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Karl Marx and the Close of his System. By EUGEN VON BÖHM-BAWERK. *Böhm-Bawerk's Criticism of Marx.* By RUDOLF HILFERDING. *On the correction of Marx's Fundamental Theoretical Construction in the Third Volume of Capital.* By LADISLAUS VON BORTKIEWICZ. Edited by PAUL SWEEZY. (New York: Augustus M. Kelley, 1949. Pp. xxx + 211. $3·50.)

WHAT was all the fuss about? In Volume I of *Capital* Marx set out his theory of *value.* The *value* of, say, a week's output of a commodity is the labour-time expended in making it, including the labour-time expended in the past to make raw materials and capital equipment now used up in the process of production. The net output (total output minus the *value* of raw materials and wear and tear of plant) is divided between wages and surplus—that is, profit interest and rent. The ratio of surplus to wages is the rate of exploitation.

In Volume III of *Capital* Marx gives his theory of prices. The exposition is confused by his habit of using one expression for two meanings—*variable capital* means both the annual wages bill of a concern and the capital locked up, at any moment, in the wages-cost of work in progress. He does distinguish between *constant capital* in the sense of the annual wear and tear of physical capital, and in the sense of the amount of capital represented by equipment and the raw material in work in progress, but he often loses his grip on the distinction. (It is to be observed that the categories, constant and variable capital, cut clean across the categories, fixed and working capital.) These, though tiresome, are minor difficulties, and the essence of his theory of prices is quite simple. Wage rates per man-hour are assumed equal in all industries (Marx deals with the complications when they are not), and, when prices are normal, the rate of profit on capital invested is equal in all industries. Thus the price of a week's output of a commodity is equal to the costs of replacing the raw materials and wear and tear involved in its production, *plus* the week's wages, *plus* profits at the general rate on the capital involved in plant and in work progress.

This is broadly the same as Marshall's theory of long-period normal prices (without the complications of increasing and diminishing returns) or as Sombart puts it " a ' quite ordinary ' theory of cost of production " (quoted, p. 31).

It is obvious that the prices of various commodities and their *values* can be in the same ratio to each other only in a very special case. When prices are proportionate to *values* the net product of equal qualities of labour-time must be sold for equal amounts of money. If wage-rates are everywhere the same, this is compatible with the condition that profits per unit of capital must be uniform only if capital per unit of labour is the same in all industries. (Marx describes the ratio of capital to labour in an industry as the " organic composition " of its capital, but, owing to the double meanings referred to above it is hard work to make sense of his definition of organic composition.)

Why then does Marx state (in Volume I) that normally prices equal values? From the modern point of view, the best line of defence is to argue that in Volume I he is assuming, just for convenience, that all industries are alike. Relative prices of commodities, after all, are of little interest in " macro-dynamic " analysis, and it is quite legitimate to use a " model " in which the ratio of capital to labour is uniform, for the purpose of disentangling the large questions with which Marx was concerned—movements in the total supplies of capital and labour, the development of productivity in the economy as a whole, and the distribution of the product of industry between labour and capital.

Mr. Sweezy hints that this is how he would like us to take it (p. xxiii). But it was not the way Marx looked at the matter. For him *value* and prices were important, and were connected with each other in a fundamental way. He did not think of exchange-value as a relationship between commodities which has no significance when the total of output is considered, but as a quality inherent in each of them—a quality analogous to weight or colour.

> " Let us take two commodities, *e.g.*, corn and iron. The proportions in which they are exchangeable, whatever these proportions may be, can always be represented by an equation . . . *e.g.*, 1 quarter corn = x cwts iron. What does

> this equation tell us? It tells us that in two different things—in 1 quarter of corn and x cwts of iron, there exists in equal quantities something common to both. . . . This common "something" cannot be either a geometrical, chemical, or any other natural property of commodities . . . . If then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour." (Quoted p. 10.)

This, no doubt, is mere assertion, disguised as argument. But having committed himself to the assertion Marx had to reconcile it with his theory of prices.

The reconciliation (published long after his death in Volume III of *Capital*, but conceived much earlier, p. 155) is purely formalistic and consists in juggling to and fro with averages and totals. Marx's contention is that the quantity of surplus in terms of *value* generated by a unit of labour is the same in each industry, whereas actual profit per unit of labour varies with capital per unit of labour. The *value* generated in each industry is conceived to be pooled and shared out again, through the competitive process, so as to bring this about. Once more pure assertion is masquerading as argument, for we have nothing but Marx's bare word for it that the *value* generated per unit of labour is the same in each industry—all we can know in concrete reality is the actual profit per unit of labour, which admittedly varies from industry to industry.

The real meaning of all this lies on a quite different plane. What Marx was trying to convey was a view of the operation of the capitalist system which, right or wrong, is highly significant; but what he actually wrote, taken literally, is a rigmarole entirely devoid of content.

