1844. This can be seen by comparing the sequence with a passage cited earlier, written a quarter of a century before the publication of the theory of commodity fetishism in the first volume of *Capital*, and nearly half a century before the third volume: "The object produced by labour, its product, now stands opposed to it as an *alien being*, as a *power independent* of the producer. The product of labour which has been embodied in an object, and turned into a physical thing; this product is an *objectification* of labour.... The alienation of the worker in his product means not only that his labour becomes an object, takes on its own existence, but that it exists outside him, independently, and alien to him, and that it stands opposed to him as an autonomous power. The life which he has given to the object sets itself against him as an alien and hostile force."[62] This passage seems, in retrospect, like a summary of the theory of commodity fetishism. However, the definitions, the concepts, the detailed relationships which the passage seems to summarize were developed by Marx only decades later.

The next task is to examine Marx's theory of value within the context of his theory of commodity fetishism, since, as Rubin points out, "The theory of fetishism is, per se, the basis of Marx's entire economic system, and in particular of his theory of value" (Rubin, p. 5). In this context, Rubin distinguishes three aspects of value: it is "(I) a social relation among people, (2) which assumes a material form and (3) is related to the process of production" (Rubin, p. 63). The subject of the theory of value is

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[58] Samuelson, *Economics*, p. 591.

[59] Marx, *A Contribution to the Critique of Political Economy*, p. 31.

[60] Marx, *Capital*, III, p. 824.

[61] Samuelson, *Economics*, p. 602.

[62] Marx, *Economic and Philosophic Manuscripts of 1844*, p. 108; the passage given above is quoted from Bottomore and Rubell, *op. cit.*, p. 170–171.

the working activity of people, or as Rubin defines it: "The subject matter of the theory of value is the interrelations of various forms of labor in the process of their distribution, which is established through the relation of exchange among things, i.e., products of labor" (Rubin, p. 67). In other words, the subject of the theory of value is labor as it is manifested in the commodity economy: here labor does not take the form of conscious, creative participation in the process of transforming the material environment; it takes the form of abstract labor which is congealed in commodities and sold on the market as value. "The specific character of the commodity economy consists of the fact that the material-technical process of production is not directly regulated by society but is directed by individual commodity producers... The private labor of separate commodity producers is connected with the labor of all other commodity producers and becomes social labor only if the product of one producer is equalized as a value with all other commodities" (Rubin, p. 70). Before analyzing how labor is allocated through the equalization of things, namely how human activity is regulated in capitalist society, Rubin points out that the form which labor takes in capitalist society is the form of value: "The reification of labor in value is the most important conclusion of the theory of fetishism, which explains the inevitability of 'reification' of production relations among people in a commodity economy" (Rubin, p. 72). Thus the theory of value is about the regulation of labor; it is this fact that most critics of the theory failed to grasp.

The question Marx raises is how the working activity of people is regulated in capitalist society. His theory of value is offered as an answer to this question. It will be shown that most critics do not offer a different answer to the question Marx raises, they object to the question. In other words, economists do not say that Marx gives erroneous answers to the question he raises, but that he gives erroneous answers to the questions they raise:

Marx asks: How is human working activity regulated in a capitalist economy?

Marx answers: Human working activity is alienated by one class, appropriated by another class, congealed in commodities, and sold on a market in the form of value.

The economists answer: Marx is wrong. Market price is not determined by labor; it is determined by the price of production and by demand. "The great Alfred Marshall" insisted that "market price – that is, economic value – was determined by both supply and demand, which interact with one another in much the same way as Adam Smith described the operation of competitive markets."[63]

Marx was perfectly aware of the role of supply and demand in determining market price, as will be shown below. The point is that Marx did not ask what determines market price; he asked how working activity is regulated.

The shift of the question began already in the 1870's, before the publication of the second and third volumes of Marx's *Capital*. At that time capitalist economists revived the utility theory of value of Jean Baptiste Say and the supply-demand theory of price of Augustin Cournot,[64] both of which were developed in the early 19th century. The virtue of both approaches was that they told nothing about the regulation of human working activity in capitalist society, and this fact strongly recommended them to the professional economists of a business society. The revival of Say

[63] Daniel R. Fusfeld, *The Age of the Economist*, Glenview, Illinois: Scott, Foresman & Co., 1966, p. 74.

[64] Jean Baptiste Say, *Traité d'économie politique*, first published in 1803. Augustin *Cournot, Recherches sur les principes mathematiques de la theone des richesses*, t838. The revival was carried out in the 1870's by Karl Menger, William Stantey Jevons, and Leon Watras, and the work was "synthesized" by Alfred Marshall in the 1890's.

and Cournot was hailed as a new discovery, since the "new principle" drew a heavy curtain over the questions Marx had raised. "The new principle was a simple one: the value of a product or service is due not to the labor embodied in it but to the usefulness of the last unit purchased. That, in essence, was the principle of marginal utility", according to the historian Fusfeld.[65] In the eyes of the American economist Robert Campbell, the reappearance of the utility theory brought order into chaos: "The reconciliation of all these conflicting partial explanations into a unified general theory of value came only in the late nineteenth century with the concept of general equilibrium and the reduction of all explanations to the common denominator of utility by the writers of the utility school."[66] Fusfeld points out the main reason for the excitement: "One of the most important conclusions drawn from this line of thinking was that a system of free markets tended to maximize individual welfare."[67] It was once again possible to take for granted without questioning precisely what Marx had questioned. After hailing the reappearance of the utility theory, Campbell goes on to redefine economics in such a way as to exclude the very questions Marx had raised. Campbell does this explicitly: "One reflection of this new insight into the problem of value was the formulation of a new definition of economics, the one commonly used today, as the theory of allocation of scarce resources among competing ends."[68] Without mentioning that his own ideas about value were extant at the time of Ricardo, the scientific economist Campbell proceeds to dispose of Marx for retaining "ideas about value extant at the time of Ricardo". Campbell then uses the restrained, objective language of American social science to summarize Marx's life work: "Marx took the theory of value as it then existed, and compounded from some of its confusions a theory of the dynamics of the capitalist system. (It might be more accurate to describe the process the other way round: Marx had the conclusions and was trying to show how they flowed rigorously and inevitably from the theory of value then generally accepted. With the benefit of hindsight we may look back on his effort as a *reductio ad absurdum* technique for proving the deficiencies of Ricardian value theory.)" On the basis of this thorough analysis of Marx's work, Campbell dispassionately concludes: "Thus the bondage of a Marxist heritage in economic theory is not so much that the Marxist view is simply wrong in one particular (i.e., that it assumes that value is created only by labor) as that it does not comprehend the basic problem of economic theory... it has not achieved a full understanding of what a valid economic theory must illuminate. That achievement came in the mainstream of world economic theorizing only after Marxism had already taken the turning to enter the blind alley mentioned above."[69] With economics thus redefined and Marx disposed of, it becomes possible, once again, to hold on to "a theory of value on the basis of analysis of the act of exchange as such, isolated from a determined social-economic context" (Rubin, pp. 85–86).

Thus economists did not replace Marx's answers to his questions with more accurate answers; they threw out the questions, and replaced them with questions about scarcity and market price; thus economists "shifted the whole focus of economics away from the great issue of social classes and their economic interests, which has been emphasized by Ricardo and Marx, and centered economic theory upon the indi-

[65] *Op. cit.*, p. 73.

[66] Robert Campbell, "Marxian Analysis, Mathematical Methods, and Scientific Economic Planning", in Shaffer, *op. cit.*, p. 352.

[67] Fusfeld, op. cit., p. 74.