Böhm-Bawerk seized upon the rigmarole as soon as Volume III was published, and made sport of it. His manner is urbane, his argument elegant, and the essay is still worth reading for its entertainment value. But it is totally superficial. The theory of *value*, in the narrow sense of a theory of relative prices, is not the heart of Marx's system (though both he and Böhm-Bawerk believed that it was), and nothing that is important in it would be lost if *value* were expunged from it altogether. Böhm-Bawerk makes out his case, but nothing follows.

In his counter-attack (first published in 1904), Hilferding argues (in a haze of verbiage that Mr. Sweezy finds more rewarding than non-Marxist readers are likely to do) that the theory of *value* is not intended to deal with relative prices, but with the law of motion of society (p. 147). All the same, he cannot discard any part of Marx's system, and he has to find some sense in which it is also true that *value* governs price. To do so he falls back on the historical argument. Before capitalism developed, each worker owned his own tools and the prices of commodities were proportional to the labour-time required to produce them. *Value* then ruled in the market, and, as capitalism developed, *values* were gradually transformed into prices.

The argument about how prices were determined in the pre-capitalist world is conducted in much the same style as the " bourgeois " economists' argument about how Robinson Crusoe equalised his marginal utilities, and is no more convincing. But even if it were true, it would not serve to rescue Marx from Böhm-Bawerk's attack, for his so-called equation, " 1 quarter of corn = x cwts of iron," was supposed to apply, not in an idyllic past, but in the contemporary capitalist market.

For the rest, though Hilferding scores one or two telling points against Böhm-Bawerk's own theory, he throws no light whatever (indeed he throws darkness) on the meaning of the theory that *value* determines price.

Why is it that Marxists, even to this day, have to carry on all this mystification ? Why could not Marx's system have been freed, by constructive criticism, from irrelevance and contradictions and clearly shown to be the original and penetrating system of analysis that, with all its blemishes, it certainly was ? The reason is, no doubt, that the Labour Theory of Value has long ceased to be a theory and become a creed. Perhaps, from one point of view, the Marxists are right to defend it. Religions which take a firm stand upon dogma have shown, in the course of history, great cohesion and toughness, which reason might have weakened. " The spirit killeth, the letter keepeth alive." But the theological style of argument has a corrupting effect upon the intellect.

The last item in this collection is one of the very rare examples of a constructive criticism on a point in Marx's system. Not being a pious Marxist, Bortkiewicz was able to notice an error in Marx's text, and at the same time he was sufficiently interested and sympathetic to put it right. The point at issue is purely formal and of no importance, but it has the same kind of cross-word-puzzle fascination as the " adding-up problem " in " bourgeois " economics.

As we have seen, Marx in Volume III discarded the assumption that prices are proportional to values, but in calculating the output of industries, in some numerical examples, he carelessly reckons raw materials and wear and tear (constant capital) at prices corresponding to *values*. Since the raw materials for one lot of industries are the output of another lot, his examples fail to hang together.

Bortkiewicz makes an elaborate job of exposing and correcting Marx's slip. Mr. Sweezy refers approvingly to other contributions which have been made to the problem and looks forward to new work being done upon it (p. xxx). He evidently fails to realise that it is just a toy and that the whole argument is condemned to circularity from birth, because the *values* which have to be "transformed into prices" are arrived at in the first instance by transforming prices into *values*.

Marx conceives of exploitation in terms of the division of working time into the part necessary to produce the subsistence of the workers, and the rest, which produces surplus. This has no meaning as applied to individual industries. Obviously, in a specialised industrial economy, it would take any group of workers more time than there is to produce for themselves the goods which they consume. The division must be conceived as applying to the output of the economy as a whole. We must take the sum of all profits received, find its ratio to the sum of all wages paid, and divide the total working time in the corresponding proportion. Suppose that, of total net output, 40% goes to wages and 60% to profits, then the *value* of the wages paid for 100 man-hours of work, is 40 man-hours, and the surplus generated by them is 60 man-hours. Now, each group of workers is conceived to generate surplus at this rate, irrespective of the actual share of profits in the industry concerned. In an industry with more than average capital per unit of labour, where the ratio of profit to wages is, say, 70 to 30, the surplus per 100 man-hours being reckoned as only 60, the extra 10 man-hours' worth of profits actually received is attributed to the fact that the price of the commodity produced "exceeds its *value*." But this *value* is purely notional, and corresponds to no actual feature of the industry in question. The *values* of commodities are imputed by crediting each group of workers with the average rate of exploitation of labour as a whole, and the "transformation of values into prices" consists of breaking the average up again into the separate items from which it was derived. It is possible to make a logical slip (as Marx in fact did) in either half of the process, but if the imputation and the transformation are both done according to the rules, the answer is bound to come out right.

The above type of methodological criticism appears to a Marxist to be tiresome and beside the point, because the whole rigmarole has a symbolic meaning for him. *Value* precedes price, because the fact of exploitation lies behind the phenomena of the market. May be so—but this is not the kind of proposition that can be established by a tautological argument. Why not state the point of substance openly and leave the tautologies to look after themselves?

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