[68] Campbell, *loc. cit*

[69] *Ibid.*

vidual."[70] Fusfeld also explains why the economists shifted the focus: "The economists and their highly abstract theories were part of the same social and intellectual development that brought forth the legal theories of Stephen Field and the folklore of the self-made man",[71] i.e., the economists are ideologically at one with the ruling class, the capitalists, or as Samuelson put it, "Profits and high factor returns are the bait, the carrots dangled before us enterprising donkeys."[72]

Even theorists whose primary aim was not the celebration of capitalism have interpreted Marx's theory of value as a theory of resource allocation or a theory of price, and have underemphasized or even totally overlooked the sociological and historical context of the theory. This does not mean that problems of resource allocation or price have nothing to do with a historical and sociological analysis of capitalism, or that the elucidation of one aspect will necessarily add nothing to the understanding of the others. The point here is that a theory of resource allocation or a price theory need not explain why human working activity is regulated through things in the capitalist historical form of economy, since the theory of resource allocation or the price theory can begin its analysis by taking capitalism for granted. At the same time, a historical and sociological analysis of the capitalist economy need not explain the allocation of resources or the components of price in its attempt to characterize the form which human working activity assumes in a given historical context. A price theorist may concern himself explicitly with the social form of the economy whose prices he examines, just as Marx did concern himself explicitly with problems of price and allocation. But this does not mean that all price theorists or resource allocators necessarily exhaust the sociological and historical problems, or even that they have the slightest awareness of capitalism as a specific historical form of economy, just as it does not mean that Marx necessarily exhausted the problems of price determination or resource allocation, even though he had far more profound awareness of these problems than most of his superficial critics, and even some of his superficial followers, give him credit for.

Oskar binge pointed out that "leading writers of the Marxist school" looked to Marx for a price theory, and consequently "they saw and solved the problem only within the limits of the labor theory of value, being thus subject to all the limitations of the classical theory."[73] Yet binge himself saw Marx's theory of value as an attempt to solve the problem of resource allocation. According to binge, Marx "seems to have thought of labor as the only kind of scarce resource to be distributed between different uses and wanted to solve the problem by the labor theory of value."[74] It was rather Lange who devoted himself to developing a theory of resource allocation, not Marx, and "the unsatisfactory character of this solution"[75] is clearly due to the fact that Marx's theory was not presented as a solution to binge's problems.

Fred Gottheil, in a recent book on Marx, explicitly reduces Marx's theory of value to a theory of price. Unlike superficial critics of Marx, Gottheil points out that Marx was aware that in capitalist society prices are not determined by the "labor content" of commodities: "The concept of price which is incorporated in the analysis of the

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[70] Fusfeld, *op. cit.*, p. 74

[71] *Ibid.*, .75.

[72] *Economics*, pp. 601–602; quoted earlier.

[73] Oskar Lange, *On the Economic Theory of Socialism*, New York: McGraw Hill, 1964 (published together with an essay by Fred M. Taylor), p. 141.

[74] *Ibid.*, pp. 132–133.

[75] *Ibid.*, p. 133.

Marxian economic system is, without exception, the prices-of-production concept ..."[76] However, by reducing Marx's theory of value to a price theory, Gottheil pulls Marx's theory out of its sociological and historical context (Gottheil does not even mention Marx's theory of commodity fetishism). In this way Gottheil reduces Marx's historical and sociological analysis of the commodity capitalist economy to a mechanistic system from which Gottheil mechanically derives over 150 "predictions".

Joan Robinson knows that the construction of a theory of price was not the primary aim of Marx's analysis, and says that Marx "felt obliged to offer a theory of relative prices, but though he thought it essential we can see that it is irrelevant to the main point of his argument."[77] However, Robinson seems to be unaware of just what "the point of the argument" was: "The point of the argument was something quite different. Accepting the dogma that all things exchange at prices proportional to their values, Marx applies it to labour power. This is the clue that explains capitalism. The worker receives his value, his cost in terms of labour-time, and the employer makes use of him to produce more value than he costs."[78] Having reduced Marx's work to this "argument", Robinson is able to conclude: "On this plane the whole argument appears to be metaphysical, it provides a typical example of the way metaphysical ideas operate. Logically it is a mere rigmarole of words but for Marx it was a flood of illumination and for latter-day Marxists, a source of inspiration."[79]

In an essay written more than half a century before Joan Robinson's *Economic Philosophy*, Thorstein Veblen came much closer than Robinson to "the point" of Marx's work: "... within the domain of unfolding human culture, which is the field of Marxian speculation at large, Marx has more particularly devoted his efforts to an analysis and theoretical formulation of the present situation – the current phase of the process, the capitalistic system. And, since the prevailing mode of the production of goods determines the institutional, intellectual, and spiritual life of the epoch, by determining the form and method of the current class struggle, the discussion necessarily begins with the theory of 'capitalistic production,' or production as carried on under the capitalistic system."[80] Veblen was also acutely aware of the irrelevance of critiques based on a reduction of Marx's theory of value to a price theory: "Marx's critics commonly identify the concept of 'value' with that of 'exchange value,' and show that the theory of 'value' does not square with the run of the facts of price under the existing system of distribution, piously hoping thereby to have refuted the Marxian doctrine, whereas, of course, they have for the most part not touched it."[81]

Marx's method, his approach to the problem he raised, was designed to cope with that problem, not with the problems raised by his critics, i.e., to answer how the distribution of labor is regulated, and not why people buy goods, or how resources are allocated, or what determines market price. Thus it was not in order to define what determines market price, but in order to focus on the problem of the regulation of labor that Marx abstracted from the real capitalist economy, that he reduced it to its bare

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[76] Fred M. Gottheil, *Marx's Economic Predictions*, Evanston: Northwestern University Press, 1966, p. 27.

[77] Joan Robinson, *Economic Philosophy*, Garden City: Anchor Books, 1964, p. 35.

[78] *Ibid.*, p. 37, Italics in original.

[79] *Ibid.*

[80] Thorstein Veblen, "The Socialist Economics of Karl Marx", *The Quarterly Journal of Economics*, Vol: XX, Aug., 1906; reprinted in *The Portable Veblen*, edited by Max Lerner, New York: Viking Press, 1948, p. 284. In a footnote, Veblen adds the explanation that "in Marxian usage 'capitalistic production' means production of goods for the market by hired labour under the direction of employers who own (or control) the means of production and are engaged in industry for the sake of a profit."

[81] *Ibid.*, pp. 287–288.

essentials, so to speak. Capitalism is a commodity economy; social relations are not established directly but through the exchange of things. In order to learn how labor is regulated in an economy where this regulation takes place through the exchange of things, Marx constructs a model of a "simple commodity economy", namely an abstract economy in which social relations are established through the exchange of things, and in which the ratio around which commodities tend to exchange is determined by the labor-time expended on their production. The statement that commodities exchange in terms of the labor-time expended on their production is then a tautology, since it is contained in the definition of Marx's model. The point of the abstraction is to focus on the regulation of labor in a commodity economy, not to answer what determines price in the actual capitalist society. In this context it is irrelevant to observe that there are "other factors of production" (such as land and capital) since, as Rubin points out, "the theory of value does not deal with labor as a technical factor of production, but with the working activity of people as the basis of the life of society, and with the social forms within which that labor is carried out" (Rubin, p. 82). It is also irrelevant to point out that "things other than labor" are exchanged, since "Marx does not analyze every exchange of things, but only the equalization of commodities through which the social equalization of labor is carried out in the commodity economy" (Rubin, p. 101). Marx's abstraction is not designed to explain everything; it is designed to explain the regulation of labor in a commodity economy.

In Chapter 2 of his economics textbook, Paul Samuelson finds Marx's method totally unacceptable. This academician, whose significance in American economics can probably be compared to Lysenko's in Soviet genetics, summarizes Marx's theory of value as follows: "The famous 'labor theory of value' was adapted by Karl Marx from such classical writers as Adam Smith and David Ricardo. There is no better introduction to it than to quote from Adam Smith's *Wealth of Nations*. Smith employed the quaint notion of a Golden Age, a kind of Eden, wherein dwelt the noble savage before land and capital had become scarce and when human labor alone counted."[82] Having demonstrated his understanding of the theory, Samuelson then proceeds to a critical analysis of it, using the objective, restrained, non-ideological language of the American social sciences: "Karl Marx, a century ago in *Das Kapital* (1867), unfortunately clung more stubbornly than Smith to the oversimple labor theory. This provided him with a persuasive terminology for declaiming against 'exploitation of labor', but constituted bad scientific economics..."[83] Before driving his demonstration to its conclusion, Samuelson offers his own theory of the origins of private property; property grows out of scarcity just as naturally as babies grow out of wombs: "But suppose that we have left Eden and Agricultural goods do require, along with labor, fertile land *that has grown scarce enough to have become private property*."[84] On the basis of this profound historical and sociological analysis of the economy in which he lives, the American Lysenko concludes: "Once factors other than labor become scarce... The labor theory of value fails. *Q.E.D.*"[85]

However, in Chapter 34 of the same textbook, the same Samuelson explains the "Law of Comparative Advantage" with the same method of abstraction which Marx had used, namely he employs the same labor theory of value[86] in the same manner,

[82] Samuelson, *Economics*, p. 27.

[83] *Ibid.*, p. 29.

[84] *Ibid.*, italics by Samuelson.

[85] *Ibid.*

[86] From Samuelson's explanation of the law of comparative advantage: "In America a unit of food costs 1 days' labor and a unit of clothing costs 2 days' labor. In Europe the cost is 3 days' labor for food and 4 days' labor for clothing," etc. *Ibid.*, p. 649.

and he refers to the same source, Ricardo. Samuelson even tells the reader that later on he "can give some of the needed qualifications when our simple assumptions are relaxed."[87] In the introduction to his textbook, Samuelson even defends the method of abstraction: "Even if we had more and better data, it would still be necessary as in every science to *simplify*, to *abstract*, from the infinite mass of detail. No mind can comprehend a bundle of unrelated facts. All analysis involves abstraction. It is always necessary to *idealize*, to omit detail, to set up simple hypotheses and patterns by which the facts can be related, to set up the right questions before going out to look at the world as it is."[88] Thus Samuelson cannot be opposed to Marx's method of analysis; what bothers him is the subject matter; what he opposes is analysis which asks why it is that "In our system individual capitalists earn interest, dividends, and profits, or rents and royalities on the capital goods that they supply. Every patch of land and every bit of equipment has a deed, or 'title of ownership,' that belongs to somebody directly – or it belongs to a corporation, then indirectly it belongs to the individual stockholders who own the corporation."[89] Samuelson has already told his readers the answer: "Through profits, society is giving the command over new ventures to those who have piled up a record of success."[90]

Rubin points out that Marx's "simple commodity economy" cannot be treated as a historical stage that preceded capitalism: "This is a theoretical abstraction and not a picture of the historical transition from simple commodity economy to capitalist economy" (Rubin, p. 257). Consequently, the "labor theory of value is a theory of a simple commodity economy, not in the sense that it explains the type of economy that preceded the capitalist economy, but in the sense that it describes only one aspect of the capitalist economy, namely production relations among commodity producers which are characteristic for every commodity economy" (Rubin, p. 255). Marx was perfectly aware that he could not "construct the theory of the capitalist economy directly from the labor theory of value and... avoid the intermediate links, average profit and production price. He characterized such attempts as 'attempts to force and directly fit concrete relations to the elementary relation of value; attempts which present as existing that which does not exist'"(Rubin, p. 255).

Rubin's book analyzes the connections between technology and social relations in a commodity economy where people do not relate to each other directly but through the products of their labor. In this economy, a technical improvement is not experienced directly by the producers as an enhancement of life, and is not accompanied by a conscious transformation of working activity. The working activity is transformed, not in response to the enhanced productive power of society, but in response to changes in the value of products. "The moving force which transforms the entire system of value originates in the material-technical process of production. The increase of productivity of labor is expressed in a decrease of the quantity of concrete labor which is factually used up in production, on the average. As a result of this (because of the dual character of labor, as concrete and abstract), the quantity of this labor, which is considered 'social' or 'abstract,' i.e., as a share of the total, homogeneous labor of the society, decreases. The increase of productivity of labor changes the quantity of abstract labor necessary for production. It causes a change in the value of the product of labor. A change in the value of products in turn affects the distribution of social labor among the various branches of production... this is the schema of a

[87] *Ibid.*, p. 648.

[88] *Ibid.*, p. 8. Samuelson's italics.

[89] *Ibid.*, p. 50.

[90] *Ibid.*, p. 602.

commodity economy in which value plays the role of regulator, establishing equilibrium in the distribution of social labor among the various branches..."(Rubin, p. 66).

In the concrete conditions of the capitalist economy this process is more complex, but in spite of the added complexities the regulation of the productive activities of people is still carried out through the movement of things. In the capitalist economy "the distribution of capital leads to the distribution of social labor" (Rubin, p. 226). However, "our goal (as before) is to analyze the laws of distribution of social labor" (Rubin, p. 228), and consequently "we must resort to a round-about path and proceed to a preliminary analysis of the laws of distribution of capital". (Ibid.) The task becomes further complicated by the fact that, "if we assume that the distribution of labor is determined by the distribution of capital which acquires meaning as an intermediate link in the causal chain, then the formula of the distribution of labor depends on the formula of the distribution of capitals: unequal masses of labor which are activated by equal capitals are equalized with each other" (p. 235). The gap between the distribution of capital and the distribution of labor is bridged through the concept of the organic composition of capital, which establishes a relation between the two processes (p. 237).

In his analysis, Rubin assumes "the existence of competition among capitalists engaged in different branches of production" and also "the possibility for the transfer of capital from one branch to another" (p. 230).[91] With these assumptions, "the rate of profit becomes the regulator of the distribution of capital" (p. 229). Rubin defines profit as "the surplus of the selling price of the commodity over the costs of its production" (p. 230). And a change in the cost of production is "in the last analysis caused by changes in the productivity of labor and in the labor-value of some goods" (p. 251). Schematically, the process can be summarized as follows. Technical change causes a change in the productivity of labor. This changes the amount of alienated, abstract labor which is congealed in certain commodities, and consequently changes the value of those commodities. This in turn affects the costs of production of branches which use the given commodities in their production process, and thus affects the profits of capitalists in those branches. The change in the profitability of the affected branches leads capitalists to move their capitals to other branches, and this movement of capitals in turn leads to a movement of workers to the other branches (although the movement of laborers is not necessarily proportional to the movement of capitals, since this depends on the organic composition of capital). Rubin's conclusion is that the regulation of labor in the capitalist society differs only in complexity, but not in kind, from the regulation of labor in a simple commodity economy: "Anarchy [sic] in social production; the absence of direct social relations among producers; mutual influence of their working activities through things which are the products of their labor; the connection between the movement of production relations among people and the movement of things in the process of material production; 'reification' of production relations, the transformation of their properties into the properties of 'things'- *all of these phenomena of commodity fetishism are equally present in every commodity economy, simple as well as capitalist*. They characterize labor-value and production price the same way" (p. 253, Rubin's italics). The first volume of *Capital* provides the context, the second volume describes the mechanism, and the third

[91] Rubin does not treat cases where the assumptions of perfect competition and perfect mobility of capital do not hold. Thus he does not extend his analysis to problems of imperialism, monopoly, militarism, domestic colonies (which today would come under the heading of racism). Rubin also does not treat changes in production relations caused by the increased scale and power of productive forces, some of which Marx had begun to explore in the third volume of *Capital* and does not treat its development or its transformations.

volume treats in detail the formidable process through which "the object produced by labour, its product, now stands opposed to it as an *alien being*, as a *power independent* of the producer;" the process through which "the life which he has given to the object sets itself against him as an alien and hostile force."

Fredy Perlman, Kalamazoo, 1968